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Joint Action

WHILE Mr Churchill td with the President in Washington, Mr Edelas conducting conversations in Moscow with the lets of the Russian State. These simultaneous conferences symbolise well the new necessities of world war. Both eat down the aggressors and to secure a world in whithere will be no more aggression, unity is the Allies'rst objective. The fact that it is an obvious objective is not make it an easy one. There is constant centrifug pressure on the Allied front. Strategically, the temptatis to regard each front as a separate war ; politically, it to carry into an era of world planning a narrowly nationlist outlook. The success of the Washington and Mosc talks will depend on whether they have countered the divergent tendencies and laid the foundations of clearer understanding.

In the general strategy of the tr, the first necessity is to get into perspective the Allies'all round shortage of way materials. The long lead of Jain and Germany has not yet been made good. It follows tat supplies are short is between the various fronts. Thagh Mr Churchill's explanation to Congress of the shortcomings in the Allies' Far Eastern defence does not necessarily clear the Government of the charge of miscalculation. It does explain why miscalculations can so easily occur.

It would have been much better, I freely admit, if we had had enough resources of all kinds to be at full strength at all threatened points. But considering how slowly and reluctantly we brought ourselves to large-

scale preparations and how long these preparations take, we had no right to expect to be in such a fortunate position.

Shortages, uncompensated by any joint planning, may make for accusations of bad faith and will certainly leave dangerous gaps. Without a view of the war as a whole, how is Australia or indeed the United States to judge whether Britain has skimped Singapore to defend the Channel? Without frank consultation, how can the Russians be convinced that it is impossible for Britain to stage costly military diversions? The problem of the gaps is even more obvious. It is only when the military resources of the British Empire, the United States and Russia are viewed as a whole that effective allocation becomes possible. The resources that are necessary to safeguard Great Britain against invasion are a function of the amount of German military material the Russians can lock up on the Eastern front ; and this calculation in its turn determines the reinforcing of the Far East.

The unanswered query of Russia's reactions to Japan's entry into the war is best viewed from this standpoint. If Russia does not possess the resources to risk an attack in the Far East—bomber strength, fighter protection, ground forces for aerodrome defence and the rest—then, to launch an offensive there might jeopardise the front against Germany. The Soviets, perhaps, find themselves vis-à-vis Japan, in roughly the same position as were the British last summer when they were faced with the desir-



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ability and the impossibility of "opening a second front." The advantages of attacking Japan are so obvious to the cause of total victory in a war which the Russians recognise to be indivisible that Russia's continued neutrality can mean one thing only—the incapacity of the Russians and of their allies to supply the necessary war material.

In the longer perspective of the post-war settlement, the significance of the Washington and Moscow talks will depend on the extent to which they point towards more permanent collaboration. It is useless to spend efforts in building vast international governments until there is some substance to put into the institutions. The Allies are only taking the first hesitant steps towards a unity which, scientifically and technically, may well be necessary already, but which is politically still a very distant goal. What is essential is that these steps should be in the right direction.

There is every reason, for example, to urge the British and American Governments to undertake at once the joint discussion of their post-war policy. The war effort itself suffers at the moment from lack of any really compelling picture of what the English-speaking peoples have in mind when they speak of a "durable settlement." Joint discussion is essential, first to ensure that each of the two nations has a definite foreign policy (that in itself would be an improvement on the inter-war period), and secondly to ensure that, as far as possible, both countries have the same policy. The discussions will naturally range over both the political and the economic field. In the former—the political organisation of a peaceful world—it is perhaps Britain which, by nearness to the seat of danger and (let it be hoped) by greater willingness to bear the continuing burden of enforcement, will have the initiative and will solicit the support of the other partner. But in the economic field the roles are reversed. It is the United States which, by the dominant size of its national economy and the cast of thought of its governing circles, has already taken the lead and invited the co-operation of Great Britain. Both countries have their lessons still in part to learn. It is not sufficiently recognised in the United States even yet that there is a political price to pay for that security and stability which alone will make a reasonable economic order. And it is quite inadequately realised in Great Britain that certain cherished economic ideas will have to be modified—within the margin of possibility—if the political co-operation of the United States is to be secured. Both these points are made in the Atlantic Charter. The detailed examination and specific embodiment of its clauses should begin at once.

The actual fact of day-to-day contact in the conduct of the war can also be used to lay the basis of a more permanent association. This is not the time for elaborate

constitution-making which will be suspect on both sides of the Atlantic, but where there is a common need, let the appropriate institution be set up, stabilised, strengthened and as far as possible rendered permanent. Defence, economic policy, transport, to name only a few, are already creating such needs. Constitution building, in this narrower but more practicable sense, can begin at once. The report from Washington that the setting up of a joint Anglo-American War Council is under consideration shows, perhaps, that it has already begun. Moreover, all these processes of discussion and joint action should be constantly dramatised for the benefit of public opinion. The spectacle of a British Prime Minister addressing Congress has an emotional significance far outweighing the actual text of the address. The emotional content of all manner of contacts and joint action can, with skilful handling, be made to play a great part in creating the demand for common institutions which must precede their creation if they are to have any vitality or lasting effect.

The relations between the English-speaking world and Russia should, where possible, follow the same lines—the working out by joint consultation of a common policy, and the creation, through wartime necessities, of permanent organs of collaboration. The difficulties are inevitably greater, for neither in history, culture, language nor contemporary tradition is Russia as near to Britain and the United States as they are to each other. Yet Mr Eden's visit to Moscow, where the discussions were "full, frank and sincere" suggests that one of the main obstacles to collaboration—lack of confidence—can be overcome, while Russia's willingness to sign the Atlantic Charter is, at the very least, a pointer towards a measure of uniformity in the Allies' political and economic views.

The canvas is narrowing, the frontiers are closing in. For the multitude of separate sovereignties of the last century, there have been substituted five great power centres, Germany and Japan, Britain, Russia and the United States, two of which are at war à l'outrance with the other three. In the hour of victory, the effective power centres will be only three in number, and while it is a first principle of their policy that every peace-loving state shall be associated with their decisions, ultimately it is on their agreement that it will depend whether the world is to know "a new birth of freedom" or to plunge on in a vicious downward spiral of war without end. Such, ultimately, is the stake of the talks at Washington and Moscow. To the utmost limit, subject only to the full maintenance of principle, collaboration must be secured. It is the only guarantee that the peoples of the world will ever, to expand Mr Churchill's noble peroration to Congress, "for their own safety and for the good of all, walk together in majesty, in justice and in peace."

Europe grew up round the League of Nations. Mr Butler has an illuminating chapter in which he explains the way in which the machinery of the League was worked. He is not depressed by his experience, which, since he was Director of the ILO, was very close. He regards the League as the first experiment in international control and order. Small wonder, therefore, that it did not survive its first hesitant application to the virtually insoluble problems of Europe after the last war. But it will have vindicated itself if the limitations which it brought to light are taken into account in the creation of a new system. Of these, the most obvious is the fact that without effective power behind instruments of international government, it is almost as though they were non-existent—worse indeed, for they discredit by their ineffectiveness the whole conception of international law. At Geneva there was at no time a strong coalition of Powers determined to enforce the law, and this negative, even pacifist, attitude of the member-states frustrated from the first the really quite adequate machinery.

The hesitations and general ineffectiveness sprang not only from the narrow nationalism of the Powers but also from deep psychological errors in the contemporary mentality of Europe. There was, for example, a radical misconception of the problem of power. The idea that power, that is to say military power, could be effectively linked with the preservation of law and the creation of security was hardly even a possibility for the statesmen and journalists of the inter-war years. Both in this country and in America, the idea had penetrated too deeply that arms were inseparably connected with tyranny and that the whole problem of armaments was distasteful and slightly disreputable. The progressives deprecated the production of guns by private firms working for their own profit; but they did not support an increased production by the peace-loving states. Collective security, which was and is the only sane policy of defence, came to be divorced from the idea of military power, either by the Conservatives who wanted the national armaments without the collective system, or by the League of Nations men who thought that the new commonwealth could be run by persuasion or by a token force. The truth is, of course, that neither was right. A proper policy of security demands the collective action of strong Powers. The antithesis between rearmament and security was a false antithesis. France and Great Britain desperately needed both. Dr Brogan confesses at one point in his book to having seen the error of his own past ways. There are very few indeed who wrote on foreign affairs in the inter-war period who would claim to have been completely clear-headed.

If Great Britain's conception of the general framework of Europe was mistaken, so too were many particular British reactions, habits, customs and attitudes. Those who went abroad became fantastically naïve both about the information they received and the sources of that

information. How otherwise would it have been possible to pull so much wool over the eyes of so many visitors to all the dictator states? Take the case of Russia, for example. Here the only sources of information were subject to political surveillance and, in addition, the whole tradition and civilisation of the country were alien and strange. Any kind of information should have been received with the utmost caution. Instead, there was nothing the Intourist guide could tell the innocent traveller which was not most solidly believed. Germany is an even more astonishing example. In spite of all the Nazis did to de-civilise Germany, English visitors continued to be surprised and impressed by the energy and activism and constructional work of the Third Reich. Thanks to this ready gullibility of the British, Germany was able to get away successfully with the persecution of the Jews, the abolition of trade unions, the building up of a large army, even the rape of Austria. As Dr Brogan puts it:

The more formidable the Germans grew, the more important the positions abandoned, the more complete the Nazi control of Germany became, the more a readiness to see the good side of the Nazis became fashionable! The government of gangsters of 1934 became the government of Herr Hitler, who had restored the self-respect of the German people, by 1936.

British gullibility towards Germany sprang from a radical ignorance of Germany's immediate past and of German history in the last two hundred years. Mr Butler defines thus the two fundamental mistakes which were made after the last war and which may well be made at the end of this: "The first was the supposition that the Kaiser led the country into war against the will of the people"—for the Kaiser, Hitler should now be substituted—"the second was the supposition that German society and German psychology had been radically changed by the disappearance of the Imperial régime, that contrary to all his past teaching and tradition, the German had been converted into a democrat"—now for the Imperial régime the Nazi system must be read. Believing in this total change of heart, the average Englishman was inclined to attribute the discontents of Europe to France's determination to hold Germany down. And there was even a touch of resentment in his attitude towards the Frenchman who, he felt, did not see so clearly the change of heart. Thus another illusion entered in: that France—unfortunate, frightened, disintegrating France—was really the potential aggressor and the chief exponent of the militarist spirit on the Continent.

Gullibility with regard to Russia sprang from an equal ignorance of history, but was doubled by the popular Left-wing thinking of the last two decades. It is to the illusions created by ideological thinking on the Left that Dr Brogan devotes most of his attention and anger. The Communists he sees as a body of people who have emitted a dark smoke screen of categories and slogans and myths

Towards a Sounder Foreign Policy—I.

Inter-War Delusions

THE people of this country, who found themselves immersed in war within little more than twenty years of the last peace treaty, must obviously be the last to maintain that British diplomacy in the inter-war years has been an unqualified success. Its one aim and purpose was after all, to prevent war, and now, once again, the country is not only involved in war but fighting the same enemy in company with most of the same allies. The basic problem facing the Government and people of Britain is twofold: to learn from the inter-war years what errors to avoid and then to apply the knowledge to the conditions prevailing at the end of this struggle. Otherwise yet another war will have been won to no purpose. It is to this problem of what has been done wrong and of what can be done right that Mr Harold Butler and Dr Brogan devote themselves in two recent books.* The

two works complete each other admirably, for while Mr Harold Butler deals more with the external sequence of events, Dr Brogan is busy tracking down fallacies and prejudices and hypnothesising their roots in the minds and wills of the people. Both writers are concerned with errors and fallacies, Mr Butler with their results, Dr Brogan with their origins. And the two books, read together, give an outstanding picture of the facts and fancies which were woven together to make up British policy between the wars. If the next peace is not to be another repetition of temporary lull and recurrent fighting, the same errors must not be repeated. As Dr Brogan puts it: "Ignorance is not the only cause of our present plight but it is one of them, and ignorance is, after all curable. It will not help us much if our hands are clean and our heads empty." The dissipation of illusion is the first step towards better policy and a more effective British rôle in international affairs.

Some of the most luxuriant fallacies about inter-wa

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* "The Lost Peace." By Harold Butler. Faber & Faber. 6s. 6d. "Is Innocence Enough? Some Reflections on Foreign Affairs." By D. W. Brogan. Hamish Hamilton. 7s. 6d.

REVENUE (£ Millions)						
	Year's Receipts			Nine Months' Receipts		
	Actual 1940-41	Estimated 1941-42*	Estimated Inc. (+) or Dec. (-)	To Dec. 31, 1940	To Dec. 31, 1941	Inc. (+) or Dec. (-)
Income Tax	523.9	756.0	+ 232.1	187.1	326.9	+ 139.8
Surtax	76.1	80.0	+ 3.9	23.3	23.7	+ 0.4
Estate, etc., Duties	80.8	82.0	+ 1.2	58.1	65.7	+ 7.6
Stamps	13.7	14.0	+ 0.3	10.4	9.9	- 0.5
Nat. Defence Contr.	24.1	210.0	+ 115.8	16.2	15.3	- 0.9
Excise Prods Tax	304.9	310.7	+ 5.8	236.5	279.6	+ 135.9
Customs	234.4	266.7	+ 42.3	143.0	204.4	+ 61.4
Excise	38.0	39.0	+ 1.0	13.1	12.8	- 0.3
Motor Duties	1.0	1.0	...	0.3	0.3	...
Other Inland Revenue						
Total Tax Revenue	1,358.7	1,759.4	400.7	721.8	1,167.9	+ 426.1
Non-Tax Revenue	50.1	37.0	- 13.1	30.6	73.6	+ 43.0
Total Ord. Revenue	1,408.8	1,796.4	+ 377.6	752.4	1,241.5	+ 469.1

the perspective wavers; dates and characters will not fit; and the catchwords of the 'thirties jostle with the opinions of the 'sixties as perplexingly as iron and bronze in the Homeric poems. Trollope had a scrupulous sense of time, and therefore of change in time. Dickens had none. It is idle to ask, as one of his earliest reviewers did, "When did Weller, Senior, live?", because Dickens did not know. He did not even know at what age he himself went to Chatham or how long he lived there.

A critic who, with the Annual Register in his hand, tried to date the novels by their political or economic allusions would find himself entangled in as many interpolations and transpositions as a German scholar might have recourse to in distinguishing the strata of the Iliad.

The historical student, therefore, must go warily with Dickens. "He did not care" to get the pieces into a true pattern, and many of them he flung or shoved about with impatient aversion. None the less, his novels, taken together, are a historic document of considerable significance for the light they throw on one persistent mode of political feeling in England. The reaction against Eldon, against Sidmouth, against the Duke of Newcastle and the old criminal law, bred in large classes, especially in that part of the middle class which was just inside the franchise and only just on the fringe of political influence, a sense of resentment, a disaffection, an angry, and sometimes virulent, intolerance of the existing order in all its aspects: its unreason, its corruption, its cruelty, above all its unfairness. By a selection of particulars, every social system can be made to appear vicious or absurd, because it has to be directed by human beings, and among them some are bound to do absurd and vicious things; and with these particulars the disaffected worked. The logical Radicals found their remedy in the precept and practice of accountability, and they were right; against some kinds of folly, and some kinds of corruption, publicity is the only, but also the adequate, defence. Carlyle and his oddly mingled train fixed their hopes on the Prophet and the Hero, and sometimes, as Mr House truly says, Dickens deviated that way too. But not for long. And

not for long could he follow any one way. Wholly without historic sense, he could not feel the grandeur of the historic growth about him. Nor could he so far master his discontents as to build with them—as Ruskin could—the framework of a better order. Once more, that infallible finger is laid by Bagehot on the weakness at the heart,

deficiency in the masculine faculties, in the reasoning understanding, and firm, far-seeing sagacity. It is these components that stiffen the mind, give a consistency to the creed and a coherence to its effects, which enable it to protect itself from a rush of circumstances.

And with Dickens the circumstance might be the starting point of a rich and glorious effusion of fancy, or a dreary and dreadful exhibition of self-righteous, denunciatory sentiment. No "broad perfection" here, but an inextinguishable flame, and, in it, unfused intractable masses of anger and pity, and the burnt-out slag of topical, conventional emotion.

Bagehot's contrast of Dickens with Chaucer keeps working in one's mind. No one would be at a loss if he found the three corners of his railway carriage occupied by the Franklin, the Man of Law and the Shipman. They would be talking of the agricultural call-up, Regulation 18B and the turn-round of freighters, and the new-comer could join in. But the world of Dickens is plotted by co-ordinates of its own, with its own untranslatable idiom. Estella, indeed, seems to have a dream-footing in two universes at once. But the rest of Dickens' people? Could any of them have ridden to Canterbury? They would have vanished as they issued from the gate of the Tabard, and to keep them company we must have vanished with them. But perhaps in the darker corners of Southwark, we might have stepped aside to let Bill Sikes and Nancy pass. And where the road has Sea Reach in sight—not far from Gad's Hill—Master Geoffrey and his companions might have paused for a friendly word with Abel the Hermit, expiating the errors of his own youth by a constant helpfulness to young pilgrims who had lost their way.

NOTES OF THE WEEK

The Economist

The paper shortage gets worse rather than better and with this week's issue of *The Economist* further changes have had to be made to save space. The most striking of these is, of course, the entirely new departure of beginning the leading article on the outside page. The decision to do this has been more unpleasant even than the decision to dispense with the grey-and-crimson cover two years ago. But the alternatives were either still further to reduce the volume of matter in the paper, which would have made it less complete, or to reduce the size of type throughout, which would have made it less legible. We feel confident that our readers will endorse the choice that has been made, and they can be assured that the cover will be restored at the earliest possible moment. As it is, it has been possible to confine the reductions to some of the records and statistics (which are, in any case, becoming scantier as the controls spread) and to certain small cuts throughout the paper which will be perceptible only to those who have to wrestle week by week with the make-up problem of fitting the various sections in. It may even prove to be possible to give slightly more space to certain sections which are of particular interest in wartime.

Mr. Curtin Goes to War

The Australian Prime Minister is evidently a man who does not very much mind what he says. He has shown that he is very sensitive to what other people say about Australia, but his recent remarks about the United Kingdom's part in the grand strategy of the war were, at least, ungracious. His first statement (which has had to be "explained") was to the effect that the British Government could not be relied upon to give the Pacific theatre of war its proper importance and that Australia, without regard to "traditional links or kinship" with Great Britain, would

look elsewhere; "the United States and Australia must have the fullest say in the direction of the democracies' fighting plan." It is a pity that Mr Curtin's choice of language is so erratic. It is a pity, too, that he gets belligerent when there is no quarrel. There is as much criticism in London as in Australia of the unpreparedness of the Empire in the Far East, and it is safe to say that there is as much realisation of the vital importance of the Malayan front. There has never been the slightest wish to leave Australia unconsulted or neglected. The Dominions have never been willing to create an Imperial War Cabinet in which all the British nations could share in the decisions and the responsibility, and the consequence is that it is the United Kingdom Government that has to do the work, subject to such consultation as time and distance permit. Nothing would please the British people more than for the Dominions to take the fullest share of responsibility—including that of co-operating with the United States. Indeed, what is alarming in Mr Curtin's statement is not what he says about Great Britain or the United States or Malaya, but what he reveals of his own state of mind. What happened on December 7th, he says, was not the extension of an existing war but the beginning of a new one. Does this mean that in his view Australia's real danger is only now beginning?

Alert in Malaya

Like Australia, Singapore is waking up to hard realities, and the awakening is a bitter one. Through a censorship which, ever since the war started, has been a by-word for strictness among journalists, a stream of cables has steadily recorded recriminations and criticisms about defence policy. Like Plymouth, Singapore has been caught unprepared by bombs. It has been inundated by refugees. The whole of Malaya, beyond Singapore, was as unready for invasion as France behind the Maginot Line. It is true that the

natural indignation of the Malayan plantocracy and the business men of Singapore, against the Legislative Council, the local Civil Service and Imperial strategy, would have greater weight now—as in the case of the irate politicians of Australia—if they themselves had been more percipient and more insistent about precautions, and less disquieted by the prospect of direct taxation, before the Japanese attacked. It is true, too, that Mr Churchill has explained away the loss of the *Prince of Wales*, the *Repulse*, Northern Malaya, Penang and, presumably, by implication, Ipoh and beyond by reference to the supplies needed to win the victory which has not yet been quite won in Libya; and there is an Australian force in Malaya still to meet the advancing Japanese. But it is equally true that the inadequacy of the defences of Malaya so far has inevitably been a grave shock to opinion out there and here in Britain. It is hard to believe that Mr Churchill and his advisers, judged at any rate by their speeches, did not believe that what had been done in Malaya was enough for safety. To beat General Rommel and lose Singapore would not only be disastrous, it would be nonsense; and it is wasted time for the authorities, in Britain or in Malaya, to pretend that there has not been miscalculation, as well as undoubtedly straitened resources and bad luck.

The task in Singapore and Malaya now is to make the best of a bad job. In Singapore itself, there has been a call from many quarters for Mr Duff Cooper's War Council to take over the civil administration, which is criticised as incapable of undertaking defence and security. Both in ARP and measures against fifth columnists the city seems to have been lax until the eleventh hour. Martial law has been proclaimed, though the civil government is to go on; and civil defence is under the directorate of the president of the municipality and a brigadier from Malayan Command—with a committee under the War Council in supervision. Moreover, the aid of the Chinese in Malaya is now to be accepted in all defence tasks. More than once in the past General Chiang Kai-shek's offers of seasoned troops to aid British defence in the Far East have been refused. Probably there is no bitterer realisation for these peculiar British communities in the Far East than the growing one that, if Hongkong, Penang, Ipoh and the rest are to be recovered and Burma saved, the greatest weight in the fighting on land will be exerted by the armies of China.

The War Fronts

The general picture of the war remains unchanged. In the west, it is going better for the Allies than ever before. In the east, it is going uniformly badly. The continued advance of the Russians is the pivot of the western scene. Round Moscow, the Germans have been compelled to give ground in every sector. In the Crimea, far from achieving the capture of Sevastopol, they have been thrust out of Kerch and Teodosia by a brilliant Russian land and sea offensive launched across those same straits of Kerch which were to have been Germany's gateway to the Caucasus. The Russians are winning—have indeed won—the first major victory of the land fighting of this war. It remains to be seen whether the Battle of the Marne or the 1918 retreat is the correct analogy. The amount of ground recaptured is not yet very sensational—the Germans have weeks' fierce fighting. Everything turns on their powers of adapting themselves to winter conditions. The "wool-gathering" in Germany, the frank broadcasts to the German people on the hideous sufferings at the front, are not necessarily pointers—as so many optimists would believe—towards immediate collapse. Indeed, the openness with which the German people are confronted with their disasters suggests a confidence in their staying power which the spokesmen at Singapore, for example, do not appear to have in the British public. In Libya, too, although Benghazi has fallen and the fighting has now reached the Gulf of Sirte, Rommel's armies which a week ago were "scattered remnants" have counter-attacked vigorously and are still showing a great deal of fight. Let there be no chicken counting, least of all when the chickens are German. The Far Eastern situation can only be described as being in a state of deterioration. The fall of Hongkong after prolonged and gallant resistance was, obviously, inevitable. The analogy of Tobruk bore no reference to the situation, since the British had not command of the sea round the

island. The really disturbing question is the fate of Singapore. The Japanese are continuing their purposive investment of the base. To the north, Ipoh has fallen and the advance continues. The process of bottling up still further the Straits of Malacca has begun with a heavy Japanese air raid on the airport at Medan, the capital of Sumatra. To the east, Sarawak's capital has fallen and, with renewed Japanese attacks and landings on the coast above and below Manila and the withdrawal of the Philippine naval forces from Lingayen, it looks as though Manila itself will be lost. After it was declared an open town with blackout and defences removed, Manila was mercilessly bombed. Washington reports that reinforcements are on the way and that the American fleet is not being idle; but the danger is that to reinforce so exposed a position—thousands of miles from the nearest American base, and even more isolated since the Japanese capture of Wake Island—might well be more costly than is warranted by the strategic advantage of holding the Philippines.

Representative Government

The Home Secretary has set up a committee of Members of Parliament to advise him on the making of new electoral rolls and the redistribution of parliamentary seats for the next general election. This step in no way means that a war or armistice election has been decided upon; it is a routine precaution which is obviously necessary because of the growth and movement of the population, which have made the present registers of voters and the arrangement of constituencies, already antiquated before the war, very much out of date. Nevertheless, it must now be recognised that the suggestion which was made some time ago by several Ministers, of all parties and including Mr Churchill, that there might be no election until three years after the armistice, has fallen on very stony ground. Among most interested voters, and at the various party headquarters, it is generally assumed that there will be an early peacetime appeal to the electorate. Behind the scenes, positions are being taken up, not only by the parties themselves, but also by their factions which, in the Conservative party at least—standing as it does in the same dangers as the Liberal party at the end of the last war—may represent the immediate issues more than the formal alignments do. Whatever the protagonists, Churchill v. Baldwin—not the men but what they have stood for—is still the main bout to be settled by the professionals in the political ring when it is opened again. More fundamentally, the most important question which must still be placed before the people for their decision—the proper balance of order and freedom, of corporate effort and individual enterprise, in the dynamic democracy which the people at large, very vaguely but very earnestly, desire—cuts across all the formal party frontiers. The need is for a representative House of Commons, representative not only of numbers and their geographical location, but also of the needs, the aspirations, the talent and the intelligence of the whole com-

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munity. Except that it has had the wit to raise up and follow Winston Churchill, the present Parliament is representative in neither sense. It is senescent, in both its own and its Members' years of life; and it is mediocre. The mechanical first steps which Mr Morrison is taking to provide for a new House when the time comes are essential. But they will do nothing in themselves to meet the need for a more representative Parliament in the deeper sense; that is the task of the parties and the people. The real question is why able men do not enter Parliament. One of the answers is financial. In pay and expenses, they would be losers; and the payment of election expenses by the state, with a proviso to restrain freak candidatures, would kill two birds with one stone, by opening the door to talent and by preventing the way from being blocked by nonentities picked only for their ample means.

Washington and the Free French

On Christmas Day, the Allied peoples were surprised to hear that a small Free French force had taken over the islands of St Pierre and Miquelon, lying just off the coast of Newfoundland. Thereafter they were still more surprised to find the action strongly condemned in Washington, and Admiral Muselier's forces referred to as the "so-called Free French." There appeared to be singularly little justification for this hostile attitude, since the inhabitants warmly welcomed their liberators and the change of allegiance meant the loyal and unquestionable adherence of some strategically important islands to the Allied cause. It was at first thought that Canada and London shared the State Department's displeasure, but reports of Canadian assistance on the one hand and Mr Churchill's emphatic references to France, the subservient and the free, in his speech to the Canadian Senate and House of Commons on the other, left the United States as the only critic. This much can be said for the attitude of Washington. The Free French have pooled their resources in the common effort, and one of the conditions of its effective working is that no one should walk out of turn. Again, a violent change—if violence is the *mot juste*—in the western hemisphere, accomplished without the prior consent of the United States, is a violation of the Munro Doctrine. Nevertheless, the displeasure of the State Department sprang primarily from the fact that American diplomacy is still hoping to keep Vichy from total surrender to the Axis. The fruits of their labour so far have been the steady rise of Darlan to power, the dismissal of Weygand, and ever closer economic collaboration. Nevertheless, so long as there is no open German occupation of North Africa, they go on hoping—indeed, the colonial empire which has so often been supposed to be Vichy's main bargaining counter with Germany, has turned out to be its principal instrument for pressure on the English-speaking world.

Straight Words to Vichy

If the Americans could react so unfavourably to the Free French action, the British attitude towards the Free French in the last year is in part to blame. Nothing illustrates so painfully the lack of positive thought in diplomatic circles about the responsibility of Britain to Europe, and the necessity of securing in Europe a firm basis of friendly collaboration. The handling of the French problem has suggested over and over again that, if anything, the Free French were a rather embarrassing liability instead of a gallant band of helpers in the common cause. Mr Churchill's remarks on Vichy and on General de Gaulle in the course of his Ottawa speech may, therefore, mean more than a judgment of history on Vichy and an appreciation of the Free French. They may, perhaps, mark the beginning of a more positive attitude towards the future and organisation of Europe. Mr Churchill for the first time specifically excluded Vichy, as a quailing régime, from a place "as a nation in the counsels of the Allies and at the conference table of the victors," and at last described "the men of Bordeaux, the men of Vichy," in language from which the maddening diplomatic discretions of the last year were banished. "They lay prostrate at the feet of the conqueror," they fawned upon him." The ban on Vichy must now be firmly extended to all the quailing régimes. The delays which marked the British declarations of war on Roumania and Hungary, which still prevent a firm attitude to Bulgaria, suggest a state of mind to which appeasement is still sweet, and into which the realities of the European situation—the division not so much between nation and nation as between quislings and faithful men—have still not penetrated. It is to be hoped that Mr

Churchill's Ottawa speech is the first stage in a campaign to blow away all the cobwebs.

American War Organisation

The fortnight that has passed since the last brief chronicle appeared in *The Economist* of the steps that the United States is taking towards total war has been filled with a steadily widening stream of legislative and executive actions, and it is again possible to give only the briefest summary of their nature.

The First War Powers Act, signed by the President on December 18th, confers on him powers even greater than those exercised by Woodrow Wilson. In particular, he is empowered to reorganise the executive branch of the government as he sees fit; to remove all restrictions on contract letting (such as the peacetime requirement of competitive bids); and to control the whole banking system.

After considerable argument about the lower limit of age for conscription, both Houses of Congress agreed on an Act which provides for the registration of all men between 18 and 64—a potential reservoir of 40 million men—and for the liability for conscription of all men between 20 and 44. This liability will fall on approximately 20 million men, but the enlistment of 4,000,000 is the present goal, with a further objective of 7,000,000. The President is empowered to grant deferment by age or other groups. An insurance policy of \$5,000 is automatically granted to every enlisted man, with the possibility of applying for a further \$5,000. Volunteering for the Army is to be suspended as soon as the present rush is over.

The White House Labour-Management Conference, after some days of deadlock over the closed shop issue, reached an agreement whose main heads are—no strikes or lockouts; peaceful settlement of all disputes; creation of a special War Labour Board to arbitrate disputes. On the President's decision, applications for a closed shop will not be debarred, and will therefore be subject to arbitration. The task of providing man-power for industry is to be concentrated in the US Employment Service. The immediate expectation, however, is of increased unemployment owing to the shutting-down of civilian industries.

The Senate Banking Committee has approved an amending Price Control Bill which would transfer the power of price control from the contemplated Board to a single Administrator and confer on him the power of licensing traders and of buying and selling commodities. Price fixing orders have been issued for many textile goods.

A first outline of the financial problems of war is beginning to appear. The total of appropriations for defence (including the commitments of the RFC) is now \$74,444 millions. Expenditure on construction for defence purposes in 1942 is estimated at \$11,250 millions. Total war expenditure in the fiscal year July, 1942-June 1943, is estimated at \$50 billions, or very nearly four times the rate of recent months. The Treasury is believed to favour a plan for a tax on all incomes to be deducted at the source, but there is support in Congress for the alternative plan of a universal sales tax. A Joint Congressional Committee has recommended reductions in non-defence expenditure amounting to \$1,301 millions, chiefly affecting relief agencies and public works.

The production of tanks, which is said to be 840 units in December, will be 2,800 a month by the end of 1942. Machine tool production is to be doubled.

Production capacity for synthetic rubber is to be tripled, to 120,000 tons a year, by early 1943. (Normal consumption is about 500,000 tons a year.)

All supplies of tin are subject to allocation, and an order is to be issued limiting the uses of tin and tin-lined cans.

The output of 100-octane fuel is to be raised from 40,000 barrels a day to 120,000 barrels by early 1943.

The Economic Defence Board has been renamed the Board of Economic Warfare. An Office of Defence Transportation has been created under Mr Joseph Eastman.

Chinese Policy

The recent visit of General Wavell to Chungking and the appointment of Mr T. V. Soong as Foreign Minister both draw attention to the key part which China has played for four years, and is destined to continue to play, in the Far Eastern war. The appointment of Mr T. V. Soong, who is still in Washington, does not indicate any lack of appreciation of the outstanding ability of Mr Quo Tai-Chi, but is designed solely to confer adequate status on China's representative at the Washington conversations. It must be emphasised that Mr Quo Tai-Chi, in his new appointment of chairman of the Supreme National Defence Council, is still in a position to influence the formation of policy. In Chungking, General Wavell's discussions with General Chiang Kai-shek have covered such pressing military considerations as the Allied use of Chinese man-power; the supply to China of Allied equipment and the immediate problems of defending the main supply route: the Burma Road and Rangoon. The Chinese Government,

for their part, are offering some 250,000 seasoned Chinese troops for the defence of Malaya. It is apparent that the main contribution that the United States can make, and is already making through the operations of the American Air Squadron in defence of the Burma Road, is that of air support. It is particularly fitting that Mr T. V. Soong, who from the outset of the China "Incident" favoured unqualified resistance and has attacked appeasement wherever he saw it, should take control of foreign policy at the moment when the Far Eastern conflict has merged into the European struggle. Now he can face the British and American authorities in Washington as an equal and not as a suppliant. The two wars meet in Malaya and Burma, where Chinese man-power and Anglo-American equipment are complementary assets.

Iranian Route

The outbreak of war in the Pacific, and the consequent difficulty of supplying the USSR through Vladivostok, lends added importance to the route via the Persian Gulf. Further potential significance is provided by news that the United States is building a Middle Eastern base in Eritrea. Internal communications in Iran have made considerable progress in the last ten years, and the roads now rank among the best in the Middle East. The railway system, however, consists in little more than the main Trans-Iranian line from Bandar Shapur on the Persian Gulf to Bandar Shah on the Caspian Sea. This line, which was fortunately completed in 1938, was constructed mainly in order to render Iran independent of her neighbours through the provision of direct rail access to the sea. Consequently, no link was contemplated with the Russian rail system. So far, a high proportion of the freight intended for Russia has had to be transferred to lorries over the mountainous section of the haul, but it is expected that further development of the line and the arrival of two cargoes of rolling stock from Great Britain will shortly enable the journey to be made without interruption. Work has now started which will link the short branch line from Teheran to Kazvin with the Russian system at the point where a line runs across the frontier from Tiflis to Tabriz. The establishment of this link, which requires the sacrifice of certain preconceived ideas regarding Iranian detachment, is undoubtedly necessary to the adequate supply of the Soviet war machine. From the Iranian standpoint, there can be little doubt that the present development of the railway system will do much to assist a renewed policy of modernisation after the war. For the moment, the presence of foreign officials, whether British or Russian, can hardly prove congenial to a country which in recent years has been outstanding in its endeavour to extirpate foreign influence. The co-operation displayed by the Iranian authorities is correspondingly far-sighted; no doubt it implies a recognition that a German occupation would be less considerate and less temporary.

General Post

Commanders come and go in wartime as the battle fluctuates. It is a process of trial and error, in the British and German armies alike. But the latest British appointments, unlike the self-promotion of Hitler, suggest that the recent period of experiment, marked by the shuffling in November of the Imperial General Staff and several Commands, has now come to an end. There was a snap change in Libya in December; it was no shot in the dark, but the quick practical decision of the man on the spot, that led General Auchinleck to replace Lieutenant-General Cunningham by Major-General Ritchie at the crisis of the Libyan campaign. Lieutenant-General (now General) Pownall replaced Air-Marshal Brooke-Popham as Commander-in-Chief in the Far East after the first disasters in Malaya; but the change had already been decided upon before Japan went to war. What is happening is that the picked and proved commanders are taking up their stations as the war spreads. The appointment of Lieutenant-General Hutton, Chief of the General Staff in India, to be GOC Burma, is a case in point. Burma is now in the front line of Indian and Chinese defence. Its outworks in Malaya have been breached; and responsibility for its defence has been assumed by General Wavell, whose command already ran from Iraq and Iran to India and Ceylon. Last week, General Wavell went to Chungking and talked with General Chiang Kai-shek and Major-General Brett, of the United States Army, about the defence of China and Burma. The announcement of Lieutenant-General

Hutton's new post was a considered move in a plan to defend more than 800 million people against attack. It is only because Malaya is so linked with the sea and island strategy of the Pacific that its command is separate from the Indian bloc behind; and, now that the hinge has been broken at Penang and Point Victoria, it is arguable that the skill and experience of General Wavell, who knows the mind of the Russian and Chinese commanders, and has a large and growing army in India and the Middle East proper, should have been stretched out to Singapore. Liaison is the key to victory, not only tactically between sea and air forces in naval operations, and between land and air forces in assault and in defence of fortified lines and airfields, but also strategically between commander and commander, and between country and country. In battle and in manoeuvre, the enemy strikes at the joints; in Malaya, Burma and India, whatever the demarcation of commanders' responsibilities may be, the seasoned troops of China and the small, sturdy, effective forces of the Dutch East Indies, who complain of a lack of co-ordination, are vital allies. The ex-CIGS, Field-Marshal Sir John Dill, is to remain in Washington to work with the American military authorities; not only the plans for victory, but also their detailed execution in the field, must be done by Allied neighbours in harness.

After Mr Gandhi

It is very difficult to make out what effect the meeting of the Working Committee of Congress has had upon the chances of political co-operation in India. At the meeting, a three-cornered struggle apparently went on between those who favoured participation, on terms, and those who did not, with Mr Gandhi and his followers, as pacifists and passive resisters, the third party. Sympathy in their struggle against aggression was expressed by the Committee with "the peoples fighting for their freedom" and, specifically, with the peoples of Malaya, Burma, the East Indies, Russia and China, but not with those of Britain, the British Dominions, the United States—or India; and British rule was characterised as "an arrogant Imperialism which is indistinguishable from Fascism." The ostriches' heads are still below ground. The one tangible upshot so far has been the resignation of his leadership by Mr Gandhi, which ends the confusing anomaly of a far from pacifist political party being headed by a believer in non-participation in all wars. Even now, as often before, it is not clear that the Mahatma has really gone, for "Congress will render him full assistance in the prosecution of his mission, including the offering of civil disobedience." For the rest, the result is even more wrapped in riddles. It appears that Congress is prepared to participate in the war if the Government will give them an "adequate" share in its conduct and if Dominion status within a fixed period is pledged. This seems to be a return to the less intransigent position adopted earlier in the war, before the demand grew for independent government and a new constitution at once. It is a thousand pities that there is no normal contact or common meeting ground between the Nationalists and the Government. It is fatuous to call the Government "Imperialist," but more justifiable, in the strange set-up of Indian society, to call it "arrogant." But it is hard to see how the Government can set up an immediate National Government of the sort that Congress appears to want. On the face of it, the Congress demands are still not viable, if only because of the determination of other parties not to be ruled by Congress, war or no war. But, equally obviously, a new and powerful leaven of moderation has been at work in the counsels of Congress; there are new potential allies there; and it is the duty of the Government to go to the limit of practicability

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in offering a compromise. Nor is it simply a question of finding an accord in the war effort. The departure of Mr Gandhi is the exit of non-violence. The fact must be faced that non-violence is rejected by Congressmen who oppose the war as well as by those who are ready to support it; and 1942, with the war rolling nearer to India, promises either co-operation or conflict.

Official Intelligence

The news that there has been a change in the Public Relations Officer at the War Office—Colonel Walter Elliot has been replaced by Major-General E. F. Lawson—inspires some general thoughts about the functions and duties of this curiously modern breed of bureaucrat. It is obviously an excellent idea, well attuned to democratic practice, that the departments, Service and civil, should explain to their masters what they are doing and why; and the aberrations of military spokesmen, in London, Cairo and Singapore alike, are a clear pointer to the new man at the War Office of the primrose path to be avoided and of the straight and narrow path to be pursued. There has been too much over-rosy painting of the strategical chances of the Army in the field, and by contrast too little attention to the tactical excellence of individual military operations. The RAF bomb an airfield and the BBC, advised by the Air Ministry news service, is ecstatic; a mobile column of soldiers wrecks another airfield at great hazard, and the comment, also on the basis of an official hand-out, is routine and muted. But the errors of public relations work go wider than this. In nine cases out of ten, these official press agents deem it their duty to hand out boosts, puffs or "good news," while what the newspapers, the BBC and the people really want is facts and figures. The position now is that a newspaper man rarely pays any more attention to a departmental hand-out than he would to an advertisement for a patent medicine or a patent food; and the mere reader or listener regards every *communiqué*, apart from rare ones from the Admiralty, with an extremely critical eye or ear. Civil departments speak through their public relations officers of unending record achievements, while at its nadir, in Malaya, military publicity has reached the stage where, with a crazy logic, "the situation is unchanged" means "the enemy is still advancing." Publicity of this sort defeats its end, and exasperates, by monstrous iteration. No one is blameless; the civil departments are as bad as the Services, the Dominions and Empire offices not a whit better, with their monotonous and uncomparative lists of great deeds done in field and factory. Probably those people who demanded the enlistment of commercial advertisers and professional methods were, after all, wrong. Advertisement has only relative values. It knows no facts as the public wants them; and it is only on the basis of facts and figures, of exposition rather than of justification, excuses or "writing-up," that this parade of public relations can be justified by its results.

The New Divide

On January 5th, the new National Health and Pensions Insurance scheme comes into force, and from that date non-manual workers will be compulsorily insured up to an income limit of £420 a year instead of £250. A similar rise in the income limit for unemployment insurance came into force in September, 1940, and the delay in bringing National Health into line is merely another example of the strictly departmental way in which the social services are administered. But is there any greater virtue in the new dividing line than in the old? It was obviously a silly anomaly that allowed manual workers to continue in insurance whatever their earnings, whereas the black-coated worker was thrown out as soon as his earnings exceeded £4 16s. 2d. a week, but the anomaly is still there, although in the latter case the limit is now £8 1s. 6d. The distinction in the treatment between manual and non-manual worker arose from the normally more precarious nature of the former's earnings; moreover, many employers of black-coated workers continue to pay their salaries when they are ill. But, in wartime, it is the manual worker who has the advantage, and the middle-aged and elderly clerk who finds the struggle hardest; and the new provision, together with the increased rates of sickness and disablement benefit, is certainly welcome. It is, however, just as anomalous to draw the line between £421 and £419 a year as it is to draw it between the presumed precarious wage and the certain salary. There can be no social justice in a system which fixes a point below which the State is

allowed to relieve distress, while above it relief is dependent upon charity, any more than in the flat-rate payments by which State relief is dispensed. Once again, the only conclusion to be reached is that the basic principle on which the social services should be administered is the establishment of a social minimum coupled with family allowances.

The Higher, The Fewer

"While the development of a tin-smelting industry in the United States is against the economic long-term interests of the British Empire, military considerations alone count at the moment." Possibly this passage in a sober and representative newspaper just before Christmas escaped much notice in the holidays. Actually, it is worth close attention because it is so naively typical of the narrow nationalism that makes a mockery of economics. The strategic point is, of course, well taken. Even while Malaya was still intact, the world was greedy for more tin for war-making. Now, with Japan and the United States in the battle and Malaya split by the invader, every source of smelted tin is doubly precious. But it is not only in wartime that abundance is preferable to restriction. In the long term that this dictum talks about, more tin is surely preferable to less tin. There may be empirical grounds for controlling the output of raw materials, including tin ore, to steady prices and save producers from catastrophe in depressions. There can be none, on any grounds, for maintaining a deliberate bottleneck in smelting, by which primary producers, the British Empire and the whole world, all alike, are poorer; in any term, long or short, the fact that the British Empire is a vast consumer of tin is not unimportant, to say the least. The development of a tin-smelting industry in the United States, or anywhere, might, of course—the Japanese invasion apart—embarrass particular Malayan tin-smelters, which is probably what the statement means; but that is a different matter. Perhaps it is not too fanciful to suggest that this identification of a single vested interest with the entire British Empire and, by logical inference, with the world at large, reflects an attitude which has played no small part in creating the short-sighted complacency which has been shown up in such a lurid light lately in the far-flung eastern outposts.

Shorter Notes

In the absence of any satisfactory machinery for enabling the Dominions to take part in allied decisions, the tendency so far has been to strengthen representation in the different centres by the appointment of men of Cabinet rank. The latest appointment of this sort is that of Mr Walter Nash, Finance Minister in Mr Fraser's Government, who will be the first New Zealand Minister in Washington.

Two raids show that Britain has daring and efficiency to compare with any of the belligerents. Just before the beginning of the Libyan campaign, a small British party, landed by submarine far behind the enemy's lines, made a sensational raid on Rommel's headquarters and were able, after forty days in the desert, to rejoin their base. The other raid, on the island of Vaagsö off the Norwegian coast, was a very pretty piece of work. The German garrison was wiped out and all important installations were wrecked. While the Navy landed the Army on the island, the RAF kept all German aircraft from the scene by heavy bombing of enemy air bases as well as fighter protection. *Admiral's omen.*

The "nationally important cat" is now assured of his place in the sun. Damaged supplies of dried milk will in future be allocated to lean, keen cats, who justify their existence by exterminating warehouse and other vermin. In this matter the Ministry of Labour lags behind the Ministry of Food, but cat registration may well follow. In the Army it has long been customary to place aggressive cats, as well as operational dogs, on the strength.

A new stimulus to what is now generally known as Britain's paper chase is a competition between the local authorities, with prizes for those that collect most paper per head of their population. Such attempts to encourage the saving of waste paper may be applauded, but it is to be hoped that the Waste Paper Recovery Association will not fall into the old error of the National Savings Committee and look upon subscriptions to the nation's store of waste paper as more important than a steady curtailment in the consumption of new paper itself.

THE WORLD OVERSEAS

Argentine Democracy and Neutrality

(From Our Buenos Aires Correspondent)

December 3rd

AN ominously sharper edge to the long prevailing Press criticism of the Castillo Cabinet's conduct of both home and foreign affairs is one result of the Government's decree banning meetings of the popular and nation-wide democratic movement, *Acción Argentina*, which was to have held 3,000 public meetings throughout the country on November 29th.

The movement is a non-party one operating under the slogan: "For the triumph of democracy inside and outside the country," and it enjoys wide support among acknowledged leaders in the political and cultural fields as well as a large popular following. Its programme expressly repudiates electoral abuses; "the Government's policy of isolation as regards other American countries"; and the attitude of the Foreign Minister, Dr Ruiz Guiñazu, which it considers "intemperate and inconsiderate" towards the Chamber of Deputies Committee for the Investigation of Anti-Argentine Activities, but "tepid and vacillating towards the diplomats directing the campaign of Nazi penetration" and "the activities of the Fifth Column which is preparing for the country's surrender." On the other hand, the movement declares its "adhesion to Great Britain and her Allies in their fight for civilisation and liberty, to the United States in their policy of constructing an American front which will decide the war, and to the peoples oppressed by foreign powers or by their own authorities controlled by foreign powers." Finally, *Acción Argentina* expresses its "unity with the world in condemning the mass assassinations of civilian hostages."

In banning the projected meetings at which these affirmations were to have been made, the Minister of the Interior, Dr Culaciati, stated: "The offence to the authority charged by the Constitution with the management of foreign affairs obliges the prohibition of assemblies of a character evidently conspiring against the public welfare and orderly government." The ban, in the enforcement of which provincial authorities were requested to co-operate, was not enforced by the Governor of Entre Rios Province, on the grounds that he had assured himself of the democratic aims and the legality of the meetings projected within his jurisdiction. His rejection of the Federal veto, which closely follows a recent Supreme Court ruling on the unconstitutionality of police powers to prohibit assemblies in closed premises, makes it clear that *Acción Argentina's* intention to obtain a Supreme Court decision on the ban will raise a constitutional issue of high importance affecting the rights of assembly and free speech.

Besides the many accusations of high-handedness levelled at the Federal Government over this incident, the examples set by Great Britain and the United States of the importance which democratic government attaches to these rights have been repeatedly cited. Illustrating the rising temper of the Press, *La Nación* claims that "for many months the Government's policy has failed to satisfy the country," while the Socialist *Vanguardia* warns the Government that in banking on the people's tolerance it is playing with fire.

Nazi Intrigues

The parliamentary "Committee for the Investigation of Anti-Argentine Activities" has now published the fourth and fifth sections of its report. In this, it claims that local German educational authorities have helped Nazi penetration, and that the Argentine branch of the *Arbeitsfront*, which was dissolved by Government decree some years ago, is still active in the guise of the German trades union,

of which many technical employees of the State are members. The public agitation for energetic action by the Government, caused by the publication of these reports, is a factor which *Acción Argentina* has zealously capitalised in its campaign.

The embarrassment in which Acting President Castillo's Cabinet finds itself by its efforts to walk the tight rope of the strictest neutrality and, therefore, by its policy of regarding the Reich as a friendly power, is likely to be further aggravated should the findings of Judge Vasquez (who is reported to be studying the evidence of the Investigating Committee) set the seal of a constitutional judgment on the Committee's charges. In a statement to the German Ambassador, the Foreign Minister formally dissociated his Government from the opinions expressed in Congress last September, when the Chamber of Deputies passed a practically unanimous vote of censure on the German Ambassador as a result of the Committee's earlier reports. Congress is now in recess, but the work of the Committee goes on. In some quarters, it is considered possible that before the Chamber of Deputies has a further opportunity of discussing its Committee's report, there may be developments in the case laid by the Committee before Judge Vasquez, which is now *sub judice*.

That Argentina's democratic system is consistent with neutrality is a principle which no body of opinion in this country to-day would contradict. That, on the other hand, her neutrality should be maintained at the expense of her

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democratic institutions is a possibility which is perturbing public opinion more and more; it is envisaged in a manifesto just issued by *Acción Argentina* in answer to the Acting President's recent Press statement—referring to the ban on the movement—that “the Government will not tolerate the intervention of a corporation of citizens in the direction of its foreign affairs, which under the Constitution is the sole prerogative of the nation's executive power.” Disclaiming any pretension to intervene, but expressing astonishment that there should be any attempt “to deprive citizens of the right to express opinions as to the use, discretion or orientation of the constitutional mandate,” the manifesto goes on to state: “If our neutrality were to be maintained at the cost of our sovereignty or of the fundamental principles which govern our democracy, *Acción Argentina* would be belligerent . . . but meanwhile there is nothing to warrant such an attitude.” It is worthy of note that a cardinal point of the movement's policy since its inception a year and a half ago has been strict respect for the neutrality decreed by the Government.

Substitute Motor Fuels in Sweden

[BY A CORRESPONDENT]

December 20th

BLOCKADED by both Great Britain and Germany, Sweden has been isolated from most of her normal oil supplies. Though certain quantities of refined products have been received this year from Roumania, imports of petroleum have been far below the pre-war level. With a normal consumption of around 1,500,000 tons of petroleum products a year—nearly half of which consisted of petrol—Sweden has no crude oil production, and the Government has therefore been faced with considerable difficulties in the endeavour to make good the shortage of liquid fuels. The problem has, however, been tackled energetically and with a remarkable degree of success. As accumulated stocks have dwindled, stringent restrictions have had to be imposed on the use of petrol, lubricating oils and other products for all but the most essential purposes; but, by means of the fullest exploitation of various substitutes produced at home, it has been possible to keep all necessary road traffic in operation.

One alternative motor fuel has for many years been used in small quantities in Sweden. This is “sulphite” alcohol, which is obtained as a by-product from the wood-pulp industry. When blended with petrol this makes an excellent fuel, though it cannot be used by itself for automotive purposes. Production of “sulphite” alcohol suffered a temporary decline last year owing to the loss of markets for the wood pulp, but this has now changed. Various experiments have been made with a view to increasing the yield of alcohol from the raw material, and Government subsidies have been granted to manufacturers of the product. Output capacity is now between 35,000 and 40,000 tons of alcohol a year, a quantity which, though small in relation to pre-war petrol consumption, is very useful in present circumstances. Among other alternatives of minor importance, mention may be made of methane gas, manufactured from sewage and garbage. Though the quantities so far obtained are small, methane is an extremely high quality motor fuel (with an anti-knock quality much above that of ordinary petrol) and offers considerable prospects.

Of greater potential importance than alcohol or methane is the country's growing shale-oil industry. The crude oil distilled from shale is capable, after treatment, of yielding a good quality petrol, and a considerable increase in supplies from this source is likely before long. Under the encouragement of the Government, considerable progress

in the treatment of shale has been achieved by Swedish technologists. The state shale-oil plant at Kinnekulle (in Vaestergoetland), which came into operation early this year, has an annual capacity of about 15,000 tons of crude oil and also turns out a certain amount of first quality sulphur and other valuable by-products. A new plant is at present under construction at Kvarntorp (Naerke province), where abundant supplies of the raw material are obtainable. This has a capacity double that of the Kinnekulle works, and is expected to be in full operation by next June. Other shale-oil plants have also been planned.

Producer-Gas

The greatest progress has, however, been made so far in the field of producer-gas—a mixture of gases, consisting principally of methane, hydrogen and carbon monoxide—obtained by burning solid fuel in a suitable generator. Though appreciably less efficient than the petrol engine, this method of propulsion offers extensive possibilities in a country like Sweden, where timber supplies are abundant. A Government company was formed in the summer of 1940 to foster the production and use of generator appliances, and remarkable progress has been recorded. Just after the outbreak of war, there were only a few hundred producer-gas vehicles in Sweden, and by September, 1940, the total had risen to no more than 6,000. Now, however, there are well over 70,000 such vehicles, of which about 40 per cent use wood as the basic fuel. When it is recalled that there are no more than 150,000 producer-gas vehicles in the whole of German Europe, the magnitude of the Swedes' achievement will be appreciated. Against a pre-war total of 65,000 petrol and diesel engine commercial vehicles, Sweden now has at least 45,000 operating on solid fuels. Producer-gas propulsion is not so easily adaptable to the needs of the private car, and many of the country's 155,000 motor cars are no longer on the roads. But some 26,000 have been converted to the use of solid fuels; and experiments are also being made with the use of producer-gas appliances for fishing vessels, stationary engines and other purposes. In the development of alternative motor fuels, Sweden can justly claim to be in the van.

Change Over in America

[FROM OUR NEW YORK CORRESPONDENT.]

December 13th

THE past week has been so completely preoccupied by the succession of military events occurring in such rapid sequence that it is impossible to make more than the most superficial comment upon their economic accompaniments. Of these, the most recognisable was a sharp break in the stock market on Monday and Tuesday. By Wednesday, the market steadied and on Thursday and Friday it rallied; it closed on Friday night only slightly lower than it was two weeks earlier. The volume of trading was relatively high, but not absolutely; and the net movement of the week could hardly be described as more than a flurry.

There was even less movement in the bond market, although this was caught in what might have turned out to be a vulnerable position. In the previous week, the Treasury had offered \$1,000 millions of 2½ per cent bonds, 1967-72, and \$500 millions of 2 per cent bonds, 1951-55, allotments to be made Monday (December 8th). On this offering, comparable issues then selling at a premium weakened slightly; and on Monday and Tuesday there was some pressure on the market. The Reserve Bank statement indicates that some support was provided; but the small figure of Reserve Bank purchases (\$12 millions) at Tuesday's close indicates the extremely moderate character of the selling. Greater price changes appeared in corporate and municipal obligations. Altogether, the security markets weathered a crowded week without anything like the disturbance that characterised the opening day of September 1939.

In the organised commodity markets there was even less to record, as a considerable measure of control already existed and was promptly invoked.

In production, there was an immediate decision to make the seven-day week general in defence industries, but it is not clear how much of a departure this marks from existing practice, or how much it will increase the actual hours worked. As late as August, the working week averaged only 41 hours, although in machinery it was 45, in non-ferrous metals and products 43, and for durable goods as a group

42.6. Since August there has probably been some step up in the average hours worked. One feature of the week was the total disappearance of strike news.

Changes in the Canadian Government

[FROM OUR OTTAWA CORRESPONDENT]

December 14th

THE death of Mr Lapointe has been followed by some other changes in the King Cabinet. For the vacant Ministry of Justice Mr Mackenzie King has brought in Mr Louis St Laurent, KC, of Quebec City, and his selection commands almost universal approval. Mr St Laurent has been for many years one of the leaders of the Bar of Quebec; he is free from extreme racial prejudices; he is popular with all classes of his own community, and his only serious defect, his complete lack of political experience, may not prove a drawback. Mr Pierre Casgrain, KC, the Secretary of State, has become a Judge of the Superior Court of Quebec, and Mr Mackenzie King has taken the opportunity to transfer to his post Mr McLarty, who has been a notorious misfit in the Ministry of Labour. The latter has been given to Mr Humphrey Mitchell, an Englishman by birth, who was a trade union leader and sat in Parliament for a term as a CCF member. For some years past, he has been in the civil service and last month was named chairman of the National War Labour Board. Mr Mackenzie King has also given an undertaking that further Cabinet changes in the near future will fully restore the due proportion of Quebec's representation in the Government.

The Government has also made some disclosure of a plan for the more effective mobilisation of Canada's manpower. Its basic principle is that the authority conferred by the National Resources Mobilisation Act of June, 1940, will allocate some kind of war service to every adult Canadian who is physically fit. It is to be called a system of “selective national service” and will be operated by a number of boards. At present, the scheme has not been fully worked out, and some weeks may elapse before the full details are announced. But women as well as men will be affected and no class will be exempted. A farmer's son, for example, will not be automatically exempted from any other kind of war service on account of his existing occupation, and if it is found that a munition worker could be more useful in the fighting forces, he will be sent there. Special efforts will be made to bring more women into industrial war work. At present, it is estimated that some 575,000 Canadian workers are engaged in war industries and that of these about 75,000 are women. It is calculated that the war industries will require during 1942 to increase their labour force by at least 100,000, and it is hoped that more than half this number will be women. But the Government has evidently made up its mind to defy the agitation for the removal of the present limitations upon military conscription.

The new price ceiling has been in operation since December 1st, and, although the Wartime Prices and Trade Board has been inundated with a flood of complaints and protests, it seems to be working with less friction than was feared. In its administration the Board is applying a certain measure of flexibility and, without allowing any departure from the fundamental principles of the scheme, is making adjustments to obviate proved hardships. It has already had the effect of stabilising prices, for during the first week of its operation the wholesale price index of the Bureau of Statistics recorded its first noticeable decline for many weeks by falling from 93.9 to 93.6.

A bulletin recently published by the Bureau of Statistics places the total value of the principal field crops produced in Canada in 1941 at \$649,058,000, a fall of \$33½ millions on the figure for 1940. The chief factor in the decline was a very sharp reduction in the production of wheat, with the result that, although the average price per bushel received by the farmers was 53 cents, compared with 52 in 1940, the total value was lowered to \$161 millions, compared with \$287½ millions last year.

War Shipments

Canada's export trade in November was very satisfactory. The value of domestic exports was \$162½ millions, compared with \$117½ millions in November, 1940. Exports to Great Britain were valued at \$60½ millions, compared with \$52½ millions; but very substantial supplies, destined for

British armies, were sent to places other than the United Kingdom and account for exports to Egypt being valued at \$10½ millions, which is a fivefold increase over the figure for November, 1940, while exports to India at \$3½ millions were double last year's figure. Altogether, Canada probably exported for British consumption goods to the value of about \$70 millions, but this figure falls far short of the monthly quota which would be required to fulfil the official forecasts last spring to the effect that Canada would send Britain during the current fiscal year about \$1,500 millions of munitions, raw materials and foodstuffs. Eight months of the fiscal year have now elapsed, and the total value of Canada's exports to Britain in this period has been roughly \$482 millions. Even if an additional \$100 millions, a very generous estimate, is allowed for Canadian exports shipped to Egypt, India and the Straits Settlements for British consumption, total exports would still be less than \$600 millions, whereas, to make good the forecasts, about \$1,000 millions of exports should have been shipped to Britain during this period. Difficulties about shipping are not accepted as a completely satisfactory explanation of the discrepancy between promise and performance.



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THE BUSINESS WORLD

Empire Balances in London

THE accumulation of sterling funds by Empire countries has gathered steady momentum during the past year. The reasons for this acceleration are the inevitable curtailment of British exports to Empire countries and the gradual reduction of the most readily marketable holdings of longer-term Empire securities the repatriation of which has provided the main check on the expansion of these sterling assets. Though complete data of sterling funds held for Empire countries are not available, a fair guess can be made both of the outstanding amount and the rate of accumulation of these funds.

The appearance of Canada among the large-scale accumulators of sterling is a comparatively recent phenomenon. The essential facts about it were given in a speech by Mr. Ilsley, Canadian Minister of Finance, in Ottawa on November 6th last. The United Kingdom's total deficit of Canadian dollars from the beginning of the war up to March 31st last had been about \$795 millions, of which \$250 millions had been met by transfer of gold (subsequently retransferred by Canada to the United States), \$337 millions by repatriation of Canadian securities and the balance of \$208 millions, or £46,600,000, by the accumulation of sterling balances. Since March 31st the last factor has become increasingly important in providing the counterpart of Canada's favourable balance with the sterling area. In the seven months to October 31, 1941, the British deficit was \$613 millions, of which \$175 millions was met by sales of British-owned Canadian securities and other capital items and the balance of \$438 millions, or £98,100,000, by the accumulation of sterling balances. On October 31st these sterling balances amounted to about £147 millions. For the financial year ending March 31st next they are accumulating at an estimated rate of between \$800 millions and \$900 millions—say of £190 millions—per annum. By the end of next March, therefore, sterling balances held here on Canadian account will amount to approximately £235 millions. The growth in this item is not shown in the figures of the Bank of Canada. As from May 1940, the Bank's gold and foreign exchange holdings over and above short-term requirements and working balances were sold to the Foreign Exchange Control Board. The sterling funds in question are reputed to be invested here, in the main, in the form of Treasury bills through the "tap" and bearing interest at a nominal rate of interest.

In the case of India, the accumulation of sterling funds and the indentations in this curve caused by debt repatriation operations can be followed from week to week through the returns of the Reserve Bank of India, in whose keeping

the floating external assets of the country are entrusted. In the twelve months to December 19th the sterling balances and securities of the Reserve Bank rose from £141 millions to £210 millions. In this period Indian sterling debt amounting to about £90 millions was repatriated. It follows that in these twelve months India's credit balance with the United Kingdom was accumulating at the rate of about £159 millions per annum.

By the end of this year these sterling assets will be drawn upon to the extent of about £167 millions to finance the massive debt repatriation announced last week and the purchase by the Indian Government of four British-owned railway undertakings.

The part played by Malaya in earning dollar revenue for the Empire and its parallel accumulation of sterling cannot, for lack of regularly published information, be described with great accuracy. Last October, however, the Governor of the Straits Settlements gave some interesting information on this subject. He pointed out that in the first year of war the net sales of U.S. dollars by the Malayan Exchange Control to the Bank of England amounted to \$97 millions and that a further \$135 millions had been sold in the following eleven months ended July 31st last. These are net figures, arrived at after providing for Malaya's dollar requirements. Since the direct balance of payments between Malaya and the United Kingdom has, over this period, been in favour of Malaya, it may be assumed that at least the full counterpart of these net sales of dollars has been accumulating here as sterling investments of the Malayan Exchange Control and of the Board of Commissioners of Currency for Malaya. On this score alone, the sterling assets of Malaya must have amounted to about £60 millions at the end of last July and had over the previous year been increasing at the rate of about £3,500,000 a month. This, however, is not the complete picture, since a considerable part of Malaya's sales of tin and rubber to the United States have been financed in sterling through American registered accounts in London. Sterling thus gained is, from the London point of view, the equivalent of dollars, and it is evident, therefore, that the outstanding amount and the rate of accumulation of Malayan sterling reserves must be well in excess of the above figures. By now these reserves must total at least £100 millions. Following the extension of hostilities to the peninsula, a temporary diminution or cessation in the rate of accumulation of these reserves must now be expected.

South Africa has chosen an appropriately unique method of investing its surplus balance of payments with the United Kingdom. It has repatriated or repaid long-term Government sterling debt amounting to £39 millions since the outbreak of the war. In addition a far more important, but not readily calculable, total of debt has been repatriated by the transfer from British to South African ownership of shares in South African enterprises—mainly gold mining companies. Even these important capital operations have left a considerable net surplus in the South African balance of payments with the United Kingdom. This balance has not been allowed to accumulate in London in the form of sterling. On the contrary, these South African London funds, which at the outbreak of the war amounted to about £2,000,000 and had risen to £9,000,000 by June, 1940, then dwindled to £500,000, to recover again to over £11 millions this October in preparation for the £30 millions sterling debt repayment, which, when completed, will probably have reduced the sterling assets of the Reserve Bank to small dimensions again. In other words, the Reserve Bank only keeps in London the minimum required for its short-term requirements. The surplus in South Africa's balance of payments is, for the time being, invested in gold. This gold is repurchased from the British Treasury, which, by existing arrangements, purchases the whole of the South African output

of the metal. Over the twelve months to October 24th last, the gold reserve of the Reserve Bank had risen from £39,800,000 to £50,800,000. South Africa is, therefore, playing no part in the accumulation of Empire sterling resources in the London market. The Union is seizing every opportunity of repatriating debt, and the proposal in the last Union budget to impose a tax on income derived from South African investments by non-resident shareholders must be interpreted in the light of this policy.

Eire, New Zealand and Australia participate in the accumulation of Empire sterling funds, only on a much smaller scale. The excess of UK assets over liabilities of Irish banks amounted to £81,077,000 for the September quarter of this year, compared with £66,300,000 for the corresponding quarter of 1940.

In the case of New Zealand, the latest available comprehensive figures are those for last July, when the London funds of the Reserve Bank and trading banks amounted to £NZ30,000,000, or £24,000,000, having risen from £20,500,000 since July, 1940. More recently, the sterling balance of the Reserve Bank alone has increased from £12,500,000 at the end of July to £13,900,000 on October 13th.

The Commonwealth Bank of Australia, which now holds virtually the whole of the Australian sterling reserve, found its London funds increased from £47,500,000 to £57,500,000 over the year to June last. Since then there has been a sharp decline, the last complete figures available being for September 15th, when the total had fallen back to £42,100,000.

These figures and estimates can be summarised in the following composite picture:—

STERLING FUNDS OF EMPIRE COUNTRIES
in £ millions

Country	Latest Data	Total	Increase on Year	Sterling Debt Re-deemed	Credit Balance of Payment with U.K.
Canada.....	Oct. 31	147	140	50	190
India.....	Dec. 19	210	69	90	159
Malaya.....	July, 1941	60	37	...	37
Eire.....	Sept., "	81	15	...	15
South Africa...	Oct., "	11	10	30*	40*
New Zealand...	July, "	27	2	...	2
Australia.....	Sept., "	42	-20	...	-20
Total.....		578	253	170	423

* Plus amount represented by South African purchases of securities in the London market.

The foregoing discussion will have made it evident that the figures are of differing accuracy and completeness. In certain cases, particularly that of Malaya, they understate the accumulation of sterling balances. Allowing for such understatement and for capital movements such as the repatriation of South African equities, the financing of the budget deficit over the past year has been helped to the extent of rather more than £500 millions by the investment of sterling funds by Empire countries.

Finance and Banking

The Turn of the Year

The money market experienced no appreciable stringency over the turn of the year. The position was helped by considerable open market purchases of bills and by heavy ways and means borrowing by the Treasury at the Bank of England. The banks had withheld their payments of Treasury deposits—of which £40,000,000 were due this week—until Friday, the first working day in January, while the bulk of the maturing deposits fell due in the first part of the week. Similarly, the incidence of Treasury bill payments and maturities helped to ease the cash position in the first part of the week and to transfer to the shoulders of the Treasury the real task of effecting the required expansion of the cash basis over the turn of the year. The magnitude of that expansion is fully revealed by the Bank return, which was made up at the close of business on December 31st. This shows the position at its most distended, bankers' deposits having risen over the week by £81,679,000 to £219,864,000, while Government securities at £240,603,000 are at a record figure and £75,520,000 higher than a week previously. Of the expansion in Government securities £66,000,000 is accounted for by ways and means advances and the balance represents open market purchases for account of the Bank. The size of open market operations was, probably greater than this figure would indicate, since the special buyer was acting for public departments as well as for the Bank. The post-holiday reflux of notes has been slightly more than counterbalanced by year-end currency requirements and the circulation is £481,000 higher at the new record of £751,725,000.

Open Market Technique

The means chosen by the authorities to help the money market over the turn of the year indicate an interesting variation in the technique of open market policy. Owing to the factors already mentioned special help has had to be given to the market on a considerable scale—its magnitude being indicated by the rise of £83 millions in the securities held by the Bank of England over the last week of the year. There has been no desire on the part of the authorities to force the market into the Bank and compel it to borrow or rediscount at the penal official rates. Instead the agents of the Bank of England have been prepared to buy bills from the market at the open market rate of 1 per cent. In accordance with its customary practice, the firm in question began its special purchases by insisting on bills of short maturity—the dates chosen rang-

ing up to January 15th. It was soon found that the market did not hold sufficient of these early January bills to provide the basis for the required amount of open market assistance. Most of the bills in question had been sold previously to the banks. It was then discovered that some of the clearing banks were prepared to swap maturities with their discount market customers, returning the early January bills to these houses in exchange for the longer-dated maturities which, for the time being, the agents of the Bank of England were not prepared to buy. Both in 1939 and 1940, the general practice in open market operations was for the Bank to buy the short-dated bills direct from the clearing banks, thus providing them with the funds required to buy the longer-dated bills from the market. The variation introduced this year leads to the same result, but honours the pre-war tradition which forbade direct bill transactions between the central and the other banks. With the approach of the year-end, however, it was found that even this device did not provide the necessary volume of short-dated paper for the authorities and by Tuesday of this week the agent of the Bank of England was prepared to take late January and February bills from the market.

Financing India Loan Repatriation

The financing of the considerable repatriation of India's sterling debt announced last week is a problem which falls into two parts. In the first place, there is the provision of the sterling required to repay British holders of the securities which have either been vested or are being redeemed. In the second place, there is the problem of finding the rupee counterpart of the external debt thus repatriated. The first part of the problem will be solved by drawing on the steadily mounting sterling balances and investments of the Reserve Bank of India. On December 19th last, these assets amounted to 270.8 crores of rupees, or £203,000,000, exclusive of the gold reserve of 44.4 crores, which, at the present market price of gold, is equivalent to another £66,000,000. As the payments for the vested stocks will not begin until March 2nd next, while the 3½ per cent loan to be redeemed will not be repaid until January 5, 1943, and as the total nominal amount involved is only £151,000,000, it will be seen that the new repatriation operations lie well within the scope of India's available sterling resources.

If the precedent of the previous vesting operation is followed, the immediate rupee counterpart to the repaid

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direct loans and guarantees, will have been liquidated before hostilities cease. Meanwhile, holders of the 3½ per cent stock will find that they can sell at a very remunerative figure, since this is now a money market short, and there is some evidence that the recent recovery in the Funds is due more to this prospective redemption than to anticipation of the vesting payments, due to commence on March 2nd.

More Conversions

Although there are not, for some years, municipal maturities on a scale comparable with those converted or paid off in the spring of 1941, next April brings three optional maturities which are to be dealt with promptly. Notice has been given to repay £1,500,000 Bradford, £850,000 Portsmouth and a small amount—£270,000 according to the latest figure available—of Wigan stock, all 5 per cent 1942-52, repayable April 1st. Outright repayment is to be effected by Wigan, but Portsmouth is offering the right to convert the whole and Bradford two-thirds of the amount falling in. The new stocks offered are 3½ per cent 1972-82, whereas those issued in last year's conversion were 3½ per cent 1960-70. That is to say, the credit of the municipalities has improved sufficiently, over a period of some eight months, to permit of a lengthening of the maximum life by some ten years to a figure of over 40 years. Securities of this life are comparatively rare, and although they are, perhaps, less popular than those of 20-25 years, there should be no difficulty in finding applicants. In any event, the Treasury will advance to the municipalities any sums required to pay off holders who do not accept conversion, in so far as funds are not already available for this purpose. A further operation on the same lines as the above is the offer to convert up to £814,000 of the £1,000,000 British Guiana 5½ per cent stock 1942-72 into a new stock. This has the same maturity dates as the municipal issues, but the interest is only 3½ per cent. In this case, six months' notice is given, and any stock not converted will be repaid July 1, 1942, from which date interest, at the reduced rate, will run on converted holdings. A sinking fund is to be established under the control of the Crown Agents for the Colonies. The interest cut is particularly severe in this case, and the establishment of a 3½ per cent basis for a 40-year loan of this type will mean the passing of another milestone in the downward revision of the rate of interest and a further narrowing of the margin between British Government securities proper and other gilt-edged stocks. It remains to be seen whether the effects of the India vesting and repayment, coupled with the partial redemption of municipal and colonial stocks, will suffice to push up the Funds and so restore the yield margin.

Malayan Dividend Problems

A minor, but troublesome, problem has arisen in connection with the extension of war to the Pacific, and with special reference to Malayan tin and rubber companies. A number of these, which had declared dividends shortly before the entry of Japan into the war, have now decided not to make the payments. Under existing practice, shares are marked ex dividend on the Monday after declaration and the seller bases the price which he is prepared to accept on the expectation of receiving the dividend declared. At one time, it was usual to mark the more speculative types of share ex dividend only after actual payment, but this meant that in respect of any shares dealt in between the time the company closed its books for the dividend payment, and the date of marking ex, the seller received the dividend and had to transfer it to the buyer, whose liability for income and surtax might be very different from that of the seller. This proved to be a much greater nuisance than the occasional failure of a company to pay a dividend

declared and the procedure of marking ex before payment became general. The exceptional circumstances of the moment clearly call for some special action. But it would be unwise to abandon the present practice. In the cases of payments declared and cancelled, there is no choice but to cancel the ex dividend marking—a difficulty arises where payment is deferred instead of being cancelled, and, in any case, the seller suffers a minor injustice. As to future cases, it is reasonable to suppose that no responsible company management will declare a dividend until it is clear that the payment will be made, even if the deterioration in the Pacific position continues. If this can be taken for granted, the Committee need take no action, but it is deferring a final decision until it has been possible to obtain a complete view of the probabilities.

New Capital in 1941

The following analysis of offers of stock through the "tap" and to the market in 1941 shows an increase in the aggregate, including those by permission to deal, from £1,088,717,000 to £1,509,803,200. Whereas the total of British Government issues was £426,742,200 higher at

CAPITAL ISSUES, 1941.

TABLE I—TOTAL BORROWING (MILLION £)

Calendar Years	British					Empire	Foreign	Total Issues	Indices
	Government	*Home	Others	Total Home	By Direct Public Offer (Old Basis)				
1928	83.9	14.9	164.8	263.6	63.2	42.3	369.1	100	100
1939	36.8	12.1	26.7	75.6	15.8	0.3	91.7	25	25
1940	1070.8	Nil	1.4	1072.2	0.2	Nil	1072.4	290	290
1941	1497.5	Nil	0.4	1497.9	2.9	Nil	1500.8	406	406
Including "Permission to Deal" (New Basis)									
1935	88.0	54.9	183.9	326.8	29.3	1.2	357.3	100	100
1939	36.8	12.1	66.2	115.1	25.5	2.2	142.8	40	40
1940	1070.8	Nil	16.6	1087.4	1.3	Nil	1088.7	304	304
1941	1497.5	Nil	8.0	1505.5	4.2	0.1	1509.8	423	423

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

Calendar Years	Old Basis				New Basis			
	1938	1939	1940	1941	1938	1939	1940	1941
Debentures	20.4	10.5	Nil	1.5	35.8	16.9	1.3	2.0
Preference	12.1	2.7	0.3	0.1	21.8	8.8	1.9	0.6
Ordinary	37.0	10.1	1.2	3.0	104.1	47.8	14.7	10.8
Total	70.2	23.3	1.5	4.6	159.7	73.5	17.9	13.4

TABLE III—ANALYSIS OF NEW CAPITAL APPLICATIONS

(Excluding Conversions)

	Old Basis		New Basis	
	Year 1940	Year 1941	Year 1940	Year 1941
British Government Loans	1070,785,100	1497,527,300	1070,785,100	1497,527,300
Foreign Railways	Nil	Nil	Nil	9,800
South African Mines	Nil	Nil	227,600	724,000
Australian Mines	Nil	400,000	Nil	400,000
Other Mines	Nil	2,573,200	62,600	2,204,500
Exploration, Financial	Nil	Nil	19,100	788,000
Breweries and Distilleries	99,000	Nil	383,700	Nil
Stores and Trading	Nil	Nil	142,400	56,300
Estate and Land	142,400	Nil	178,100	159,000
Rubber	Nil	Nil	Nil	Nil
Oil	200,000	Nil	200,000	Nil
Iron, Coal, Steel, &c.	201,900	93,200	305,700	4,903,900
Elec. Light, Power & Teleg.	Nil	Nil	658,400	292,100
Tramways and Omnibus	Nil	Nil	754,500	Nil
Motor Traction, &c.	Nil	Nil	80,900	Nil
Gas and Water	Nil	Nil	1,607,500	569,800
Hotels, Theatres, &c.	Nil	Nil	60,100	530,000
Docks, Harbours and Shipping	22,500	Nil	530,600	Nil
Manufacturing and Miscel.	908,900	247,500	11,532,800	1,038,500
Total	1072,359,800	1500,841,200	1088,717,000	1509,803,200

£1,497,527,300, the total of all other capital flotations was, however, £5,656,000 lower on the year. The greatest predominance of British Government issues occurred during the second quarter. In the last quarter, the total of Government loan rose from £348,140,265 to £383,416,535, a figure which is still some £55,000,000 below the second quarter

total. The issues to public utility companies which were a notable feature of the third quarter were not maintained in the past three months, when the introduction of £5,200,000 nominal Harland and Wolff £1 "A" ordinary shares was the most striking event. During the same period, Wiggins Teape issued £34,380 of 7 per cent cumulative preference stock and Manbré and Garton £50,000 of 3½ per cent debentures. Of the £1,038,500 shown in the tables on page 18 as issued by manufacturing and miscellaneous companies during the past year, the past quarter accounted for £453,787. Among Government issues, the whole amount was raised by small savings and other issues on "tap." Sales of 2½ per cent National War Bonds realised the greatest sum, amounting to £172,125,039, while 3 per cent Defence Bonds produced the lowest total of £36,804,010. The year's results indicate that the capital market has satisfactorily fulfilled its function of excluding the private borrower unless supported by official blessing, while the increase in loans to the Government of rather less than one-third is probably in line with Treasury expectations.

Two Motor Results

Both the *Rover* and *Standard* reports show a considerable rise in gross earnings last year. Total earnings of *Standard Motor* in the twelve months ending August 31st rose from £326,735 to £463,981 and those of *The Rover Company*, in the year to August 2nd, from £242,723 to £326,955. In both cases, the drop in the previous year, due mainly to the necessity of adapting production to war output, has been approximately made good. The *Rover* accounts show a jump in depreciation from £77,284 to £200,934, which, despite a reduction in tax provision from £90,000 to £70,000, is responsible for a decline in equity earnings from £65,903 to £45,323, representing 14.5 against 18.4 per cent. Thus, the dividend which is maintained at the 15 per cent, to which it was reduced from 17½ per cent in the previous year, is under-earned. Since there is no transfer to war contingency reserve against £10,000, the carry forward is reduced from £55,506 to £54,029. The *Standard* dividend is raised from 15 to 20 per cent, against 25 per cent in 1938-39. ARP provision is up from £7,859 to £43,184 and war damage contribution requires £29,809 against nil. Despite the provision of an additional £50,000 for taxation, making £150,000 in all, equity earnings have risen from £71,458 to £85,162, representing 23.6 against 17.2 per cent. In the absence of any transfer to reserve, the carry forward is raised from £84,496 to £97,658. The *Rover* war damage contribution of £17,783 is drawn from contingencies reserve, leaving the balance sheet total of the fund at £42,217. It appears that the *Rover* company is charging against current profits such contingencies as special obsolescence, to meet which the *Standard* company a year ago took £145,000 from reserve. In the case of both com-

panies, there is an increase in debtors and current liabilities. The *Standard* balance sheet shows a further rise in stocks from £760,914 to £883,301, while the *Rover* stocks are somewhat lower at £359,808 against £378,851. The increase in cash holdings from £91,348 to £177,170 is accompanied by a reduction in investments from £199,317 to £20,948. *Standard* cash holdings are up from £32,702 to £124,987. Clearly, the movements in liquid assets of both companies are determined mainly by the flow of war production on which each is engaged, and the latest changes possess little absolute significance. The *Standard* 5s. stock at 16s. 9d. offers £5 19s. 5d. per cent. The *Rover* 8s. shares yield £7 5s. 5d. at 16s. 6d.

BA Western Debenture Payment

The demand for the products of Argentina's pastoral industry, coupled with Government payments for carriage of wheat to the ports, had so far improved the fortunes of the Argentine railways as to permit BA Western to announce in November the liquidation of tax arrears and the bank overdraft, while the recent accumulation of sterling balances under Argentine control has facilitated the transfer to this country of peso profits. Even so, the decision of the directors of this company to meet six months' arrears of interest on 4 and 5 per cent debentures to July 1st last comes as something of a surprise. Under a scheme of moratorium sanctioned by the Court on July 7th last, the company is entitled to postpone payment on 4 and 5 per cent debentures and on the newly issued 5 per cent Three-Year Notes until July 1, 1943, with power of extension until 1945. The payment requires a gross amount of £216,887 and will leave note interest alone in arrears prior to January 1, 1942. Aggregate gross receipts in the 26 weeks ending December 27th show an improvement of Pesos 3,790,000 over those for the previous year, and there is reason to hope that expenses—in particular the cost of fuel—will have been sufficiently strictly controlled to permit some improvement in net profits during the current year. It is improbable that, in the absence of a German attempt to invade the South American continent, traffic receipts will be adversely affected by the spread of the war to the Pacific, since Argentina has already felt the full effect of the merchant shipping shortage. To some extent, Argentine markets may even benefit, since there may well be a movement to supply the United Kingdom increasingly from these sources rather than from the United States or from the Dominions. It is, however, not yet clear whether the Argentine Government will continue to buy cereal crops, and, still less, to transport them to the coast. If it does the railways should continue to show improved results and there is a good prospect that BA Western will not need to avail itself of the moratorium terms to the full. The 4 per cent debentures now stand at 50 and the 5 per cent issue at 52½, both ex dividend.

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(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

AUTHORISED CAPITAL - - - £50,000,000
ISSUED AND FULLY PAID-UP - - £20,000,000
RESERVE FUNDS (STERLING) - - £8,500,000
HONGKONG CURRENCY - £10,000,000
RESERVE LIABILITY OF PROPRIETORS - £20,000,000

Head Office, HONGKONG,
temporarily transferred to
LONDON OFFICE, 9, Gracechurch Street, E.C.3.
Acting Chief Manager: A. MORSK.

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REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1
ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £74,000,000
CLAIMS PAID EXCEED - £133,000,000
(1940 Accounts)

ESTABLISHED 1824
SCOTTISH UNION AND NATIONAL INSURANCE COMPANY
ASSETS EXCEED £17,500,000
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Edinburgh: 35 St. Andrew Square.
London: 5, Watlington, E.C.4 (Temporary Address: 6, Leithway, E.C.2) and 45, Pall Mall, S.W.1.

Industry and Trade

Progress of Road Haulage Scheme

On October 20th the Ministry of War Transport issued details of its new road haulage scheme, which envisaged an increase in the fleet of lorries under the direct control of the Ministry, and the creation of an organisation through which Government traffic in excess of the capacity of the Ministry's fleet of hired vehicles could be allocated to hauliers. To this purpose the Ministry of War Transport proposed to set up an area organisation of control, the operation of its fleet, and to act as a clearing house for traffic, and the road haulage industry agreed to form a parallel organisation to allocate the traffic passed to it by the Ministry. Details of the second part of the scheme have been completed, and according to a *communiqué* issued on December 22nd by the Ministry of War Transport, the hauliers' organisation, to be known as "The Hauliers' National Traffic Pool," is now to be set up. It will consist of a committee composed of the members for the time being of the Road Haulage (Operations) Advisory Committee. The Pool may appoint to act on its behalf, and under its direction, area and sub-area management committees, but these appointments will be subject to the approval of the Minister. Participation in the traffic allocated by or on behalf of the Pool is to be open to all owners of vehicles licensed to carry for hire with reward under an "A" or "B" licence or a corresponding Defence Permit marked "A" or "B." The allocation of traffic will be at the discretion of the Pool. In exercising its discretion the Pool must have regard primarily to the efficient and economic handling of traffic, and, within these limits, ensure a fair distribution of traffic between registered hauliers. While some time will elapse before the scheme is in full operation, it is a big step forward in the war-time control of road transport.

Building Labour

In common with other industries, building has lost a large part of its labour force. But, in contrast with factory trades, in which work is continuous, man-hours in the building trades may be lost while individual firms are moving from one contract to another. In the building and civil engineering trades, the shortage of labour has frequently led to the retention of workers on contractors' pay-rolls, even when no work was available for them. Though this practice has been of advantage to the individual firm, whose labour supply has thus been assured, it has meant that others have unnecessarily suffered a shortage. The Minister of Labour, in consultation with the Ministry of Works and Buildings, has now made an Order by which it is hoped that the industry's labour force will be used continuously. By the Order, building workers may not be transferred from one site to another without the authority

THE CUNARD STEAM SHIP COMPANY, LIMITED

FIVE PER CENT. MORTGAGE DEBENTURE STOCK
NOTICE IS HEREBY GIVEN that the last date for accepting Transfer Deeds in respect of the above Stock will be noon on 17th January, 1942, when the Transfer Register will be closed for the purpose of preparing the Warrants for payments of Principal Moneys and final Interest due 2nd February, 1942.

By Order of the Board,
H. J. FLEWITT, Secretary.
Offices: Cunard Building, Liverpool. 29th December, 1941.

UNIVERSITY OF LONDON LEON FELLOWSHIP.

Applications are invited for the Leon Fellowship for Research (preferably in the fields of Economics or Education) for the Session 1942-43. The Fellowship is of the value of £400 a year, and is tenable in the first instance for one year. It is not essential that candidates should be members of a University. Selected candidates will be required to attend for interview. Further particulars should be obtained from the Academic Registrar, University of London, at 42 Gyles Park, Stanmore, Middlesex, and applications for the Fellowship must be received at that address, not later than 1st April, 1942.

of a National Service officer. Those workers over whom a firm has no exclusive claim must therefore be discharged when work on a site is completed, and the labour exchange immediately informed. Some exceptions to the rule are made. Key workers and those in special classes of trade may be moved. Men who have been employed continuously for the last eighteen months are regarded as permanent staff, and are exempted. The provisions of the Order do not apply to local maintenance and jobbing builders. Application must be made before January 31st by jobbing builders for general permission to move their men within a specified area. The Order comes into force on January 12th.

Wages of Idle Miners

Since the application to the coal mining industry of the Essential Work Order the cost of the maintenance of unfit and unsuitable miners has been the subject of negotiation between the industry and the Mines Department. From the outset the Government has accepted a considerable measure of responsibility under the registration scheme for the re-employment of ex-miners in an effort to increase production, but in some districts the proportion of men found unsuitable was over 40 per cent of the total number offered by the Ministry of Labour. The industry has now been informed of the terms of the arrangements which have been made. The Ministry of Labour and National Service is to pay "the reasonable loss of earnings and travelling expenses" of ex-miners who have not been re-engaged, the colliery owners are to pay the guaranteed wages to unsuitable workmen up to the date of their discharge; and after the expiration of notices terminating employment the whole cost of the maintenance and re-transfer of unsuitable and redundant miners is to be borne by the Government. It is not known how many workmen are affected; they probably number some thousands, but the main feature of the arrangement is that these men are to be maintained, not on the basis of the unemployment benefit on which unemployed workmen would normally have had to depend, but on that of the much higher amount represented by the guaranteed wage provisions of the Essential Work Order. The guaranteed wage comprises not merely the standard rates plus percentages, but also such flat rate additions as those represented by the cost-of-living war wage additions and the attendance bonus of 1s. per shift. In one of the most important of the coalfields of the country the minimum wages now guaranteed range from £3 12s. 8d. per week for a day wage labourer to over £5 per week for a pieceworker. In the exceptional conditions under which the problem arose, the action of the Government in conceding this advantage to the ex-miners may be amply justified, but it can hardly be reconciled with the payment of the guaranteed wage contingent on a workman being "capable of and available for work" during the "normal working hours." The collieries will act as agents of the Mines Department in the payment of the wages to the unemployed ex-miners, reclaiming from that Department the sums paid out by them.

Synthetic Rubber for America

The outbreak of war in the Pacific has prompted the Government of the United States to plan a rapid expansion of the synthetic rubber industry. To begin with, the capacity of the industry is to be increased to yield synthetic rubber at the rate of 120,000 tons per annum by the end of 1942 or early in 1943. As a number of concerns have already gained experience in the production of synthetic rubber, the programme of expansion should not be impossible of fulfilment. Synthetic rubber has been produced for some years by Dupont de Nemours, under the trade name of "Duprene"; the Goodrich Tyre group has manufactured "Ameripol" on a commercial basis for nearly two years; the Standard Oil Company of New Jersey has developed production on the basis of the German "Buna" patents; early last year the Reconstruction Finance Corporation financed the erection of four plants under the management of Goodrich, Goodyear, Firestone and U.S. Rubber Cor-

poration. Last year's total output amounted to some 15,000 tons, and, on the basis of the programme already in an advanced stage, production would have reached the annual rate of 40,000 tons in 1942, and of 55,000 tons early in 1943. An output of 120,000 tons per year, which is almost double Germany's estimated current rate of production, is expected to cover about one-fifth of American war-time needs of rubber. Experts in the United States hold that, on the basis of large-scale production, they will be able to reduce the cost of producing synthetic rubber to about 25 cents per lb., which is roughly the current price of fine plantation rubber. In contrast to the United States, British industry has done little to prepare for the large-scale production of synthetic rubber.

America's Oil Supplies

Mr Harold Ickes, Federal Petroleum Co-ordinator, has assumed full control over American oil production; he will set production quotas for particular fields and may be expected to take every precaution to ensure, not only that the nation's crude oil resources are used as economically as possible, but also that the principal finished products are made available in the quantities and localities desired. For the time being there should be no difficulty in securing adequate supplies of crude oil; but, as was explained in an article in *The Economist* of November 8th, there is now very little surplus capacity available in the refining branch of the industry. Shortage of steel is the main difficulty—the industry's steel requirements for 1942 were officially estimated a few weeks ago at almost 6,000,000 tons and may now be greater—and for this reason the desired expansion of refining capacity may be difficult to achieve. More urgent than ever is the need for a speedy increase in facilities for the manufacture of 100-octane aviation spirit, but the capacity for the production of high-grade lubricating oil and of other special products may also require extension. That vigorous action is intended may perhaps be assumed from the decision to reduce the octane rating of branded petrols sold in the United States in order to conserve tetra-ethyl lead, an essential constituent in aviation petrol. Anticipating a tight supply position, the Ethyl Gasoline Corporation had already made arrangements to allocate tetra-ethyl lead for non-essential uses on the basis of purchases in the past twelve months; but the pressure of demand from ordinary refiners should now be relieved. How long it will be before some restrictions are imposed upon the use of petrol, and possibly of other oil products, for other than essential purposes, remains to be seen. Although the motor car is rightly regarded by many Americans as a necessity, some restriction on its usage would be reasonable in the national interest; public opinion is certainly far more favourably disposed towards such action than a month ago. The rationing of tyres, which is to come into force on Sunday, should do something to limit pleasure motoring and so help to conserve oil products.

Japan's Chemical Industry

In view of the importance of chemical products in war, Japan has made strenuous efforts in recent years to expand her facilities for the production of chemicals. The growth of the industry is shown by the fact that in 1939, when Japan's total industrial output was valued at 24,360 million yen, its chemical industry ranked fourth in importance after metals, machinery and machine tools, and textiles, with an output of 4,160 million yen and a labour force of 135,000 workers. The industry is subdivided into 22 groups, each represented by one organisation; more than 40 Government laboratories, universities, private plants and scientific societies issue research reports. There are shortages of several basic materials, such as coal, salt and sulphur, and of certain dyestuff intermediates, dyes, drugs, and explosives, as well as of manufacturing equipment. The decline in the quality of coal has more than offset gains in production. Thus, coal of 1937 quality averaged 6,300 calories, that of 1940 vintage only 5,600 calories. And this coal "bottle-neck" is harassing producers of aluminium, magnesium, calcium carbide, synthetic rubber, aluminium sulphate, calcium cyanamide, caustic soda, etc. Difficulty in obtaining foreign salt is hampering the alkali industry, and sulphur shortage has led to a decline in

sulphuric acid production to about 70 per cent of capacity. The output of carbon disulphide has declined from a normal monthly average of 7,000 tons to 3,000 tons. The Pulp Supply Adjustment Association reported in 1940 that Japan is far from self-sufficient in pulp for rayon and staple fibre. Some achievements, albeit costly, of the Japanese chemical industry deserve notice. Japan is utilising Empire alumina for a minor proportion of her aluminium production. Potassic fertiliser is made from alum shale; output was running at the monthly rate of 750 tons last year. The resulting product has a low potash content of 7 per cent, compared with 20 per cent for the orthodox kind, and is expensive to produce. The Empire's output of metallic magnesium, estimated at 4,500 tons a year, comes mainly from brine, though, of late, Manchurian magnesite has been employed as a raw material. Acetone is now produced by direct synthesis from calcium carbide, whereas formerly it was imported largely from the United States. Substitute coke for electrodes is replacing natural petroleum coke hitherto obtained from America and the DEI, and artificial cryolite for the natural material secured from Greenland. In 1940 was set up the Explosives Manufacturers' Industrial Association to ensure smooth distribution of glycerol, ammonium nitrate, potassium nitrate, borax and other raw materials required for producing military explosives. Some progress has also been made with the production of synthetic fuel, but performance has fallen short of the five year plan which envisaged an output at the rate of 2 million metric tons in the Japanese Empire by 1941; it is unlikely that the aggregate capacity of plants building or scheduled for completion in 1941 exceeds 500,000 tons per annum. Some 21 plants are believed to be under construction or in operation, including 12 in Japan, 2 in Sakhalin, 2 in Korea and 5 in Manchukuo. While its chemical industry is by no means able to supply all Japan's requirements indefinitely, its output, added to existing stocks, may be equal to needs for many months to come.

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

CAPITAL Authorised & Subscribed £10,000,000

CAPITAL PAID UP ... £2,500,000

RESERVE FUND ... £3,000,000

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COMPANY MEETINGS

TARRAN

INDUSTRIES, LIMITED

• DIVIDEND OF 10 PER CENT.

The seventh annual ordinary general meeting of Tarran Industries, Limited, was held at the registered offices of the company, Clough Road, Hull, on the 30th ult.

Mr Robert G. Tarran, MIOB (chairman and managing director) said that the item of £22,500 under the heading of investments in subsidiary companies included a 50 per cent. interest which the company had taken in Solid Cedar Homes, which was actively engaged. As in previous years, the whole of the undertaking of Tarran Industries had been fully employed on behalf of the national effort, with the notable exception that they had now successfully completed two outstanding municipal contracts—for the Bolton Corporation the new Technical College, which was one of the finest in Lancashire, and for the Leeds Corporation the largest block of flats in Europe. The latter, a formidable undertaking, was constructed on the Mopin system of construction for the first time in Britain. These two undertakings had enhanced the company's reputation in the building and civil engineering world.

FUTURE OPPORTUNITIES

They were at the present time energetically engaged on large contracts, while the future held out tremendous opportunities for their particular organisation, especially in the post-war period. The policy of the company in directing much of its finance, organisation and activities into the manufacturing side of the industry proved to be one of great foresight and had much assisted the stability, continuity and progress of the company. The factories, which were well spread, were collectively fully employed, and there was every prospect of them continuing to be so to the end of the war, when turning over to normal production after victory was assured, would be as simple as was turning from pre-war production to war-time production. During the year every possible precaution had been taken in connection with preserving the company's assets against destruction by enemy action. Dispersal arrangements had been carried out in such a manner that should one of the largest factories be involved in total destruction, although it would affect production in some part for a month or two, they would be able to continue to take the load in the dispersal factories and within three months be in full production again.

The building industry was getting a great deal of prominence at the moment through the department under the direction of Lord Reith. One felt strongly that much better results could have been obtained if a greater use had been made of the practical brains and experience of leaders who had been trained, not only in the theory of construction but in the actual practice and craft.

COMPANY'S FAVOURABLE POSITION

New systems of construction were coming into the forefront and sound sectional buildings would play a great part in the building programme of the future if any attempt were to be made at reconstruction and alleviation of slum clearance. He was satisfied that with the increasing research which was being constantly carried out in connection with the Tarran system of construction and the opportunities of putting it into practical application the company was placed in the forefront of those things which were new in the building industry, as was the already established associate company, Solid Cedar Homes.

Coupled with research work, a new laboratory had been equipped with lecture rooms for apprentices and students. It was hoped that through this medium, plus practical experience of the joiner's bench, the mason's banker, the bricklayer's trowel and the drawing board, they would keep an advanced mind on development and create a wealth of practical and technical management to ensure the continuity of their industry.

Lt.-Col. C. D. Burnell seconded the motion, which was adopted. A dividend at the rate of 7 per cent. per annum on the paid-up ordinary share capital for the year ended September 30, 1941, less income tax at 10s. in the £, making a total of 10 per cent. for the year, was declared.

GOODE DURRANT AND MURRAY,
LIMITED

The forty-third ordinary general meeting of this company was held, on the 29th ultimo, at Woodberry, Hindhead.

Mr J. Hewitt (the chairman), who presided, said: It gives the board great pleasure to be able to present such an improved balance sheet and to record such an improvement in the company's financial position.

Your directors are able to report the receipt from CTC Bazaars (South Africa), Limited, of a further 12s. in the £ on the trading debt, bringing total receipts now accounted for to 15s. in the £. The remaining 5s. has since been received, and also the entire amounts of the private debts in the same connection, together with accrued interest in full. The reserve, therefore, for interest already made in previous years and the reserve to cover our liability as guarantors are no longer required. Accordingly, this amount of £58,940 has been brought into profit and reserved for taxation.

Out of our trading profit of £71,125 we have been able to pay five years' arrears of dividend on the 7 per cent. cumulative preference shares at a net cost of £47,884, to write off the loss brought forward of £13,746, and carry forward £9,494.

The report was adopted.

ELECTRIC & MUSICAL INDUSTRIES,
LIMITED

MR. ALFRED CLARK'S STATEMENT

The following information from a statement circulated by the chairman, Mr Alfred Clark, was in the hands of shareholders at the annual meeting of Electric & Musical Industries, Limited, at 363 Oxford Street, London, on the 31st ultimo.

At the invitation of the directors, Sir Alexander Aikman, CIE, and Mr Oliver Lucas have joined the board.

In April last, Sir Robert McLean was appointed managing director of the company.

The directors were glad to report that the profit of £126,581 enables them to recommend a resumption of dividend payments on the ordinary shares and to increase the carry-forward by £25,178.

The total turnover has increased during the year under review.

Normal business has been progressively curtailed by increasing limitations placed by the authorities upon both manufacture and sales; the company has endeavoured to secure the equitable distribution to the trade of the limited amount of goods which we are able to manufacture.

Export trade from Britain and from subsidiary companies and branches outside the British Isles has been handicapped by difficulties of transport and the closing to us of more of the continental European countries.

The increase in stocks amounting to £396,000 reflects the company's activities under the changed conditions of war. The items cash and investments in Government securities show a total £249,000 higher, but the amount in hand is none too large for financing the volume of current work.

Facilities continue to be given to encourage war savings by employees. £100,000 of the company's funds have been invested in National War Bonds. Allowances continue to be paid to dependants of employees who have joined the Services.

The chairman stated that while he would wish to be in a position to discuss the question of the company's future prospects, it is, of course, not possible to give any forecast of the immediate future, dependent as it is upon the war. Shareholders will, however, not lose sight of the position of the company, equipped, as it now is, to meet those problems with which it will be confronted inevitably when peace is restored. Such plans as can be made at the present time to meet the anticipated difficulties of the change-over lie ready to be acted upon promptly when the moment arrives.

The directors expressed their thanks to all employees for the spirit shown during the Battle of Britain, and especially to the managing director, Sir Robert McLean.

The report and accounts were adopted, the payment of the preference and ordinary dividends approved, the retiring directors

re-elected, and the auditors reappointed, and the proceedings terminated with a vote of thanks to the chairman.

EXTRAORDINARY GENERAL MEETING

After the ordinary meeting resolutions were passed at an extraordinary general meeting converting the whole of the issued shares into stock, transferable in units of £1 in the case of the preference stock and units of 10s. in the case of the ordinary stock.

OROVILLE DREDGING COMPANY,
LIMITED

HEAVY TAXATION PROVISIONS

The thirtieth ordinary general meeting of Oroville Dredging Company, Limited, was held, on the 31st ultimo, at Motcombe, Dorset, Mr F. W. Baker (the chairman) presiding.

The following is a summary of the chairman's statement, which was circulated with the report and accounts:—

Turning to the accounts, investments remain unchanged at the book cost of £369,778. Loans to mining companies and accrued interest stand at £82,109, as against £104,087 last year—a decrease by repayments less accrued interest of £23,978.

Dividends received from the company's holding of shares in Bulolo Gold Dredging, Pato Consolidated Gold Dredging and Pato Mines (Colombia) amount to £91,413. Other credits amount to £8,678. From the total credits of £100,091, after debiting all charges in London, including income-tax and provision for Excess Profits Tax, the balance to the credit of profit and loss account is £41,007. Adding the balance from the previous year and deducting the dividend paid in December, 1940, and the interim dividend in April, 1941, a balance of £141,623 is carried forward at September 30, 1941.

DIVIDEND OF 25 PER CENT.

The directors recommend a final dividend for the year of 6d. a share, less income-tax at 8s. 8d. in the £, making, with the interim dividend, 25 per cent. for the year.

In my remarks last year I foreshadowed that taxation in the future—owing to the obligations that would fall upon us resulting from the war—would seriously affect net profits, which is clearly evidenced by the fact that out of the total income received by this company and its subsidiary, Pato Mines (Colombia), amounting for the year to £171,785, £90,937 has had to be provided for taxation purposes, representing more than one-half of the total income of the two companies.

The directors' report gives full information of our interests in Pato Mines (Colombia), Pato Consolidated Gold Dredging, Nechi Consolidated Dredging, Asnazu Gold Dredging, Bulolo Gold Dredging and other interests. I should like to state, however, that the operations of our several interests are continuing very satisfactorily, particularly at Pato Consolidated Gold Dredging, and I am glad to be able to report that the new hydro-electric plant at Asnazu is now in operation, and that the new larger No. 2 dredge has been completed and is now in active operation so that satisfactory results from this property may be looked for in the future.

A LARGE GRAVEL DEPOSIT

Before closing my remarks, I would like to refer to the great disappointment our company has received owing to the refusal by the Foreign Exchange Control Board to allow Oroville to provide half the cost of drilling the large gravel deposits adjoining Pato Consolidated, which are under option to this company and Placer Development. The cost of this operation was estimated at \$100,000, to be borne equally, and expended over a period of two years by this company and Placer Development, with the result that an understanding to which Treasury consent has been secured has been made with the Placer Development Company under which that company undertakes to bear the entire cost of drilling, re-ceiving as consideration a proportion of the vendor interest receivable by this company should the option, in due course, be taken over by Nechi Consolidated Dredging.

The report and accounts were unanimously adopted.

WANKIE COLLIERY COMPANY,
LIMITED

INCREASED SALES

The annual general meeting of the Wankie Colliery Company, Limited, was held, on the 30th ultimo, in London, Sir John R. Chancellor, G.C.M.G., G.C.V.O., D.S.O. (chairman and joint managing director), presiding.

The review of the chairman, which was circulated with the report and accounts, stated, inter alia, that in the profit and loss account sales of coal, coke, bricks, fireclay, etc., were £600,919, an increase of £61,613. Rents and sundry receipts in Africa had increased from £18,889 to £19,353, and bank interest and other receipts in London from £331 to £544. Including £23,217 brought forward, there was a total available of £222,782. From that had been deducted £117,000 reserved for income-tax, leaving £105,782, out of which the directors proposed payment of a dividend of 5 per cent., leaving £22,657.

Coal sales, which amounted to 1,169,734 tons, showed an increase of 54,617 tons. The principal increases were in sales to the Rhodesia and South African Railways and to Southern Rhodesian customers, mainly the Electricity Supply Commission and the municipalities. Sales to the Southern Rhodesian Mines and to the Congo had, however, decreased by 18,359 tons. Coke sales, which were 75,571 tons, compared with 66,401 tons last year, and showed a substantial increase.

In accordance with the wishes of the Government, figures for reserves and development, etc., were not given. The directors wished to assure members that the position in regard to those matters was satisfactory.

Their water requirements continued to increase in almost exact relationship to increased coal output. To meet that additional consumption further water rights had been obtained.

The supply of labour was plentiful throughout the year, the employed strength at August 31st being 4,044, compared with 3,667 in August, 1940.

The report and accounts were unanimously adopted, the retiring director re-elected, and the auditors reappointed, and a vote of thanks to the chairman and directors closed the meeting.

S. SMITH AND SONS (MOTOR
ACCESSORIES) LIMITED

INCREASED TURNOVER

The twenty-seventh ordinary general meeting of S. Smith and Sons (Motor Accessories), Limited, was held, on the 31st ultimo, in London.

Mr Walter Henderson-Cleland, M.C. (the chairman), said that the balance-sheet bore more evidence of the company's increased turnover. The profit on trading, before charging depreciation, showed an increase of some £25,000 over last year. Depreciation on the basis which they regarded as prudent called for another £5,000, and an increase in the claims of the National Exchequer resulted in a decrease in the net available figure by some £29,000. Excess Profits Tax fixed a limit beyond which everything was taken away. Below that limit half went in income-tax and out of the net remainder there were many items which a prudent business man must write off. The result was that only a small proportion of their gross earnings appeared as net profit after providing for taxation and, although they passed some of the taxation burden to the shareholders when paying dividends, the charge on their profit and loss account was still very heavy.

He had indicated in his speech last year that shareholders might have to face a reduction in dividend at the end of the next financial year. He was sure that shareholders would agree that in suggesting a reduced dividend the directors were taking the only wise and proper course.

He wished to pay a tribute to the loyalty and untiring efforts of the whole of the management, the staff and all employees, both male and female, for the excellent work they had done and were doing at the present time. Their managing director, Sir Allan

Gordon-Smith, in addition to all his responsibilities here, had undertaken further work of great national importance, and was now Deputy Controller of Construction and Regional Services at the Ministry of Aircraft Production.

The report was unanimously adopted.

BROOME RUBBER PLANTATIONS, LIMITED

The eighth annual general meeting of this company was held, on the 30th ultimo, in London, Mr F. C. Rycroft presiding.

The chairman, in the course of his speech, said: As announced to the Stock Exchange and Press over the week-end, the directors do not propose to proceed with their recommendation that a final dividend of 7½ per cent. be declared to-day. The board made their decision to recommend the payment of this dividend on December 6th, the day before the war in the East started. Malaya had not then been invaded by the Japanese. Since the report was issued the position in Malaya has become serious, and it was therefore necessary for the directors to reconsider their recommendation regarding a final dividend. I need hardly say that it is as great a disappointment to the directors as it will be to the stockholders, but in all the circumstances I am sure you will appreciate the vital importance of conserving our cash resources for the time being.

The report and accounts were unanimously adopted, and it was unanimously resolved that the directors' recommendation regarding the payment of a final dividend of 7½ per cent. (less income-tax at 10s. in the £) be submitted for consideration to an adjourned meeting of which due notice will be given.

FIRST GARDEN CITY LIMITED

NET REVENUE MAINTAINED

Addressing the shareholders of First Garden City, Limited, on the 31st ultimo, Mr Eric Macfadyen, M.A., J.P., the chairman, after referring to the loss sustained by the company through the death of Lieut.-Colonel Franklin Thomasson, the last survivor of the original board of directors of the company, said:

My review of the year's activity must necessarily be brief. Property development has been almost at a standstill; and in common with other similar undertakings the absence of particulars of our public utility services robs the accounts of many details for which interested shareholders have been accustomed to study them; and comment upon which in normal times constitutes the backbone of the chairman's speech.

Our net revenue has been maintained in spite of an unprecedented burden of taxation, and after due provision for such taxation we were left with a distributable balance of £12,468 10s. 9d., compared with the corresponding amount of £13,009 13s. 8d. for 1940.

No company with interests such as ours has more successfully surmounted the difficulties of the war up to now—thanks to the technical competence and conscientious service of our executive officers—and none can face the future with more sober confidence. We have therefore decided to recommend to you the repetition of the 5 per cent. dividend which has been paid with such regularity now for many years.

The report and accounts were unanimously adopted.

RECORDS and STATISTICS

STOCK EXCHANGES London

Note: all dealings are for cash

ACTIVITY since the holiday has been slight, prices in most sections remaining steady, but with the vesting of the Indian loans, the gilt edged market witnessed some re-investment demand. A general advance in long-dated issues at the reopening was followed by an improvement in irredeemable issues the next day. In the foreign bond market, Brazilian issues enjoyed small but persistent gains, and Chilean bonds were strong on interest prospects. Elsewhere, on Tuesday Egyptian Unified advanced 2 points, but the 5 per cent China loan of 1913 fell 1½ points. Prospective dividends and yield considerations attracted buyers to the home rail market, where junior issues advanced steadily in the first half of this week. In the foreign rail market, the payment of the BA Western debenture interest encouraged demand for senior Argentine issues. Although there was little increase in turnover based on the Prime Minister's Ottawa speech and the success in the Crimea.

Prices in the industrial market were hardly affected by the small turnover, although brewery issues registered some small gains on the weaker beer announcement. Aircraft and motor shares moved within narrow limits, while the heavy industrial and shipping groups were without interest. In the textile group Patons & Baldwins fell back, but among tobacco issues, events in the Far East led to small losses for BAT, although Imps were in demand. Elsewhere, Brazilian Traction jumped fully 1½ points, and both International Nickel and Murex advanced. The kaffir market was dull throughout, Cape

selling on Tuesday leading to small but widespread losses. Persistent selling occasioned numerous declines in the tin market, while among many other losses for rubber shares, Malaya General fell 2s. 6d. on Tuesday. Apart from some buying of Ultramar, which advanced sharply on the successful test results, the oil market was dull, but leading issues remained mainly unchanged.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Dec. 24.....	1,923	1,211	79.6 132.1
" 25.....	908	807	79.5 132.0
" 29.....	2,112	947	79.4 131.9
" 30.....	2,530	1,017	79.5 132.0
" 31.....	2,661	1,243	79.7 132.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 83.2 (Dec. 2); lowest, 66.8 (April 24). 20 Fixed Int., 1941; highest, 132.5 (Dec. 5); lowest, 126.1 (Jan. 2).

New York

In the absence of major developments, Wall Street tended to extend the holiday over the week-end, and although a slight advance marked the close of the previous week, markets were quiet. Trading at the reopening was more active, and on Tuesday the long anticipated rise developed, steady re-investment buying occasioning a strong and general advance, which was later interrupted by the news from Manila.

New York Prices

Total share dealings: Dec. 24, 1,370,000; Dec. 26, 1,410,000; Dec. 27*, 1,610,000; Dec. 29, 2,930,000; Dec. 30, 2,560,000; Dec. 31, 1,750,000.

* Two-hour session

STANDARD STATISTICS INDICES (1935-36=100) WEEKLY AVERAGES

	1941	Dec. 10 1941	Dec. 17 1941	Dec. 24 1941
	Low Dec. 24	High Oct. 1		
437 Industrials.....	71.6	83.9	72.7	73.1
32 Rails.....	58.6(8)	71.7(a)	58.6	58.9
40 Utilities.....	61.0	80.1	66.3	64.8
419 Stocks.....	69.3	82.6	70.9	71.0
Av. yield*.....	8.29%	6.41%	7.93%	8.05%

* 50 Common Stocks. (a) Nov. 5. (b) Dec. 10.

DAILY AVERAGE OF 50 COMMON STOCKS

Dec. 18	Dec. 19	Dec. 20	Dec. 22	Dec. 23	Dec. 24
85.8	85.7	85.6	84.7	84.4	84.5

1941 High: 105.8, January 10. Low: 84.4, Dec. 23

Capital Issues

Week ending January 3, 1942
To the Public..... £ 814,000
Particulars of Government issues appear on page 25.

Year..... Including Conversions Excluding Conversions
1941..... 1,565,530,589 1,511,109,307
1940..... 1,440,068,087 1,088,717,000

Destination (Conversions Excluded)
Year..... U.K. Brit. Emp. Foreign ex. U.K. Countries
1941..... 1,506,823,414 4,208,135 79,758
1940..... 1,087,374,358 1,342,842 Nil

Nature of Borrowing (Conv. Excl.)
Year..... Deb. Pref. Ord.
1941..... 1,499,450,074 576,659 11,052,574
1940..... 1,072,143,369 1,887,130 14,886,501

† Includes Government issues to Dec. 23rd, 1941, only.
Above figures include all new capital in which permission to deal has been granted.

Finance

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Ten-der	Tap	Public Depts. Eng-land	
1940				
Dec. 31	845.6	2151.8	86.0	338.0
1941				
Sept. 30	2577.2	246.5	0.7	600.0
Oct. 4	970.0	Not available		
" 11	970.0	"		
" 18	970.0	"		
" 25	975.0	1558.9	241.8	662.5
Nov. 1	975.0	Not available		
" 8	975.0	"		
" 15	975.0	"		
" 22	975.0	"		
" 29	975.0	1575.0	128.9	723.0
Dec. 6	975.0	Not available		
" 13	975.0	"		
" 30	975.0	"		
" 31	2547.0	186.3	66.0	811.5

GOVERNMENT RETURNS

For the 11 days ended Dec. 31, 1941, total ordinary revenue was £52,132,000, against ordinary expenditure of £54,674,000, and issues to sinking funds of £310,000. Thus, including sinking fund allocations of £7,799,000, the deficit accrued since April 1st is £2,281,994,000 against £1,963,257,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to Dec. 31 1940	April 1 to Dec. 31 1941	10 days ended Dec. 31 1941	11 days ended Dec. 31 1941
ORDINARY REVENUE					
Income Tax	756,000	187,079	326,905	9,790	16,475
Sur-tax	80,000	23,268	23,737	1,825	1,700
Excise, etc.	82,000	58,100	65,724	1,316	1,980
Stamps	14,000	10,378	9,893	1,100	1,100
N.D.C.	210,000	16,235	15,334	635	370
E.P.T.	43,783	179,571	1,560	7,620	7,620
Other Ind. Rev.	1,000	348	277	19	10
Total Ind. Rev.	1143000	339,191	621,441	15,145	29,255
Customs	310,700	226,520	271,263	5,245	7,615
Excise	266,680	142,986	242,400	12,905	12,700
Total Customs & Excise	577,380	369,506	513,663	18,150	20,315
Motor Duties	39,000	13,148	12,830	160	429
P.O. (Net Receipts)	3,300	6,850	9,400	Dr. 700	Dr. 600
Crown Lands	1,100	840	710	40	40
Receipts from Sundry Loans	2,600	970	2,958	594	2,693
Miscell. Receipts	20,000	21,913	60,565	594	2,693
Total Ord. Rev.	1786360	752,418	1221567	33,389	52,132
SELF-BALANCING P.O. & Broadcasting	99,346	66,100	76,900	2,700	4,700
Total	1885706	818,518	1298467	36,089	56,832

Expenditure	Estimate, 1941-42	April 1 to Dec. 31 1940	April 1 to Dec. 31 1941	10 days ended Dec. 31 1941	11 days ended Dec. 31 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	198,059	221,758	1,216	1,660
Payments to N. Ireland	9,200	5,930	5,573	443	326
Other Cons. Fin. Serv.	7,800	4,420	4,807	590	609
Total	272,000	208,409	232,138	2,249	2,595
Supply Services	443,497	249,964	326,324	10,930	15,209
Total Ord. Exp.	470,957	270,806	349,562	11,555	15,464
SELF-BALANCING P.O. & Broadcasting	99,346	66,100	76,900	2,700	4,700
Total	480,603	277,416	357,262	14,255	19,974

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Nov. 18.....	3,734	3,062	9,439	18,327
" 25.....	7,807	3,336	11,438	14,185
Dec. 2.....	4,872	3,075	10,871	12,388
" 9.....	4,805	4,250	10,905	13,191
" 16.....	4,245	3,662	9,281	14,184
" 23.....	3,041	1,935	6,745	4,328
" 30.....	...	...	4,026	3,417
Totals to date.....	423,047	377,955	436,328	175,641

* 109 weeks. † 52 weeks. ‡ 12 weeks.
§ Including series "A" £159,759,443 to date.
Interest free loans received by the Treasury up to Dec. 30th amounted to a total value of £43,163,404. Up to Dec. 31st, principal of Savings Certificates to the amount of £53,072,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
December 18.....	23½	23½
" 19.....	23½	23½
" 22.....	23½	23½
" 23.....	23½	23½
" 24.....	23½	23½
" 25.....	23½	23½
" 26.....	23½	23½
" 29.....	23½	23½
" 30.....	23½	23½
January 1.....	23½	23½

BANK OF ENGLAND RETURNS

DECEMBER 24, 1941

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt...	£
In Circul. ...	751,244,516	Other Govt. Securities ...	11,015,100
In Bankg. Department...	28,997,059	Other Secs. ...	766,933,422
		Silver Coin ...	2,038,270
			13,268
		Amt. of Fid. Issue ...	780,000,000
		Gold Coin & Bullion (at 168s. per oz. fine) ...	241,575
			780,241,575

BANKING DEPARTMENT

Props. Capital	£ 14,553,000	Govt. Secs. ...	£ 165,082,838
Rest.	3,275,276	Other Secs. ...	2,906,382
Public Depts. ...	9,985,774	Discounts & Advances ...	2,906,382
		Securities ...	23,213,173
Other Depts. ...	138,184,792	Notes ...	26,119,555
Bankers ...	54,622,710	Gold & Silver Coin ...	422,100
Other Accts. ...	192,807,502		220,621,552
			220,621,552

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

DECEMBER 31, 1941

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt...	£
In Circul. ...	751,725,865	Other Govt. Securities ...	11,015,100
In Bankg. Department...	28,515,710	Other Secs. ...	766,963,656
		Silver Coin ...	2,003,550
			17,694
		Amt. of Fid. Issue ...	780,000,000
		Gold Coin & Bullion (at 168s. per oz. fine) ...	241,575
			780,241,575

BANKING DEPARTMENT

Props. Capital	£ 14,553,000	Govt. Secs. ...	£ 240,602,838
Rest.	3,297,346	Other Secs. ...	2,939,390
Public Depts. ...	11,227,193	Discounts & Advances ...	6,365,499
		Securities ...	27,239,390
Other Depts. ...	219,864,653	Notes ...	33,598,889
Bankers ...	54,072,246	Gold & Silver Coin ...	28,515,710
Other Accts. ...	273,936,899		297,001
			303,014,438

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

COMPARATIVE ANALYSIS

(£ millions)

	1940	1941
	Jan. 1	Dec. 17
Issue Dept.:		
Notes in circulation	615.9	740.1
Notes in banking department	14.4	40.2
Government debt and securities*	626.3	777.9
Other securities	3.7	2.1
Silver Coin	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2
Deposits:		
Public	17.6	10.7
Bankers	181.0	121.2
Others	52.9	53.6
Total	251.5	185.5
Banking Dept. Secs.:		
Government	224.9	135.7
Discount, etc.	5.6	3.6
Other	23.6	23.2
Total	254.1	162.5
Banking depart. res.	15.3	40.8
" Proportion	6.0	22.0

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £730 millions to £780 millions on December 3, 1941.

Million \$'s

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

 | Dec | Nov | Dec

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Dec. 24th and Dec. 31st, (Figures in brackets are par of exchange.)

United States. \$ (4-863) 4-024-034; mail transfers 4-024-035.
Canada. \$ (4-863) 4-43-47; mail transfers 4-43-474.
Switzerland. Francs (25-224) 17-30-40.
Sweden. Krona (18-159) 16-85-95.
Argentina. Peso (11-45) 16-957-17-13; mail transfers 16-957-17-15.
Dutch East and West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64.
Portugal. Escudos (110) 99-80-100-20.
Panama. \$ 4-02-04; mail transfers 4-02-044.
Manila. Dec. 24-28. Peso 8-09-12; Dec. 29. 8-10-20.

Fixed Rates for Payment at Bank of England for Clearing Offices.—**Spain.** Peseta (25·22½) 40·50 (Official rate); 46·55 (Voluntary rate). **Turkey.** Piastres (110) 520. **Italy.** 71·25 lire.

Market Rates.—The following rates remained unchanged between Dec. 24th and Dec. 31st.

Egypt.	Piastres (97½)	97½-8.	India.	Rupee (18d. per rupee)	17½-18 ½.
Singapore.	\$ (28d. per \$)	28 ½-8.	Belgian Congo.	Francs (176½-8.)	Chinese National \$.
Dec. 24-28	3½d. (sellers only).	Dec. 29-24-38d.	Bangkok.	Baht.	1s. 10½d. (sellers only).

[illegible]

	Week ended		Aggregate from Jan. 1 to	
	Dec. 28, 1940	Dec. 27, 1941	Dec. 28, 1940	Dec. 27, 1941
	5	5	306	308
Working days —				
Birmingham	1,759	1,874	110,864	116,306
Bradford	2,463	1,545	95,235	109,215
Bristol	1,497	1,779	94,100	103,791
Hull	461	499	37,033	35,598
Leicester	3,322	3,427	179,788	179,788
Liverpool	3,670	3,427	283,233	274,610
Manchester	8,082	9,726	574,267	594,695
Newcastle	871	949	61,819	68,266
Nottingham	261	320	121,437	122,542
Sheffield	...	525	33,159 ¹	36,134

10 Towns	19,756	21,177	1,351,222	1,404,640
Dublin*	6,641	7,135	308,840	315,896
Southampton†	51	54	2,200	4,798

* Dec. 21, 1940, and Dec. 20, 1941
† Clearing began May 14, 1940. ‡ To Dec. 14, 1940, only

NEW YORK EXCHANGE RATES

New York on	Dec. 23	Dec. 26	Dec. 27	Dec. 29	Dec. 30	Dec. 31
----------------	------------	------------	------------	------------	------------	------------

Cables ---	Cents	Cents	Cents	Cents	Cents	Cents
London . . .	40 3/4	40 3/4	40 3/4	40 3/4	40 3/4	40 3/4
Montreal . . .	86-125	86-125	86-000	85-775	85-250	86-000
Zurich† . . .	23-33	23-33	23-33	23-33	2-33	2-33
B. Aires . . .	23-55*	23-55*	23-55*	23-45*	23-45*	23-45*
Brasil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills.

tin.—(4) Discussions continue between the Metal Exchange and the Ministry of Supply on the solution of the tin market's problems. Before the holiday the Ministry suggested paying £259 10s. per ton for requisitioned tin, but reports have since been circulated that Ministry sales to consumers were made at a provisional price of £275. On December 8th, the last day on which dealings took place in the open market, the price of tin, standard cash, was £250-£260 per ton.

American Metal Control.—The United States Government assumed control, on December 27th, of all imports of antimony, cadmium, chromium, copper, graphite, cyanite, lead, mercury, rutile, tungsten, vanadium, zinc and zircon. The Metals Reserve Company and other Government agencies will deal with the imports.

Rubber Control.—The use of rubber in the manufacture of a large number of articles was prohibited from December 29th, and from January 5th the manufacture of certain other articles is to be permitted only under licence. Wearing apparel, toys, and domestic appliances are included in the former ban; hot-water bottles and sports equipment come into the latter. The control of rubber is now undertaken by a Rubber Control Board, appointed by the Ministry of Supply.

Cadmium and Nickel.—Two new non-ferrous metal Orders have been made, prohibiting the acquisition of cadmium and nickel except under licence. Scrap metal is exempted from the provisions of the Order, which came into force on January 1st. A maximum price of 5s. 4d. a lb. has been fixed for cadmium.

Timber Control.—The Control of Timber and Lumber Order comes into force on January 1st. Its primary purpose is to provide uniform prices for national stock imported timber, ex wharfingers' yard, in place of prices varying with the cost of transport from the port to those yards. The general level of prices remains unchanged, but certain adjustments have been made to remove anomalies and facilitate the substitution of one timber for another.

COMMODITY AND INDUSTRY NEWS

Raw Cotton Licensing.—From January 1st, licences issued to nucleus cotton spinners and waste spinners enable them to use the quantity of cotton necessary in the ordinary course of business without limiting them to definite amounts. This step is taken to secure maximum possible production from the labour available, and to relieve spinners of the necessity of planning production in accordance with specified licensed quantities. The use of certain growths of cotton may be restricted in accordance with the potential supply position.

Agricultural Wages.—The wages of inexperienced agricultural workers have been raised in consequence of the increase in the national minimum wage to 60s. per week for regular adult male workers in agriculture. Minimum rates of 50s. per week and 1s. 3d. per hour overtime for adult males, with lower rates for youths, have been fixed for the first two months of employment. Female workers are to be paid 90 per cent of the county minimum during the first month, subject to overriding minimum rates of 36s. per 48-hour week for those over 18 years and 30s. for those under 18, when employed by the week or longer period. Minimum hourly rates for boys and girls during school holidays are fixed at 8d. for boys over 16, and 6d. for those under. The corresponding rates for girls are 7d. and 5½d. Board and lodging allowance for adult male workers is fixed at 21s. for a seven-day week, with lower rates for younger workers. The Order embodying these changes came into force on January 1st.

A Case of Gravity.—The average gravity of beer was reduced by five per cent from January 1st. The stronger beers are those mainly affected, but ordinary beers retain their present strength. Labour shortage in the malting industry and the consequent need to eke out malt supplies is the reason for the reduction. Beer prices are unchanged.

Tomato Prices.—Maximum growers' prices for tomatoes have been fixed for the

1942 crops. The year has been divided into five periods. Existing prices remain in force until a date to be announced. During the second period, which ends on June 14th, growers will receive 18. rd. per lb.; from June 15th to August 2nd, 11c. per lb.; from August 3rd to November 1st, 9d. per lb.; and from November 2nd until the end of the year, 18. rd. per lb.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN (1937=100)				
	Home	Export	Total	
			Index	Change from Year a
1937.....	100	100	100	+ 1
1938.....	94	82	93	- 7
1939.....	105	80	103	+ 10
1940.....	116	83	114	+ 10
1940 Oct.	157	73	152	- 8
Nov.	81	88	81	- 40
1941 Oct.	107	142	108	- 6
Nov.	109	145	110	+ 25

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Purchase Tax is included; figures are therefore comparable throughout. Annual figures 1935-1940 and monthly figures Sept., 1940-Oct., 1941, see *Economic* Nov. 29, 1941. Source: *Board of Trade Journal*.

**"THE ECONOMIST" SENSITIVE
PRICE INDEX
(1935-100)**

	Mar. 31, 1937*	Aug. 31, 1939	Dec. 31, 1940	Dec. 1, 1941	Dec. 1, 1942
Crops	147.9	92.2	105.6	115.3	115.1
Raw materials	207.3	122.9	166.5	170.8	171.0
Complete Index	175.1	106.4	132.6	140.3	140.5
	Dec. 18, 1941	Dec. 19, 1941	Dec. 22, 1941	Dec. 23, 1941	Dec. 24, 1941
Crops	115.3	115.3	115.5	115.4	115.4
Raw materials	171.0	171.0	171.0	171.0	171.0
Complete Index	140.4	140.4	140.6	140.5	140.5
	Dec. 25, 1941	Dec. 26, 1941	Dec. 29, 1941	Dec. 30, 1941	Dec. 31, 1941
Crops	115.5	115.5	115.4	115.4	115.1
Raw materials	171.0	171.0	171.0	171.0	171.0
Complete Index	140.6	140.6	140.5	140.5	140.5

* Highest reached during 1932-37 recovery

THE ECONOMIST

ESTABLISHED 1843

ONE SHILLING

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Equipping the Alliance

THE outline of what it means, in the twentieth century, to bring in the new world to redress the balance of the old is daily becoming clearer. The figures that Mr Roosevelt gave Congress on Tuesday are breathtaking. In the present year, 60,000 aircraft, and next year 125,000, will be made; the monthly rate is thus to be 5,000 in 1942, and 10,000 in 1943. Of all the estimates of German production that have been bandied about in recent years, the highest credible figure was 4,000 a month, and this was probably an exaggeration by at least 1,000. Within a very few months, the Allies will be outproducing the enemy by at least three and perhaps four to one.

The American production of tanks is to be 45,000 this year and 75,000 next year. Stalin has estimated that the Germans had 30,000 tanks to attack Russia last summer, and if it can be assumed that this was the accumulation of two and a half years, that gives a German output figure of 1,000 a month. The American production alone, without counting the British, will be from four to six times the German. The production of anti-aircraft guns is to be 20,000 this year and 35,000 next year. Here there is even less to serve as a basis of comparison. But it may well be that these are the most astonishing figures in the list.

The fourth pair of figures that Mr Roosevelt gave was of merchant ships ; 8,000,000 dead weight tons are to be built this year, and 10,000,000 tons next year. This is the equivalent of about 5,000,000 gross tons in 1942, and 6,000,000 in 1943.- Since shipping losses at their worst were around 600,000 gross tons a month, and for many months now have apparently been 200,000 tons a month or less, it is obvious that there is going to be a growing supply of shipping available, not merely to keep the munitions industries of all the Allied nations going, but also to move their armies across the face of the earth.

Of any formal political organisation to link the allied nations together there is as yet no indication. Indeed, so long as Mr Roosevelt has to remain in Washington, Mr Stalin in Moscow and Mr Churchill in London, it is difficult to see how any assemblage meeting face to face can take the big decisions. It is on planes rather lower than the highest that formal organs can be most useful. Military collaboration, for example, already exemplified in Sir Archibald Wavell's appointment as Supreme Commander in the South West Pacific, is to be carried further both in London and in Washington, where Field-Marshal Sir John Dill is to remain.

There have also been reports of an Allied Supply Executive to be set up in Washington, frequently coupled

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.																
Prices, Year 1940		Prices, Year 1941		Name of Security	Price, Dec. 23, 1941	Price, Dec. 30, 1941	Yield, Dec. 30, 1941	Prices, Year 1941		Last Dividends			Name of Security	Price, Dec. 23, 1941	Price, Dec. 30, 1941	Yield, Dec. 30, 1941
High	Low	High	Low					Jan. 1 to Dec. 30	High	Low	(a)	(b)				
77	68	82	76	British Funds									Iron, Coal and Steel			
112	98	108	110	Consols 2½% (1957)	112	111	11	46/-	38/9	7 b	a		Babcock & Wilcox (1)	45/-	45/-	4 17
98	95	100	98	Consols 2½% 1943-45	99	99	10	46/-	40/-	11 1/2	3 a		Bolsover Colliery Ord. £1	46/3	46/3	6 19
100	95	100	98	Conv. 2½% 1944-49	100	100	3	22/6	25/6	13 1/2	3 a		Brown (John) Ord. 10/-	28/-	28/-	3 97
103	94	103	101	Conv. 3½% 1948-53	102	102	2	13 0	24/4	16/6	10	3 a	Drillvilles Ord. £1	20/-	20/-	8 16
103	94	106	102	Conv. 3½% (after 1961)	106	107	3	4 6 1/2	24/3	20/10	12 1/2	4 a	Dorman Long (1)	22/6	20/7 1/2	6 8
112	107	108	104	Conv. 5% 1944-64	105	105	3	2 6	27/10	21/-	15	7 a	Guest Keen & Co. Ord. £1	26/9	26/9	8 18
92	86	95	91	Funding 2½% 1956-61	94	94	2	16 9	49/4	42/6	14	6 a	Hadfields Ord. 10/-	26/9	26/9	8 18
98	92	97	94	Funding 2½% 1952-57	99	99	2	16 3	48 1/2	41/3	12 1/2	c	Staveley Coal Ord. £1	44 1/4	44 1/4	2 13
99	95	101	97	Funding 2½% 1959-69	100	100	2	18 0	28/-	28/-	6	6 a	Stewarts and Lloyds £1	46/3	46/3	5 16
114	105	116	111	Funding 4½% 1960-90	114	114	2	18 0	24	19/9	2	5 a	Swan, Hunter Ord. £1	34 1/4	34 1/4	5 8
102	98	101	100	Nat. Def. 2½% 1944-48	100	100	2	6 3 1/2	18/3	14/3	6	6 a	United Steel Ord. £1	23/3	23/3	6 0
102	95	102	100	Nat. Def. 3½% 1954-58	100	100	2	18 6					Vickers Ord. 10/-	16/6	16/6	6 0
100	100	100	99 1/2	War Bonds 2½% 1945-47	100	100	2	9 3	8/9	2/9						
100	100	100	100	War Bonds 2½% 1946-48	100	100	2	9 3	7 1/2	3/-						
101	101	101	101	Savings Bds. 3½% 1955-65	101	101	2	17 0	38/9	27/6	6 1/2	3 a	Bradford Dymers Ord. £1	8/-	8/-	NH
112	108	114	110	Victory Bonds 4½%	114	114	2	19 0 1/2	36/9	26/9	5 1/2	2 a	British Celanese Ord. 10/-	6/3	6/3	NH
103	93	106	102 1/2	War Loan 3½% 1955-59	104	104	3	6 8	24/6	15/-	7 1/2	c	Coats, J. & P. Ord. £1	37/-	37/3	5 8
83	80	96	89 1/2	War Loan 3½% aft. 1952	104	105	3	6 8					Courtaulds Ord. £1	33/6	33/6	4 15
94	85	99	93 1/2	Local Loans 3%	94	95	3	2 8	5/5	5/5	10	b	Lanes, Cotton Corp. £1	23/6	23/6	6 0
101	97	102	100	Redemption 3% 1986-96	99	99	3	0 6	23/-	17/6	7 1/2	a	Electrical Manufact.			
97	82	101 1/2	96	Austria 3½% 1933-53	101	102	2	17 6	38/9	28/3	10	c	Calvee Cable, &c. £1	73/9	73/9	4 15
				India 5½% 1931-51	99	101	2	19 0	84/3	77/-	20	c	Crompton Patent, &c. £1	21/3	21/3	4 14
				Dom. & Col. Govts.												
107	101	105	101	Australia 5½% 1945-7	102	102	4	8 10	36/3	29/6	10	b	English Electric Ord. £1	37/6	37/6	5 8
108	100	106	100	New Zealand 5% 1946	101	101	4	13 0	30/3	23/6	5	b	General Electric Ord. £1	78/9	78/9	4 1/2
110	106	111	107	Nigeria 5% 1950-60	110	110	3	16 9	14/11	9/3	3	a	County of London £1	35/-	35/-	4 11
				Corporation Stocks												
110 1/2	104	108	106	Birmingham 5% 1946-56	107 1/2	107 1/2	3	8 9	33/2	25/6	4	a	Edmundsons Ord. £1	28/-	28/-	4 1/2
85	78	93	84 1/2	L.C.C. 3%	93	93	3	4 0	40/3	33/9	3	a	East Light & Coke Ord. £1	13/-	13/-	3 9
94	87 1/2	99	93	Liverpool 3½% 1954-64	98	98	3	2 0					North British Electric £1	29/4 1/2	29/4 1/2	4 14
104	97	106	100 1/2	Middlesex 4½% 1957-62	105	105	3	2 9	19/-	16/-	15	c	Scottish Power Ord. £1	38/9	38/9	4 2
				Foreign Govt. Bonds												
92 1/2	71	99 1/2	77	Argentina 4½% Stk. Bds.	98	99	4	10 11	23 1/2	11/3	15	c	Yorkshire Electric £1	39 1/4	39 1/4	4 0
35	20	48	31	Brazil 5% Funding 1914	44	46	5	8 8 1/2	16/-	10/10 1/2	112	c	Austin 'A' Ord. 5/-	16/10 1/2	16/10 1/2	2 19
80	50	84	71 1/2	Chile 6% (1929)	22 1/2	25	6	0 0 1/2	25/4 1/2	15/9	6	c	B.S.A. Ord. £1	20/6	20/6	9
65	19 1/2	42	34	Egypt Unified 4%	82	84	4	15 3	14/9	11/3	15	a	Frist Aeroplanes 10/-	10/9 1/2	10/9 1/2	9
69	50 1/2	73	58	Japan 5½% 1930	12	12	NH	66/10 1/2	50/7 1/2	24	12 1/2	b	Bristol Motors Ord. £1	24/3	24/3	6 18
57 1/2	37 1/2	45	27	Portuguese 3%	73	73	4	2 2	33/6	24/6	110	a	Hawker Siddeley 5/-	12/9	12/9	12 16
				Spanish 4%	34 1/2	34 1/2	11	11 9	92/3	70/7 1/2	20	c	Lucas (Joseph) Ord. £1	65/-	65/-	4 12
													Morris Motors 5/- Ord.	33/-	33/-	2 13
													Rolls-Royce Ord. £1	90/-	90/-	4 8
													Shipping			
													Conard Ord. £1	13/6	14/6	NH
													P&O Def. £1	24/6	24/6	4 19
													Royal Mail Lines Ord. £1	27/6	27/6	5 16
													Union Castle Ord. £1	19/6	19/6	5 2
													Tra and Rubber			
													Anglo-Sumatra Rub. £1	7/6	7/-	1 1/2
													Allied Dutch of Java £1	15/-	15/-	8 0
													Indo (Assam) Tea £1	30/-	30/-	3d
													London Asiatic Rub. 2/-	2/-	2/1	9
													Rubber Ptns. Trust £1	20/7 1/2	21/3	9 18
													United Serdang Kib. 2/-	1/6	1/7 1/2	9 12
													Oil			
													Anglo-Iranian Ord. £1	45/-	44 1/4	2 5
													Burmah Oil Ord. £1	49/4	50/-	6 0
													Shell Transport Ord. £1	51/3	51/3	1 19
													Trinidad Petroleum £1	68 1/2	68/9	3 12
													Miscellaneous			
													Assoc. P. Cement Ord. £1	47/6	47/6	3 2
													Barker (John) Ord. £1	40/-	40/-	5 0
													Bosch Pure Drug Ord. £1	36/3	36/3	3 6
													British Aluminium £1	45/7 1/2	45/7 1/2	4 7
													Brit-Am. Tobacco £1	85/-	85/-	4 5
													British Oxygen Ord. £1	66/3	66/3	4 10
													British Plaster Board £1	28/-	28/-	5 0
													Cable & W. Hdge. Stk.	65 1/2	65 1/2	6 2
													Carreras 'A' Ord. £1	115/-	115/-	4 15
													London Rubber Ord. £1	32/6	32/-	6 5
													Elec. & Mus. Ind. 10/-	13/9	15/-	4 0
													Gestetion (D.) 5/-	25/-	25/-	5 0
													Harrisons & Cos. Def. £1	3 1/2	3 1/2	5 18
													Imperial Chemical Ord. £1	32/-	32/-	5 0
													Imperial Tobacco Ord. £1	29/6	29/6	5 0
													International Nickel £1	£40	£40	5 0
													Lever & Unilever Ord. £1	28/9	28/9	3 9
													London Brick Ord. £1	47/6	47/6	4 4
													Marks & Spencer 'A' 5/-	36/3	36/3	4 16
													Murex £1 Ord. £1	90/-	91/3	4 7
													Pinchin Johnson Ord. 10/-	21/6	21/6	4 0
													Spillers Ord. £1	63/3	63/3	4 0
													State and Lloyds Ord. £1	60/-	60/-	3 7
													Triplex Safety Glass 10/-	31/3	31/3	2 11 1/2
													Tube Investments Ord. £1	86/10 1/2	86/10 1/2	4 12
													Turner & Newall Ord. £1	67/6	66 3/4	3 15
													United Molasses Ord. 6/8	28/9	30/-	4 8
													Woolworth Ord. 5/-	57/6	58/9	5 10
													Mines			
													Ashanti Goldfields Ord. 4/-	43/9	44 1/4	7 4
													Burma Coal Ord. Rs.	40/-	40/-	9 18
													Cons. Glids. of S. Af. £1	41/3	40/-	5 0
													De Beers (Def.) £24	88 1/2	88 1/2	5 18
													Randfontein Ord. £1	38/9 1/2	38/-	11 16
													Rhokana Corp. Ord. £1	7 1/2	7 1/2	3 17 1/2
													Roan Antelope Corp. 5/-	14/6	14/6	3 8
													Sub Nigel Ord. 10/-	74 1/2	74 1/2	8 10
													Union C. 12 1/2 fl. pd.	71 1/2	71 1/2	5 4

OVERSEA WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week			Aggregate Gross Receipts		
			1941	+ or -		1941	+ or -	
B.A. and Pacific . . .	25	Dec. 20	\$1,430,000	+	70,000	32,635,000	+	3,673,000
B.A. Gt. Southern . .	26	" 27	\$2,655,000	+	470,000	57,853,000	+	7,036,000
B.A. Western	26	" 27	1,755,000	-	73,000	21,525,000	+	3,790,000
Canadian Pacific . . .	25	" 27	\$4,766,000	+	804,000	214,438,000	+	48,453,000
Central Argentine . . .	26	" 27	\$1,717,500	+	309,150	45,788,550	+	9,526,400
San Paulo (Brazil) . .	51	" 21	635,312	-	6,646	1,870,811	+	5,708

† Receipts in Argentine pesos.

NEW YORK PRICES

	Close Dec. 23	Close Dec. 24		Close Dec. 23	Close Dec. 24		Close Dec. 23	Close Dec. 24
1. Railroads.	23	30	3. Commercial and Industrial.	23	30			
Atlantic Coast.	191	207	Am. Smelting.	383	401	Int. Paper.	133	140
Can. Pacific.	34	31	Am. Viscose.	251	265	Liggett Myers.	65	69
Gt. Nthn. Pf.	192	211	Anaconda.	267	277	Nat. Distillers.	235	231
N.Y. Cent.	74	8	Beth. Steel.	59	65	Nat. Steel.	46	49
Pennsylvania.	18	16 1/2	Briggs.	144	151	Phelps Dodge.	29	29 1/2
Southern.	15 1/2	16 1/2	Celanese of A.	182	204	Proct. Gamble.	50	51 1/2
			Chrysler.	42	46	Sears Roebuck.	50 1/2	51 1/2
			Distillers-Seag.	151	178	Shell Union.	144	148
2. Utilities, etc.			Eastman Kod.	131	136 1/2	Std. Oil N. J.	41	43
Amer. Tel.	121 1/2	136 1/2	Gen. Elec.	258	28	20th Cen. Fox.	7	7 1/2
Amer. Wkks.	2	2 1/2	Gen. Motors.	298	312	United Drug.	4 1/2	4 1/2
Pac. Light.	26	27 1/2	Inland Steel.	66 1/2	68 1/2	U.S. Steel.	50 1/2	50 1/2
People's Gas.	43	44 1/2	Int. Harwest.	25	26 1/2	Westhouse El.	7	7 1/2
Stbal. Ed.	17	18 1/2	Int. Harwest.	25 1/2	26 1/2		24	24 1/2
W. Union Tel.								

with statements that this means "the end of Lend-Lease." The actual task of management and control of munitions production is necessarily a matter which each nation must arrange for itself. What can be made in each country depends on the delicate balancing and adjustment of the supply of machinery, which can be moved from country to country only in limited degree, and of labour, which cannot be moved internationally at all. Indeed, it has been argued with great force that even the nation is too large a unit for production management and that more discretion and elasticity should be allowed to regional managements. It is not practical for production in Lancashire to be run from Washington, or for the output of Ohio to be managed from London; production can be standardised or specialised between nations only within comparatively narrow limits. What can be done, of course, is co-ordination of programmes—that is, agreement on what shall be made in each country. But a great deal had already been done on these lines in the months before America entered the war. The process will doubtless now go further; but it is not new in principle. The machinery of consultation—operated through the British Supply Council in Washington and Mr Harriman's organisation in London—may need reinforcement, but not replacement.

As for the abandonment of Lend-Lease and its replacement by "an international pool of supplies," the President has already denied that this is to happen. Indeed, the suggestion that Lend-Lease and a pooling of supplies are two very different things betrays a certain ignorance of what has been happening in the past ten months. The suggestion may, of course, be a circumlocutory way of saying that all question of eventual repayment will now be dropped. But that is a matter on which only Congress can speak, and Congress has not yet shown any sign of wishing to change the present arrangements. In any case, Lend-Lease has been operated

from the start, by both parties, as an ingenious device to permit the pooling of supplies. For many things, there has been no "Lend-Lease production" in the United States separate from the general American production of the same things; the goods to be supplied under Lend-Lease were to come out of the general output of the country. The process of pooling will now doubtless go further, and there may be further progress with the difficult technical matter of deciding on common types of equipment. But here again there is no new principle to enunciate. Lend-Lease already meant a full industrial alliance between the two countries.

But if production cannot be reduced to a single world-wide programme, there are other aspects of the economic front that can with advantage be placed under a strong central direction. The provision of raw materials, for example, is already just as international as munitions production is necessarily national. It has been reported that there is to be an Allied raw materials executive, and though the report is not yet confirmed, this would obviously be a sensible development. Another necessity that will shortly appear will be for a joint organisation to ensure the supply of civil necessities to countries other than the great manufacturing centres of the world. Only a few weeks ago, export policy was still being discussed in the framework of competition between suppliers to secure markets. Even at the time, that was an imaginary picture, and when the American production programme begins to expand, it will soon be painfully apparent that the real problem is not to share the markets but to share the burden of supply. There will be a field for detailed collaboration here.

All these developments are on the right lines. Almost every day necessity is proving to be the mother of invention in the creation of new machinery for performing the duties to which, at last, the whole of free mankind has been summoned.

The Use of Land

POST-WAR government and post-war reconstruction are the same thing. The idea of a grand Ministry of Reconstruction after the war directing policy for trade, employment, agriculture and finance is unreal. These will be, in the main, the tasks of existing departments—the Board of Trade, the Ministries of Labour and Agriculture, the Treasury, the Ministries of Health and Works and Buildings, the Board of Education and the Ministry of Transport. It is an agreed programme for these departments to carry out, and an effective means of consultation between their heads, that is wanted, not a new department; a Cabinet of Reconstruction, not a Ministry. This is not to claim that the existing framework of administration is completely satisfactory. Properly, one of the main preoccupations of reconstructors after the last war was with the machinery of government itself. New departments, such as the Ministries of Health, Transport, Pensions and Labour, were set up then; and there are still gaps now. The treatment of wartime hardship has only underlined the need for a Ministry of Social Security services. The distribution of wartime rations has at least suggested the need for a peacetime Ministry of Food. It is a chief indictment of the indiscriminate lumping together of all kinds of reconstruction in a single grandiose province that it hides the need for a separate Ministry to plan the use of land effectively.

Actually, the need for a central planning authority has now been recognised, expertly, by the Barlow Commission just before the war and the Uthwatt Committee last year and officially by Lord Reith in the House of Lords a year ago. But some confusion remains about the functions of such an authority. Lord Reith, who in addition to being Minister of Works and Buildings, appears to be Minister-elect of Planning, has spoken of it "proceeding on a positive policy for such matters as

agriculture, industrial development and transport," which would seem to fly too high to be feasible. A Ministry of Planning which was no less than a compendious Ministry of Reconstruction under another name would prove impracticable and a failure.

So far, whatever its intended duties, the Ministry of Planning is only putative. Three Ministers, Lord Reith, Sir John Anderson and Mr Greenwood, are concerned with reconstruction. All three are sympathetic and well-meaning; Sir John Anderson has a firm grasp of the administrative issues involved; and Lord Reith, as Minister of Works and Buildings, is in touch with the physical, bricks-and-mortar, issues. Their joint task, with their advisers, is threefold: to sort out the problems and take expert counsel; to provide for consultation with the departments on the solutions; and to secure a practical Ministry of Planning, set up at once.

The land is the theatre of all activity. It is fixed in extent, and agriculture, industry, transport, housing and recreation compete for its use. Projects to plan its distribution among these claimants are neither new nor revolutionary; by-laws to restrain the insanitary or anti-social use of land are age-old; and for several generations the rights of landowners have been restricted by regulation, with compensation, or removable by the public acquisition of their property, at a fair price. The view of Sir Daniel Hall, expressed in his recent book on "Reconstruction and the Land" that "agriculture can only be placed on a sound and progressive footing if the State obtains the control of the land that ownership confers," is a common view among impartial experts. The function of a Ministry of Planning would be, by a continuance of established methods, to prevent reconstruction from being impeded by private ownership.

The starting-point of such a Ministry's work would be the powers already established by the Town and Country

Planning Acts, which enable local authorities to "zone" the land in their area—that is, to determine the use, agricultural, residential, commercial, industrial or recreational, to which it shall be put when developed—and to lay down standards of "density" or space for building. It is only by the application of these powers, nationally and regionally as well as locally, according to a national plan, that post-war policies for agricultural development, industrial location, road-building, housing, health, hygiene and social amenity could be put promptly into practice. Town and country planning has largely failed up to now for three reasons: there has been no national plan for land-use; there has been no national planning authority; and the financial adjustments made necessary by changes in land values due to planning have proved insoluble on the basis of local compensation or local purchase. The minimum programme for the future should be the correction of these existing defects. The national planning authority has been conceded in principle, and when constituted, it will presumably produce a plan for the whole country. Nothing has yet been said about the difficult matter of adequate finance; but it is clearly an essential part of any scheme that is to be effective and, in default of a far-reaching reform of local government finance as a whole, it must come from the Exchequer. With this proviso, it is possible to see the first outlines of a more satisfactory system of town and country planning emerging.

But a reform of this scale, a tidying-up and streamlining of the state of affairs that already exists (on paper), would leave untouched the basic defect of all planning as hitherto officially conceived: it is wholly negative. The use of negative and prohibitory powers often gets no further than choosing between alternative and almost equally bad uses of the land. Even where town planning has been most energetically applied, it is rarely possible to say that it has secured a good use of the land, but merely that it has prevented the land from being so shamelessly misused as elsewhere.

Once the attempt is made to develop negative planning into positive direction, the question of the ownership of land immediately comes up. It is, in any case, a question that arises in so many urgent connections—the rebuilding of the towns, housing, the reconstruction of transport, the improvement of farming methods—that it is bound to be on the agenda of practical politics from now until it is settled. It would be a very great pity if sides were taken on arguments of abstract principle. It will awaken very little response to advocate nationalisation because "the land is the people's" or "property is theft" or because there is some store of wealth in the ownership of land which is not tapped by the existing methods of direct taxation. On the other hand, it would be equally foolish to oppose the nationalisation of the land merely because it is Socialism. The Uthwatt Committee was not a

Socialist body, nor was the Government which nationalised coal royalties or commuted tithe.

The arguments for and against the nationalisation of the land are purely those of common-sense. Would it simplify or obstruct the task of making the best possible use of the land? It is impossible not to be impressed by the detailed and authoritative arguments for nationalisation. Without it, the use of land is determined by buying and selling, by the price-mechanism of the market in land. The most expert dictation of all land-uses by the most wise and omnipotent planning authority cannot supersede this mechanism. But the land market does not and cannot take national and social desiderata into account. It is possible to have good living standards while making the most remunerative use of the land; but it is equally possible to have chaos and ugliness. Moreover, there is the question of equity; when roads are built, public services extended, industries encouraged, housing subsidised, agriculture supported or planning schemes carried out, individual landowners, haphazardly, are the gainers; and calculations as between one piece of land and another for taxing betterment are as difficult as for assessing compensation—as Mr Lloyd George and Snowden discovered. There is soundness in the view that "unearned increment" should belong to the community; but the taxgatherer has great difficulty in collecting it.

These arguments, however, if they are closely examined, will be seen to apply—or at least to apply most strongly—not to all the land of the country but only to that which is affected by the planning activities or the economic policy of the state. Over a period of time, the two things are the same. But to nationalise all the land of the country might result in the community undertaking the immense burden of managing a great deal of land for which it had no plans, in order to reap the advantages of common ownership on the small fraction that was affected by immediate plans. If all the land were nationalised immediately after the war, at least 90 per cent of it would, as a matter of practical necessity, have to be handed back, not for ownership but for management, to the present owners or occupiers.

This may well point the way to a solution. The principle of nationalisation should be accepted. A declaratory Act could be passed, asserting the intention of the State eventually to purchase all the land of the country and laying down principles of valuation which would, in effect, freeze the value of land (apart, of course, from improvements). The purchase of specific parcels of land could then be undertaken as replanning progresses and as the machinery for managing it is built up. Whether this is the right solution or not, it is essential that the two extreme solutions should be avoided. Planning must not be held to ransom. Nor must the energies that should be given to it be diverted to a gigantic task of estate management.



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The Wealth of the Indies

THE strategic and economic importance of the Dutch and British possessions in Malaya and the Malayan Archipelago is no novelty. But it is doubtful whether the full stature of this part of the world is realised even yet. Strategically, the long peninsula and the line of islands serve a double purpose. They form a land bridge to Australasia and a barrier between the Pacific and the Indian Oceans. If the land bridge is broken, air communication with the Antipodes is broken off; and if the enemy secures control of the bridge, he enjoys the easy approach it provides. At present, the Indian Ocean is the only one where Allied naval supremacy is entirely unchallenged, and through it run many of the most vital supply lines of the war. If the gate at Singapore is burst open, the naval problem is infinitely complicated.

From the economic point of view, too, the importance of the Malayan Archipelago is insufficiently realised even now. For example, how many Englishmen or Americans realise that the population of the Dutch islands alone is several millions more than the total population of the whole British Colonial Empire, within a few millions of that of the Japanese islands, and more than half that of the United States? If Malaya and the Philippines are included, the population exceeds 100 millions. And, though these vast numbers are barely industrialised, their homelands are endowed with a rich profusion of natural wealth. Not every part of the Archipelago, however, is equally rich. The following paragraphs give a brief survey both of the proportions of Malaysia's production and of its geographical location.

Oil.—Oil is the principal mineral product at present produced in the Malay Archipelago. Although the output represents only 3 per cent of world production, the capacity of the wells is large enough to meet the needs of the Far East. In 1938 the production of crude oil totalled some 8,300,000 tons. Much the most important sources of supply are to be found in the Dutch islands. In 1938, the two main oil centres in Sumatra, the Palembang-Jambi district in the south of the island and the Medan district in the north, together produced some 4,600,000 tons; the fields of western Java, east of Batavia, and of eastern Java, between Surabaya and Rembang, furnished nearly 1,000,000 tons; a similar quantity was produced in the Balikpapan region of Dutch Borneo, another 750,000 tons in the island of Tarakan, off the east coast of Borneo, and 82,000 tons in Ceram in the Moluccas. The exploitation of the oilfields is shared between subsidiaries of Royal Dutch-Shell, Standard Oil of New Jersey, and a combine of the Netherlands Indian Government and the subsidiary Royal Dutch-Shell; in 1939 their proportions of the total output were 56½ per cent, 27 per cent, and 16½ per cent respectively. The remainder of the

Archipelago's output comes from British Borneo; in 1938 700,000 tons were produced in Brunei and 200,000 tons in Sarawak.

Large refineries have been erected to turn the crude oil into refined products in the proportions in which they are required. The largest refineries are in the Palembang district of Sumatra, and their range of products includes aviation spirit. Java, too, has facilities to refine its crude oil output, and there is a fairly large plant in the Balikpapan district of Dutch Borneo, and a smaller one in Sarawak in British Borneo.

Tin.—Next in importance among mineral products comes tin, which is found in Malaya and in the Dutch islands of Banka, Billiton and Simeu, off the east coast of Sumatra, the continuation of the ore belt which runs through Thailand and French Indo-China into southern China. Malaya's output of tin in 1940 amounted to 85,384 tons, compared with 44,563 tons produced in the three Dutch islands, to which Banka contributed the greater part, with Billiton second and Simeu third in importance. Together, Malaya and Netherlands India produced some 55 per cent of the world's total output in that year. Malaya's tin ore is smelted on the island of Penang and in Singapore; Banka has its own smelter, but the ore from Billiton and Simeu, formerly treated at Arnhem in Holland, has recently been smelted in Malaya.

Bauxite.—The exploitation of bauxite is a comparatively recent development in the Malay Archipelago, but there are large deposits, both in Johore in Malaya and in the Dutch island of Bintan opposite Singapore. Johore's exports, mainly to Japan, rose from 36 tons in 1936 to 55,751 tons in 1938, and production in Netherlands India, which exceeded 200,000 tons in that year, also assisted the latest aggressor in building up his aluminium industry.

Other Minerals.—In addition to oil, tin, and bauxite the Malay Archipelago produces many other minerals. There is little coal produced in Malaya, and even Netherlands India raised only 1,781,000 metric tons in 1939, of which 1,222,000 tons came from two Government mines in Sumatra. On the other hand, Malaya's output of iron ore, formerly exported to Japan, has grown steadily in recent years. Total exports in 1938 were 1,616,000 tons, Trengganu contributing 950,000 tons, Johore 550,000 tons and Kelantan 160,000 tons. There are also large but virtually unexploited iron ore deposits in Dutch Borneo and Celebes. Trengganu and Kelantan in Malaya produce small quantities of manganese ore deposits; exports of 31,970 tons in 1938 were sent to Japan. Java also works manganese ore deposits but output scarcely exceeded 10,000 tons a year before the war. Malaya possesses important wolfram deposits in Kedah and Trengganu, but its output of scheelite, which is found in Perak and Selangor must have declined since 1939 as a result of the exhaustion of the rich Kramat Pulai deposit. The output of wolframite in the Netherlands Indies, though still small, has made rapid headway in recent years; produc-

tion in 1939 was 3,500 metric tons, against 400 tons in 1938. Similarly, development of the low-grade nickel ore deposits in Celebes began only a few years ago; in 1939 output was 23,500 tons of ore. There are other mineral products in the Malay Archipelago, but production is generally small.

Rubber.—Of the crops produced in the Malay Archipelago, rubber is the most important. Last year exports amounted to 1,130,000 tons, equivalent to 81 per cent of the world's total shipments. A further 8 per cent came from Thailand and French Indo-China, so that nine-tenths of the world's supply came from the Far East. The remainder was produced in Ceylon, Burma, Africa, and Latin America, mainly Brazil. Production in Malaya and in Netherlands India is approximately equal in magnitude. Malaya (including Brunei and Labuan) exported 540,000 tons in 1940, North Borneo 18,000 tons, Sarawak 35,000 tons, and Netherlands India 537,000 tons. In Malaya, rubber is grown throughout the Peninsula, but Johore, Perak, Selangor, Negri Sembilan and Kedah are the chief producing areas. In Netherlands India it is produced mainly in Java and Sumatra.

Sugar and Tea.—Netherlands India is among the world's leading sugar and tea growers; Java is the main centre of both crops. Its output of sugar in 1938 was 1,375,000 metric tons; exports were 1,071,000 tons, or about 5 per cent of the world's total exports. Tea exports in 1939 totalled 162 million lb., equivalent to some 18½ per cent of world exports.

Other Crops.—There are a multitude of other crops

produced for export on the rich soils of Netherlands India. They include copra and palm oil, spices, tobacco, fibres, coffee, tapioca, cinchona bark and quinine. Netherlands India provides some 90 per cent of the world's supply of quinine and pepper, three-quarters of its capok—a fibre which does not absorb moisture and is used, among other purposes, in life-saving apparatus—one-third of its copra and nearly one-fifth of its palm oil.

Apart from its strategic importance, the possession of the Malay Archipelago, or even of certain parts of it, would give Japan some of the vital materials it lacks, especially oil and ores, though the destruction of equipment and of stocks would prevent the aggressor from deriving immediate advantages. To the Allies, the loss of some of Malaya's products would involve serious inconveniences, though not immediately, thanks to the accumulation of substantial stocks. While the disappearance of pepper from the table would hardly cause hardship, rubber, tin and quinine, which are derived in large quantities from the Archipelago, are essential in war. The Government of the United States has been wise in its decision to expand the capacity for the production of synthetic rubber, but it would take a great deal both of time and of effort to make synthetic rubber an adequate alternative to the natural product. Rubber yields when attacked, but it is very tenacious and full of rebound. The military defence of the rubber countries might take it as a model.

Towards a Sounder Foreign Policy—II.

Diplomats and People

LOOKING back on the inter-war years with eyes disillusioned and enlightened by the following catastrophe, many people see today that the conduct of foreign affairs during that period was frustrated by a fatal dualism. On the side of the Government was the Foreign Office, representing the old diplomacy abroad and jealously guarding its secrecy at home. On the side of the people, a vast busy multitude of enthusiasts of all sorts wrote and talked and lectured and joined groups; for them foreign policy had ceased to mean the conduct of relations between sovereign states and had become something quite different called international relations.

The interaction of these two systems was fatal to both. The Government, compelled to modify its traditional discretion with regard to foreign policy and yet unwilling, for fear of unpopularity, to lay bare the naked truths of power diplomacy, was driven into plain deceit. The people, abandoning the national for the sublimely international plane, abandoned with it all sense of national responsibility in terms of defence expenditure and military preparedness and relied instead upon a self-operating collective system which did not in fact exist. The result was ineffectual leadership on the one hand, a ferment of irresponsible idealism on the other. Seen under the awful clarity of the disasters this dualism brought about, the first necessity for a sounder foreign policy is to establish contact between a sound national leadership and an enlightened public opinion, and then to devise appropriate methods, or even institutions, for ensuring that the contact be maintained.

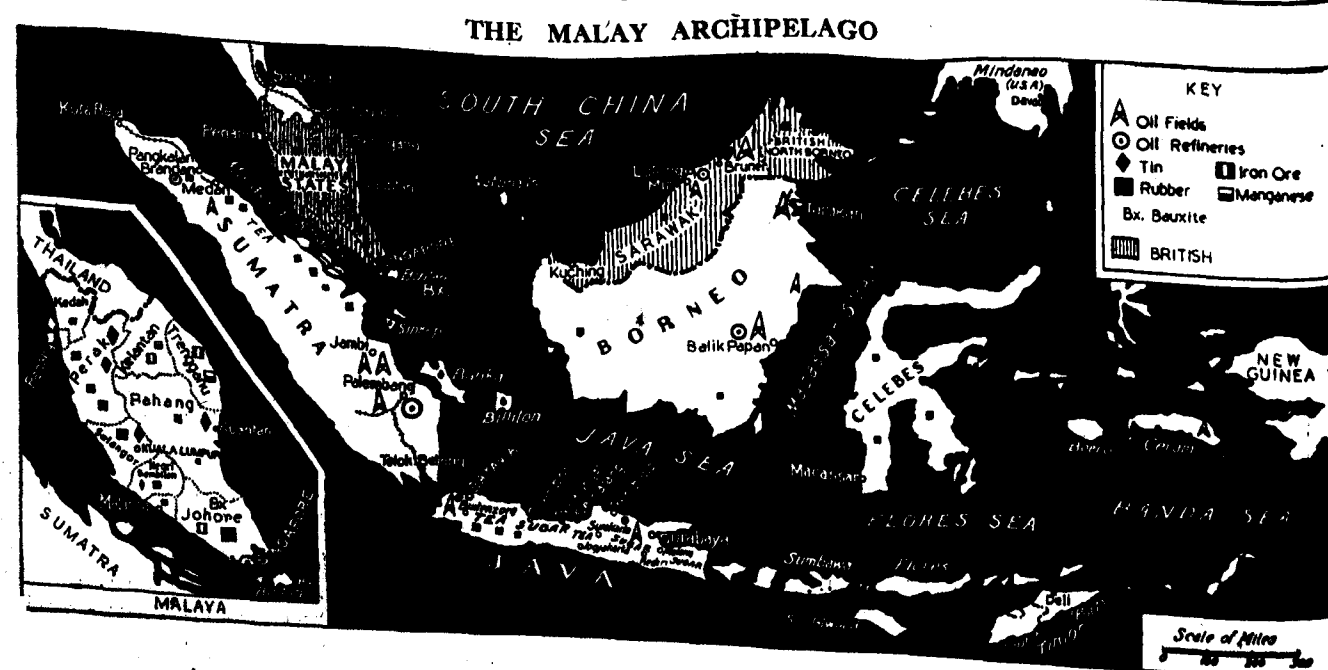
There is, however, agreement on one thing at least. Diplomacy is the art of avoiding conflict, and the people are passionately interested in foreign affairs because they are afraid of war. Even in the hour of greatest delusion, all sides agreed on wanting peace. Now, in the light of the painful examinations of conscience which the war has entailed, it is possible to see rather further than this underlying objective of peace. It is possible to draw one or two inescapable conclusions about the price that must be paid for peace. There are no automatically functioning systems of international law and order. If there is to be law in international society, then there must be overwhelming force behind it; and the other nations are not necessarily going to supply the force, or if they do,

use it to uphold the law. If the British people want law, they must pay the price—in taxation, in military training, even in service overseas—that the maintenance of order has always entailed. There must be no more pacifism.

Again, whatever the happy, sea-girt conditions of earlier times, the day when the Channel was sufficient barrier "against infection and the hand of war" is done. If the United States cannot extricate itself from the chain of circumstance whose first link was forged in Poland, how much less can Britain hope to hold itself safely aloof from the Continent. And since events across the Channel can determine the ultimate issues of peace and war, it would be obvious lunacy to throw away all chance of moulding them towards peaceful ends. There must be no more isolationism.

These, and perhaps one or two other great principles, should be woven into the fabric of popular thinking as inextricably as was the command of the seas or naval supremacy in an earlier generation. If any legislative act could reinforce them, then at the end of the war might come the time to register the basic agreement of the nation in a formal Act or Declaration which, even if it could not bind future generations, might make an imaginative impact on them comparable only to that of the Monroe Doctrine in American political thought, or of Magna Carta and the Bill of Rights in the English.

Since one of the chief conditions of useful discussion is some agreement on first principles, a National Declaration of this sort, embedded in the consciousness of rulers and people alike, could be a first step towards solving the problem of a necessary interaction in democratic foreign policy between the leaders and the led. It would to some extent commit the parties and the politicians, and it would provide a firm basis of agreement from which the self-education of the public could take its start. But it would be only a first step. In the relations between diplomacy and public opinion, the quality of both sides is in need of radical improvement. The inter-war period is one long illustration of the inadequacy of diplomats whose Europe had changed but little since the Congress of Vienna, and who were out of touch both with the struggling, emergent instruments of international government and with the explosive forces at work among the masses which were soon to sweep all the



tentative experiments away. The British diplomat encountered by Mr Harold Butler in the Balkans who "got other people to talk the language for him" was as remote from the politics of Geneva as from those of the Communist cell or the Nazi *Braunhaus*. It does not follow that Britain must be represented abroad either by professors or by thugs, but the training of a diplomat should enable him to recognise and deal with both types. For this, a veritable revolution is needed in the recruitment, promotion and retirement of the diplomatic service.

The mass of the people can plead that they were deplorably led by their statesmen; but they were even more deplorably misled by a great many other men, and here the blame is squarely theirs, for it was the nature of their appetite that encouraged so many quack practitioners. They wanted simple generalisations, so thousands of little orange books appeared with the whole confusion of Europe neatly docketed in black and white—or rather black and red. They wanted the "inside stories," so hundreds of hack journalists, who knew no more of European history than a child of seven, gave them inside stories of everything, from Fritz von Thysen to the Pope of Rome. They wanted "social significance," so columnists and social gossip writers left the round of parties and celebrities to pontificate about the future of Europe and the state of world history. Above all, they wanted everything to be easy—easy headlines to read, easy stories to digest, easy supermen to gape at, easy villains to chill the blood. And while Europe tottered on to war and every dictator turned the most complicated ideological somersaults, that is exactly what they got.

It is far simpler to diagnose the malady than to suggest remedies, for, in the problem of raising the standard of critical intelligence among the people, lies the chief challenge to democratic government in a modern mass state. Of the various possibilities, the simplest would be the continuation in peacetime of the Ministry of Information, charged with all information services by writing or by word of mouth. Provided there were no compulsion to believe in or prohibition to write against the Ministry's information, then, strictly speaking, such a solution could be compatible with a free society. Actually it is a solution which would rightly prove repugnant and suspect to a great majority of free people—if their allergic attitude towards the work of the present Ministry of Information is any guide. However high minded the intentions of those who first set up such an official government propaganda service, it would either be completely ineffective, or else it would constitute so vast a social control that its abuse would be far more dangerous than its absence.

At the other extreme is the solution of unlimited private enterprise in the supply of news and views about foreign policy; but this is the anarchic regime of the interwar years the remedy of whose abuses is a condition of sound foreign policy. Nor is it really possible to imagine

that a solution could be found on the lines of a professional organisation of foreign policy experts. An Association of Foreign Commentators, on the lines of the British Medical Association, might lay down conditions of enrolment—educational requirements, study of history, residence abroad, apprenticeship and training—and list and publicly disown unlicensed practitioners. The disadvantages of this system are obvious enough—professional competition, the squeezing out of talent, the creation of a crusted vested interest. If its impartiality were guaranteed by public control, other evils would follow—the penalisation of the able but unorthodox, the premium set on timidity and conformity.

Another expedient is the provision of information by institutions which, although licensed by the State, are not state run. The BBC is an example of an institution of this intermediate type. On a smaller scale, the Royal Institute of International Affairs is another. The post-war fate of the Ministry of Information might be to continue in the form of an institute under independent governorship and removed from state administration. The difficulty of such a solution is that hitherto such institutions, in order to avoid the charge of making propaganda, have put all points of view—which is no solution of the problem of leadership. Another difficulty is to preserve within so heavily organised a framework any inspiration or originality of approach or any power of new insight into the flux of foreign affairs.

The problem is, then, one of the greatest difficulty. But it must be solved if there is to be any prospect of a well-secured peace. There is, of course, no ideal solution. So much depends upon the quality of the people who seek information; but it is possible to envisage a mixed system in which a variety of institutions and different individual practitioners all play a part. It would perhaps be legitimate for the state itself to do direct propaganda for the principles enshrined in its Declaration since the pre-condition of any such a Declaration coming into being is widespread popular agreement. Public but independent institutions and formally recognised experts could guide the public through the problems raised by applying the basic principles to any given situation; while the unlicensed practitioner, speaking as a citizen with a right to free speech, but not as an expert with a right to respectful hearing, could raise the doubts or queries and new ideas without which the system would grow stagnant and the people bored.

Democracy is by definition the kind of government that does not seek the easy way out, and the creation of a sound and sufficiently united public opinion is its main problem. Yet, in comparison with the amount of intelligence, and the amount of money that has been spent in bedevilling men's minds, is it fantastic to hope that equal wit and equal outlay can contribute something to their enlightenment?

NOTES OF THE WEEK

Unity of Command

One of the first decisions taken by Mr. Churchill and Mr. Roosevelt in Washington—the appointment of General Wavell as supreme Commander of the South Western Pacific battle zone—is a welcome symbol of the unity of mind which prevails between the Allies and the ability to give that unity practical expression. There are few fronts where national divisions are so diverse as in this great new theatre of war. The frontiers of General Wavell's command do not extend to Free China or to any zones in Thailand or French Indo-China the Chinese may occupy in the event of an offensive against the Japanese armies of occupation; all Allied troops in these areas will be under the command of General Chiang Kai-shek. Chinese forces defending Burma and Malaya will, on the other hand, fight under General Wavell's command. Doubtless this arrangement was decided on during the Commander-in-Chief's visit to Chungking. The American forces in the Philippines, under the local command of General MacArthur, fall within

the general area controlled by General Wavell. So, too, do the Dutch forces in Netherlands India and the Empire forces defending Singapore. The new command covers the northern coasts of Australia, and the Australians' special position is to be recognised by a permanent liaison between General Wavell's headquarters and the Australian Home Command. An encouraging feature of the new arrangements is that not only are the different national groups properly co-ordinated, but the three services—land, air, and sea—are brought under unified control. With General Pownall as Chief of Staff, Major-General Brett, Chief of the United States Army Air Corps, as Deputy Supreme Commander and Admiral Hart of the United States Navy in command, General Wavell has able assistants from all three services. Given the difficulty and diversity of the area, it would be difficult to conceive, in so far as structure is concerned, of a better working arrangement. General Wavell's heavy task lies in the legacy he inherits, or, to use his more picturesque phrase, the baby he has been given to hold.

The Battle Fronts

The news from the Far East is, as usual, uniformly depressing. Manila has fallen and the Japanese are having a discriminatory fling against all the white races they have found there, Axis peoples not excluded. Sarawak is evacuated. There have been new landings in North Borneo. In Malaya, the British forces are in steady retreat and new landings are reported to have given the Japanese the aerodrome at Kuantan, some 190 miles from Singapore. Other landings on the west coast above Kuala Selangor threaten the left flank of the British forces. There is as yet no sign of important reinforcements and it is perhaps significant that the supreme Allied headquarters is to be established in the Dutch East Indies. From the other fronts, the news is less discouraging. The Allies in Cyrenaica are continuing their mopping up operations round Jedabia. Both sides are presumably massing their machines for the next stage in the attack. In Russia, the German bulge round Mojaik has been punched a little flatter by the Russian recapture of Maloyaroslavets. Now the Red Army has reached the outskirts of Mojaik and thus in a month's fighting it has retaken practically the whole area captured by the Germans in their November offensive. In the north, the Russians have pushed forward to Schlüsselburg outside Leningrad and the Finns are watching nervously the definite signs of increased Russian activity in the Karelian peninsula. In the extreme south, the recapture of Kerch and Feodosia has been consolidated and the Russians are apparently trying to repeat the coup on the west coast at Eupatoria. The initiative remains everywhere with the Russians and the next weeks will give decisive evidence whether the Germans can—as they claim—establish a line, or whether the straightforward Russian counter-offensive can be boldly developed into devastating thrusts deep into enemy occupied territory.

Chinese Victory

It is now clear that the Chinese have won a victory of considerable importance at Changsha. Not only has the attacking Japanese force, variously estimated at between 60,000 and 100,000 strong, been forced to retire toward its base at Yochow but a high proportion has been trapped by the Chinese attacking its flanks. Adopting a strategy which has served them well on former occasions, the Chinese permitted the attacking force to advance until it reached the suburbs of the threatened town and then attacked in strength on either side of its lines of communications. Japanese losses are estimated at between 30,000 and 40,000. It appears that successful destruction of roads prevented the Japanese from bringing south certain mechanised forces based on the Yang-tze valley. The victory is important since it ensures that the Japanese are still unable to use over its full length the Canton-Hankow railway which runs through Changsha. It is also important because it demonstrates once more the supreme importance of arming the Chinese forces. Military skill which can successfully pit an army with primitive equipment against a modern mechanised power commands the admiration of the world. There is a strong probability that General Chiang Kai-shek's armies, supplied with arms, could roll back the Japanese invader as devastatingly as the armies of Stalin are turning the Germans out of Russia. This was true before Japan entered the world war. To-day, the necessity for such a policy is ironically underlined by Allied inability to hold the Japanese, with or without arms, and by the Chinese loan of a strong force, well armed with scarce Chinese equipment, to assist General Wavell in the defence of Burma.

De-Concentrating Cotton

The effects of war in Russia and the Pacific are not confined to military supplies, ships and rubber and tin. They extend to cotton. The cotton industry has been so successfully concentrated that its output had in any case, fallen below current requirements. As long as three months ago, the spinning section was unable to process the cotton ration allocated to it by the Controller; and to stem the outflow of labour the Essential Work Order was then applied to all nucleus mills in spinning. Now the situation has changed again. There has been a growing demand for clothing for Russia. First sanctions and now open hostilities have deprived India and the colonies of essential supplies of Japanese cloth and clothing. Hostilities in tropical condi-

tions mean a heavy demand on American and British resources for cotton uniforms. In spite of a drive to increase the labour force, the personnel of the mills is inadequate for the work at hand and expected. The position has grown steadily worse as prospective requirements have expanded; and, by the end of the year, it was evident that very drastic action was required to step up production. On January 6th, the Essential Work Order was applied to the weaving section, and cotton was scheduled as a "vital war industry." It has been placed on a par with the munition factories to whom women and men may be "directed." Mr Tomlinson, Parliamentary Secretary to the Minister of Labour, pointed out on Monday that the position is so serious that, once the nucleus mills are fully staffed, mills that have been regarded as redundant will probably be restarted. In so far as the difficulties of the industry are simply due to the understaffing of nucleus mills, they could have been prevented by the earlier application of the Essential Work Order. But in so far as they have been caused by the increase in demand due to strategic causes and the need for adjustment to the extended war, they almost certainly could not have been foreseen when concentration was carried through. They do not condemn the policy of concentration, but rather reflect the difficulties of forecasting demand in the context of a world war. At some stage, all industries producing essential goods are vital industries.

Control of Rubber

The possibility of the loss of rubber supplies from the Far East, which produces some 90 per cent of the world's total output, finds Great Britain without adequate preparation. True, stocks of crude rubber have been accumulated, but the steps taken to ensure adequate supplies have been less far sighted in Great Britain than in the United States. Across the Atlantic, the reclaiming of rubber has long been an important industry, and the increase in the ratio of reclaimed to virgin rubber consumption from 29 per cent in January to 44 per cent in October, 1941, suggests that the output of reclaimed rubber has been increased. In this country the reclaiming of rubber has never become an important industry; in 1939 consumption was only 10,407 tons, compared with the absorption of 122,715 tons of virgin material. Nor has the need for producing synthetic rubber, which is now being developed on a large scale in the United States, ever been given sufficient consideration in this country. In part, this state of affairs must be ascribed to the fact that the British Empire is the world's largest producer and the United States the largest consumer of rubber. But the natural inclination of British rubber interests to deplore the expansion of the reclaiming industry should have been overruled when war broke out. The Government could hardly expect a Rubber Controller drawn from the industry to prevail over the influence of the producers of crude rubber. The replacement of the Controller by a Board which, besides Sir George Beharrel (chairman of the Dunlop Rubber Co.) as chairman and Sir Walrond Sinclair (chairman of the British Tyre and Rubber Co., and of India Rubber and Gutta Percha), the former Controller, includes a director of the Rubber Regenerating Co., and is

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leavened by persons from other industries, suggests that the need for a change has been recognised—though, characteristically, the major influence is still with the trade. There can be no two opinions concerning the policy that must be pursued by the Board. Besides curtailing unessential consumption, the facilities for reclaiming rubber should be expanded; the possibility of manufacturing synthetic rubber must be given serious consideration; and, if shipping is available, rubber trees may have to be tapped more intensively in certain regions, even if this involves a reduced yield later on. These are unpleasant necessities. There is plenty of evidence from many industries—and from America as well as from Britain—that trade interests are apt to see the unpleasantness much more clearly than the necessity. It is a thousand pities that an independent and energetic Controller has not been appointed.

The Return of the Statesmen

Mr Eden and General Sikorski have both returned from Russia, and they bring with them news of the identity of purpose which unites the Allies not only in the immediate objective of defeating Hitlerism but in the problems of political reorganisation which will follow victory. Both statesmen were insistent upon this second aspect of their conversations. After remarking that the identity of view with regard to the conduct of the war mentioned in the official communiqué was "literal and absolute truth" Mr Eden went on to say that he attached "as much importance to the discussions which we had upon the organisation of peace and security after the war" and that "closer political collaboration between us can and will be realised." General Sikorski went further and spoke of reaching with M Stalin "definite conclusions which mean action." There is, naturally enough, no more specific information about the scope of the Allied conversations and agreements, but it can be assumed that the general framework of the settlement discussed was in line with both the Atlantic Charter and the Declaration of Washington with its reference to the defence of "life, liberty, independence, and religious freedom" and the preservation of "human rights and justice." It is unfortunate that Mr Eden should have damped the effect of his confidence in the building of a better settlement by a curious return to the eighteenth century doctrine of sovereignty in which the state, no matter how vicious, could deal as it would with its own people. History has shown that, sooner or later, governments based upon arbitrary dictatorships and a terrorist secret police carry their aggressions over from their own citizens to other nations. After the experience of the last twenty years, the internal regimes of the nations cannot be a matter of indifference to their neighbours. The real task of the final settlement is to devise a Europe, and indeed a world, which acknowledges all President Roosevelt's freedoms—of speech and of worship as well as from want and from fear.

Good Neighbour Policy?

General Sikorski's statement on his return from Russia, coupled with last week's report of a Soviet loan to the Polish Government of 100 million roubles, are evidence that one of the most critical of European problems is on the way to solution. They provide substance for the hope that M Stalin intends to recognise and assist a free, strong and independent Poland; and that General Sikorski fully appreciates the necessity of a realistic, and so of an eastward-looking, policy if yet another partition of Poland is to be

avoided in the future. His statement that "the Poles have so far been known as a romantic people in policy. Now, however, we enter this sphere of real politics when only facts count, and new facts must be created" suggests the abandonment of the Poles' old Ukrainian dream of a restored *Recz Pospolita* in return for "compensation" elsewhere, the form of compensation being presumably one of the "new facts." National prejudice apart, the security of both countries demands a good neighbour policy. It is in the interest of Soviet Russia to make Poland an effective barrier against any future *Drang nach Osten*. It is in the interest of Poland to ensure that a war on two fronts will never again be a practical possibility. These are real considerations, of more moment for the future of each country than any difference of opinion regarding political and religious institutions. And it is concentration on real considerations which has enabled the Soviet and Polish Governments to agree on immediate problems of military organisation and, it is rumoured, on more distant problems of frontier definition. It is probably about as easy for the lion and the lamb to lie down together as it is for a soviet and a feudal-capitalist state to live side by side on terms of mutual trust and respect. In whatever other spheres it may be necessary to reject a policy of non-interference in the domestic affairs of a foreign power, there can be no doubt that the future stability of eastern Europe depends absolutely on the pursuit of a united foreign policy, unhampered by ideological differences, by Russia and Poland.

Saturnalia

The ghosts of a more abundant past still walk. Tantalising advertisements for scarce commodities peer from hoardings and magazine pages—mere reminder and robbers of E.P.T. The New Year sales conjure up, improvidently, the illusion of by-gone plenty. It may be that, if goods are rationed, no harm is done if buyers squander their coupons in a crowded hour and a still more crowded shop. It may be that the cheapness of bargains is real, a powerful magnet in wartime. But, on the morning after, there are no more coupons—and no more goods. Many of the unrationed goods on offer, like rubber hot water bottles, are virtually irreplaceable. It may be natural to scramble to obtain them cheaply, and to hoard them. But it would be better sense to husband them and to spread their distribution more evenly over the year and the population. The truth is that sales fit in badly with savings campaigns and war economy. Spending is Lord Kindersley's enemy, both the fact and the propensity. Sales combined with temporary reduction of Warships' and Weapons' Weeks must keep down the savings figures; and there is no probability that they will soar again correspondingly when the sales are over. In one sense, it may not matter whether half a year's shopping is done in six months or six days. But it does matter if spending in spasms tends to restore the spasmodic tempo of production which made the dressmaking, millinery, clothing, and textile fabric trades in normal times so seasonal, alternating between undue idleness and the employment of an undue number of workers and machines. The textile trades are heavily burdened again with war requirements, and the only way to make the best use of labour and equipment is to even out the replacement of civilian stocks steadily over the year. It may be, of course, that the shops will have to stand empty after this burst of selling until their turn comes round. But there will be pressure for quick replacements in exchange for coupons. War economy means eking-out goods, labour and industrial equipment; and sales, which themselves need extra staffs, are opposed to this in both spirit and letter.

Sauce for Goose and Gander

It would be a blow, not only to the name of British sincerity, but also to British chances of success in future battles, if it became established that "scorched earth" is a proper policy for Russian peasants but not for the guardians of British investors' assets. The extent of the destruction that has been left undone in the path of the invaders of Malaya is disputed; and mines, plantations and stocks are not easily wrecked. But, in some circles in the City of London, a ready defence has in any case been found for leaving rubber and tin—and, presumably, other commodities of interest on the Stock Exchange—undestroyed. One argument will come ironically to Russians. It is that, since the Japanese will be driven out of Malaya eventually,

and since when they go they will destroy what they cannot take away, it would be aiding the enemy to scorch the earth before they arrive. The Russians' task now, as they advance, would admittedly be easier if they had not scorched the earth when they retreated; but the point is that, if they had not done so, they very likely would not be advancing now. Another argument of the apologists for the omissions in Malaya—which, whatever the precise truth, gave the Japanese invaders many mines, plantations and roads and, in Penang, shipping and food, all intact—is a little more plausible, but not a whit less disingenuous. It is that the Japanese already have enough raw rubber and tin, and that it was easier and enough to destroy the tin smelters and the dredges, if this indeed was done. This ignores entirely the total character of modern warfare. Extra rubber and tin in Malaya is bound to be an advantage to the Japanese as the war threatens their other sources of supply in Thailand and Indo-China; and it is only very probable, and not ordained as immutable and certain, that Japan will be cut off for the rest of the war from the other members of the Axis, who hunger for rubber and tin. The policy of scorched earth, by nature and definition, is not a selective policy. It brings in the methods of the locust to impede the enemy, and makes his every battlefield a desert. France had not the courage to use it, and the question raised by events in Malaya and by sophistries in the City is—has Britain?

Food Front in 1942

Lord Woolton's review of his policy in 1941 contains the frank and interesting admission that it was impossible to ration some goods which were in short supply because there was not enough to go round; and the decision to meet this difficulty by the introduction of group and point rationing, lumping scarce goods of a similar kind together in a single ration, was probably the most important development in food policy last year. The successful maintenance of the basic diet, in a year in which Hitler reckoned on winning the Battle of the Atlantic, is a matter for some congratulation, as Ministers have shown no hesitation in pointing out. Thus, an investigation carried out last November by Mr T. Schultz, of the Oxford Institute of Statistics, reached the conclusion that it was then possible to provide a basic "human needs" diet for a family of five, of which three members were children, for approximately the same total expenditure—33s. a week—as in March last. He also estimated that, although the constituents of the diet had changed in various respects, there had been no necessary reduction in nutritional value. Yet it would be unfortunate if the Ministry of Food were to come to regard the maintenance of the present type of diet as an end in itself. Outside the English-speaking nations, the characteristic diet is always one of cereals, potatoes and other vegetables, to which meat, eggs and cheese lend varying flavour. It is the duty of the Ministry of Food to make it clear to the nation that Anglo-American middle-class standards of food are unique and that the change over to what is a "peasant" diet need imply no disastrous loss of calory or vitamin content. Here, there are two provisos: that the unfortunate shortage of oatmeal in recent months can be remedied, and that the British public can learn to cook vegetables without wholesale destruction of vitamins—a matter now coming to be of first-class importance. In 1942, it is the battle of the Pacific which mainly threatens the national diet. The public should be told promptly and authoritatively that this struggle almost certainly implies, not merely lower rations, but a change over to a rather different type of diet—a type of diet which is regarded as normal by the vast majority of mankind.

Mr Tanner Protests

The President of the Amalgamated Engineering Union, Mr Jack Tanner, believes that the views "expressed" by *The Economist* on December 20th (page 746) were a "travesty" of the engineers' case for higher wages. Their case, Mr Tanner suggests in a letter (published on page 38 of this issue) was not primarily based on the wartime increase in the cost of living or on the rise in taxation, but on the need to maintain the "efficiency" of key war workers. Mr Tanner presumably knows better than anyone else what he argued before the National Arbitration Tribunal; but it must be confessed that, if this was indeed his case, he was strangely ill-reported in all sections of the

Press. This clarification of his attitude, with the explicit statement that engineering workers should not "be singled out to enjoy a peacetime standard of consumption," is, of course, to be strongly welcomed. But it may still be that the President of the AEU is being somewhat disingenuous. If his argument is that the "efficiency" of the members of his union is impaired by the increased cost and scarcity of necessities, then unless he can prove that there is distinct hardship or that engineers are worse off than other parallel workers, which over the whole range of engineering earnings does not appear to be the case, the discussion goes back to where it started. The wartime supply of goods is strictly limited. Any other group of workers might make the same claim as the engineers to higher wages, and unless they will be satisfied simply by having more money which they cannot spend, which is absurd, the claim of one section to a bigger share of goods can only be granted by giving another section—a less well-paid section—a smaller share; and costs and prices, now and after the war, will in any case be inflated. Mr Tanner's case for complete rationing to ensure a juster distribution of goods is, of course, quite valid; and, so long as rationing is "weak or incomplete," as he puts it with some over-emphasis, there may be too many individuals in the higher grades of income with too much purchasing power. But it is still not unreasonable to describe the process of sectional bargaining represented by the engineers' and other wage claims as an internecine scramble for advantage, which was *The Economist's* contention. Mr Tanner's final point—"An increase of wages for an increase of production"—was sufficiently met by the statement that "If more output is required, pay by results, by higher earnings, not by higher wages which are as likely to mean less output as more."

Vichy Looks Up

Germany's discomfiture on the eastern front is having the inevitable repercussion in the west. Marshal Pétain's New Year broadcast has had a bad reception in Berlin—naturally so, for it included the emphatic refusal of the old Marshal to see France brought back into the conflict; it not only gave the routine criticism of the Free French, but also attacked the out and out collaborationists of Paris; and it laid the blame for the failure of the Monthoire policy on Germany's refusal to return France's labour force in the shape of the prisoners of war. Darlan, too, is piping another tune and after the rumours and counter rumours of a week back when it seemed that Pétain was to be superseded by the ambitious Admiral, he has come out with an Order of the Day in praise of France's "sole leader" and "symbol of honour." The truth is, of course, that neither the ugly temper inside France—there has been machine-gunning of crowds in Paris and a high Vichy official has been murdered—nor the fluid state of the Russian campaign permit the collaborationists to push forward with their schemes. Marshal Pétain, whose attitude ever since the day he first became convinced of Britain's inability to win has been nakedly opportunist, is recovering a little daring in face of American intervention and the Eastern defeats. If Hitler is still determined on a winter campaign in the Mediterranean, he must do it without the active collaboration of the men of Vichy.

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INDEX TO VOLUME CXLI

Shortage of paper makes it impossible in wartime to follow the normal practice of distributing to every reader a copy of the Index to *The Economist*. Copies of the Index to Volume CXLI (July to December, 1941) will be available early in January, and will be sent, free and post free, on application.

As our records have been destroyed will those of our readers who have applied for previous indexes kindly repeat their instructions?

THE ECONOMIST - Brettenham House - London, W.C.2

Letters to the Editor

The Cost of Agriculture

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of December 27th Lord De La Warr credits me with estimating £100 millions as the amount of the reliefs to agriculture in 1938-39. The figure given in my book "Reconstruction and the Land" is approximately £41 millions. From this Lord De La Warr deducts £17 millions for derating, and wishes also to deduct the cost of agricultural education, which is not included in my estimate. By some slip he takes this figure of £17 millions as the total remaining, instead of £41 - £17 = £24 millions, the remainder that would thus be obtained. Lord De La Warr may be justified in ruling out derating as a relief to agriculture since it is a direct gift to the owners of the land, but then a similar argument might be applied to nearly all the subsidies to agriculture.

A. DANIEL HALL.

[Sir Daniel Hall's letter provides an opportunity of explaining in greater detail the various figures of assistance to agriculture which prevail in current controversy. The first is Sir Daniel's own figure of £41 millions for 1938-39. This was made up as follows:—

Sugar beet subsidy	£1,730,000
Sugar beet, remission of excise ..	1,520,000
Wheat subsidy	9,290,000*
Barley subsidy	800,000*
Oats subsidy	2,320,000*
Fat cattle subsidy	4,500,000*
Milk subsidy	1,556,500†
Bacon subsidy	150,000
Land fertility scheme	1,300,000*
Ploughing-up subsidy	500,000*
Drainage	400,000*
Livestock improvement	100,000*
Rating relief	17,000,000
	£41,166,500

* Approximate. † Including £605,000 for cheap milk schemes.

The cost of the cheap milk schemes and the ploughing-up subsidy can properly be deducted, as their object was something other than relief to agriculture. This leaves £40,061,500. It should be noted that this total does not include the cost of the Ministry of Agriculture or of the Development Commission, State subsidies to agricultural education, or grants for small holdings. The inclusion of rating relief is, admittedly, a moot point. If the intention is to show the extent to which agriculture is assisted to a greater extent than other industries; only the final quarter of the rating relief should be included. But if, as is far more often the case, the intention is to show the relief that has been accorded to agriculture by the community at large, then the whole remission of rates must be shown; the money has had to be found by somebody else.

In another passage of his book, Sir Daniel Hall says, "It is estimated that the £250 millions of [British agriculture's] annual output could have been obtained in the world's market at £60 millions less cost to consumers." This £60 millions, added to the previous figure of £40 millions, makes the figure of £100 millions, mentioned in *The Economist* of November 29th. It was this figure that Lord De La Warr was quoting in the issue of December 27th; it is the cost to the community in 1938-39 of maintaining agriculture "in subsidies, remission of taxation and prices above the world level."

But the farmers were not satisfied with the conditions of 1938-39, and an attempt was made in the article of November 29th to calculate the additional cost of acceding to their wishes. The major item would be the cost of a system of guaranteed prices for farm produce. The answer, of course, depends on the prices that would be guaranteed and the quantities to which it would apply. It was calculated three years ago that the cost of guaranteeing prices

not much above the average of the decade 1928-37 for the average quantity produced in those years would be over £25 millions, not counting milk, sugar beet, hops or potatoes. The guaranteed price for wheat would be 8s. 3d. per cwt. on 32,700,000 cwt. But the actual guaranteed wheat price at the outbreak of war was 10s. per cwt. (on 36,000,000 cwt.), and if comparable prices had been guaranteed for the other crops, the cost in a representative pre-war year would have been very nearly £50 millions a year. This is the figure that is relevant to a calculation of the cost of acceding to the farmers' wishes. Finally, there is the cost of the wartime increases in labourers' minimum wages, which can hardly be put at less than £40 millions a year.

If all these figures are added up, the total is "not very much short of £200 millions." There may well be some overlapping between the different items (e.g., payments for wheat and fat cattle are included both in the £41 millions and in the £50 millions; or guaranteed prices might enable farmers to absorb some part of the increase in wages). But against this there is the certainty that the farmers would probably not be satisfied with the prices, and would certainly not be satisfied with the quantities, on which the £50 millions was calculated.

The figure of £200 millions is not the measure of the actual cash burden on the Treasury. It is not a measure of the present wartime burden of agriculture, since imported food is now dearer. It is not a measure of what would be the post-war cost, unless it be assumed that world prices are exactly the same after the war as before. It is not a measure of the sums that would accrue to the farmers, since much would be passed on in higher rents. It is not the minimum cost of a reasonable agricultural policy. But it is what it was originally stated in *The Economist* to be: a measure of what would have been the cost to the community if the policy for which the farmers are now asking (including the new wage-level) had been in force in the late 1930's.—EDITOR.]

Engineers' Wages

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of December 20th, under the heading "Ostriches Among the Engineers," you publish a note on the recent claim put forward by the engineers for an increase of wages. I am surprised that a journal of the standing of *The Economist* should print such a travesty of the case I presented to the National Arbitration Tribunal. It is true that glancing references were made in that case to the official cost-of-living index and to rationing—in the one case in order to refute the employers' contention that the official index is a valid measure of the real costs which obtain; in the other, to criticise the weak and incomplete system of rationing which has the effect of reducing the consumption of the hardest working and least leisured sections of the community. But I made no claim whatever that wages should be increased in order to counteract the effects of the purchase or other taxes, nor did I anywhere suggest that engineering workers should be singled out to enjoy a peacetime standard of consumption in a war economy.

On the contrary, I specifically stated that the men on whose behalf I was speaking claimed no exemption from the sacrifices which war exacts. My arguments were based upon the fact that, so far, it is the section of the population of whom the greatest efforts are demanded which is called upon to bear the brunt of the sacrifices and shortages, and that to allow key war workers to fall below a standard of living which will guarantee their efficiency to fulfil the gigantic task of increasing war production which is required, is not merely false economy but criminal folly. An increase of wages for an increase of production: that was, and remains, my case. I have yet to be shown that it is an unsound one.—Yours faithfully,

JACK TANNER,

President of the Amalgamated Engineering Union.

THE WORLD OVERSEAS

Manpower in France and the Low Countries

[BY A CORRESPONDENT]

December 29th

HITLER's conquest of France and the Low Countries provided him with a windfall of industrial labour such as he could not hope to secure in most other parts of Europe. The Nazis could choose whether to employ the French, Dutch and Belgian workers in their native countries—on German account—or whether to transfer them, as "free workers" or prisoners of war, into German agriculture or industry.

Germany took about 1,800,000 French prisoners of war, and only about 400,000 of them have so far been repatriated, while the vast majority are "employed on useful work" in Germany's interest. The bulk of the prisoners consist of farmers and agricultural workers; in spite of this, in the spring of 1941 almost half of them were reported to have been transferred to industrial plants, though a larger number was employed on harvesting during the summer months.

As a result of this large-scale transfer, a serious agricultural labour shortage arose in France, owing partly to the lack of animals, machinery and other labour-saving devices. Mass unemployment developed, however, in French industry and commerce, and more especially among those formerly employed in armament works. It reached its peak in November, 1940, when more than a million people were registered at the labour exchanges, two-thirds of them in the Paris region. This figure did not include the numerous unemployed foreign workers in France or those French workers who had been temporarily stopped or who were working short hours only. Moreover, it is estimated that 200,000 unemployed did not bother, at that time, to register for work, as they had no title to receive any relief pay and no hope of getting a post through the labour exchanges. By October, 1941, however, the authorities had succeeded in reducing the number of those living on the dole to about 211,000, most of whom were unable to do regular work.

An obvious remedy against industrial unemployment has been the dispatch of a large number of workers to the villages. Owing to the low wage-level in agriculture, many of the adult industrial workers returned to the towns after a short period, but there was a very large number of juveniles who were persuaded to choose an agricultural career. Moreover, every youth of 20 years of age has now to take part, for at least eight months, in the newly-created "Labour Service," and this semi-military organisation is largely occupied on agricultural work, in addition to road-building and general reconstruction work. In the occupied zone, 300,000 prisoners of war, on temporary leave, have also helped in agriculture this summer, while in the south a large proportion of the Spanish refugees, numbering about 350,000, have also been compelled to work on farms.

Short time is still largely in force in the textile and other consumption goods industries, while certain other industries are now working overtime because of the shortage of specialised industrial labour. It has recently been decreed that the law providing for a maximum working week of 48 hours is to be suspended in the whole of the metal industry. The labour shortage in building and road-building is illustrated by the fact that the Todt organisation and other German concerns are employing about 54,000 Belgian and Dutch workers in Northern France. Even more serious is the labour shortage in coal-mining, where over 30,000 workers have been lost as prisoners of war or as a result of the emigration of foreign workers. The *Koelnische Zeitung* has recently pointed out that the lack of food has resulted in a decreasing output per miner. A further adverse factor is the large-scale use of substitutes in French industries. Not only does the production of

artificial textile fibres, wood-gas, etc., require additional labour, but many of the substitutes are uneconomical in use and therefore cause an extra expenditure of labour in the factories where they are made into manufactures.

The number of French workers in Germany, apart from prisoners of war, was only 25,000 on April 1, 1941. But an increasing number have been sent to Germany during the last few months, and, at the end of November, the 100,000th worker was reported to have left for the Reich. Most of these workers are metal-workers, agricultural labourers or building operatives, and their departure has certainly added to the prevailing difficulties of French industry. Germany will, however, probably try to continue this procedure, since in the German view France can make good these losses by mobilising her "invisible" labour reserves. But it is rather doubtful whether the Reich will succeed in enticing a very large number of additional skilled or semi-skilled workers to move from their homeland, where most of them have found some sort of employment now. On the other hand, it would hardly be possible to use any "invisible reserves" for a net increase in French industrial output, since French industry is already suffering from a very severe shortage of raw materials.

Belgian Manpower

The problem of securing additional Belgian labour for the Reich is probably still more difficult. In Belgium, the number of unemployed was probably nearly 700,000 after the invasion, including 500,000 registered with the labour exchanges; these figures compare with an average total of 334,000 registered unemployed in 1939. In October, 1941, a bare 70,000 elderly men and women were still registered as unemployed. It should be taken into account, however, that able-bodied people now receive no dole, but are asked by the labour exchanges to take up "relief work" for a remuneration of 85 per cent of the ordinary rates; it is quite conceivable, therefore, that there is still a considerable body of unregistered unemployed. On the other hand, one of the main factors contributing to the apparent reduction of unemployment has been the "voluntary" emigration of workers to Germany and German-occupied France. Belgian factories have frequently been asked, in recent months, to dismiss young childless workers and to engage more elderly men instead, while those dismissed had practically no other alternative but to accept work in Germany. But such expedients the number of workers transferred has swollen considerably; the number of those in Germany increased from 87,000 in April to about 210,000 in October, 1941, in addition to about 30,000 in Northern France.

The only western country with a fairly large reservoir of still untapped labour is Holland. The number of unemployed, which was estimated at 500,000 after the invasion, has been reduced to about 110,000 during the last six months or so; about the same number of people are now on the dole as in April, 1940. But the burgomaster of the town of Oss, in occupied Holland, revealed last summer that "thousands" are not registered for employment because they openly refused to work for Germany, and that a great many others do not ask for registration, in order to avoid an offer that they should be sent abroad. Of those employed in Holland itself, 85,000 are on public relief work or in the Labour Service or occupied on the repair of war damage. Short-time work is so widespread that the Dutch railways are now issuing special three-day workmen's tickets.

Holland differs from France in so far as no prisoners of war were sent to Germany, and from Belgium in so far as the process of moving workers to Germany has recently been a little slower. The number of Dutch workers in Germany increased from 90,000 in the spring to only 132,000 in the autumn of 1941, while there are another 24,000 in Northern France. It is quite likely, however, that the number will soon be increased to at least the same size as Belgian émigré workers.

There are still some considerable untapped resources of

general labour in Holland, but this is not the case with the more urgently needed categories of labour. Some months ago the Amsterdam Labour Exchanges arranged trainee courses for the aircraft industry, and offered agricultural posts for juveniles from 12 years of age onwards. There is also evidence of a shortage of mineworkers.

The labour resources in the western countries will, therefore, hardly make up for the loss of German industrial workers caused by the Russian campaign, and there are few alternative resources in other German-occupied territories.

America's Price Level

[FROM OUR NEW YORK CORRESPONDENT]

December 17th

In the middle of December the BLS wholesale price index, at 93, stood at the same figure as in December, 1929. The highest month of 1929 was July, at 96.5. From this figure the index descended continuously to 59.8 in February, 1933—the month of the bank panic. From this level (which held for the first four months of 1933), there was a rapid and continuous rebound that reached 71 in December, 1933, 77 in December, 1934, 81 in December, 1935, and 88 in March-April, 1937. From this there was a continuous sag to August, 1939, at 75. This was followed by a small rebound in the autumn of 1939, but heaviness (or stability) persisted, and a year later, in August, 1940, the index was still 77. From this point, the rise has been almost continuous to the figure of 93 now current. While it is not disputed that a part of the upturn in prices in 1936 and early 1937 was of a speculative and unsubstantial character, it seems arguable that the subsequent decline (to the summer of 1937) was in part attributable to economic pressures before the outbreak of war in 1939; and that the first year of the war in Europe (except as it occasioned a brief immediate speculative flurry) did not exercise any upward influence on the price structure. It may, indeed, have acted as a depressing influence. Yet the conspicuous fact is that for the three years 1938-39-40, the characteristic of our prices was stability—the average being 79 in 1938, 77 in 1939, and 79 in 1940, with the index of December, 1940, standing at 80.

The initiation of our own defence programme in the summer of 1940 was rather quickly reflected in prices, and this influence has been cumulative all through 1941.

GROUP INDICES OF THE BLS			
	June, 1940	Feb., 1941	Oct., 1941
Raw materials	71	74	90
Semi-manufactures ..	80	82	90
Manufactured goods ..	81	84	94

The rise in raw material prices is principally attributable to agricultural products.

GROUP INDICES OF THE BLS			
	June, 1940	Feb., 1941	Oct., 1941
Farm products	66	70	90
Foods	70	74	90
Other	82	84	94

The rise in farm products and foods is more than double that of the non-agricultural, non-food index. Yet, on the 1926 base, both farm products and foods are relatively cheap. In the years since 1929, the urban public has become accustomed to very cheap agricultural products, and the abrupt change in the past year has come as something of a shock.

Within the non-agricultural groups, there has been less spread in prices in the year, or in the past year and a-half, than might have been expected. Textile products have

shown the most extreme rise—from about 72 in June, 1940, to over 90. Building materials were high in June, 1940, at 92; their subsequent rise to about 107 is not much above the average. The same is true of hides and leather—from 100 to 115—incidentally, the highest group in the index. Except for farm products and foods, or raw materials other than the common metals, the characteristic of the past eighteen months has been the uniformity of the rise.

Except in the metals, the statistics do not clearly indicate the effects on price of either priorities or "ceilings." This is partly because negative evidence never shows well in statistics; partly because, until recently, price "ceilings" have been few, and are still not common; and partly because the priority system, while older and wider than ceilings, is still relatively a novelty on any comprehensive scale.

So far, rationing has had no part in our price policy, although our price policy has of itself already become a kind of rationing. But as yet it does not show clearly enough to be described. Apparently, the first rationing to be imposed will be on automobile tyres. Sales of new tyres have been temporarily prohibited; and when the prohibition is lifted it will be replaced by rationing under a sort of priority scheme.

Latin America Loses Japan

[BY A CORRESPONDENT]

January 5th

THE loss of their European markets forced the Latin American countries into a wild scramble for whatever markets were still open. As the months went by, the United States' good-neighbour policy greatly stimulated sales to North America, but there remained some important commodities that had still to seek an outlet elsewhere. Of these, cotton was the most important, and Japan proved far and away the most promising market; nearly all the Latin American states have increased their Japanese sales.

This trade will now cease, whether or not all the American republics declare war on Japan. The following table will give some indication of the quantitative and relative importance of the expected loss:

EXPORTS TO JAPAN				
Country	Period	1940	1941	% of all Exports
Uruguay (mill'n pesos)	Jan./July	1.6	1.7	2.2
Argentina (mill'n pesos)	Jan./Sept.	16.0	38.0	3.5
Brazil (thou. contos)	Jan./Aug.	197.0	269.0	6.4
Chile (million pesos)	Jan./July	11.0	27.4	6.5
Peru (million soles)	Jan./June	4.4	51.1	20.8

The same tendency has been shown by most of the Central American states. In 1939, Nicaragua, for example, exported goods to Japan to a value of córdobas 40,000 (less than £2,000), but the following year her sales rose to córdobas 192,000, and for 1941 the figure promises to be considerably higher. An exception is Mexico, which would no doubt have largely increased her sales but for her decision a year ago to suspend the shipment to Japan of oil and its derivatives.

Except in the case of Peru, for whom Japanese purchases of cotton are of particular importance, none of the big South American countries stand to lose as much as 10 per cent of their total export business. But in times of difficult trading the loss of "marginal" orders can be very serious, and in the present instance almost the whole decrease will fall upon cotton, the one commodity which can look for no outlet in the United States.

Poland's Needs

[BY A POLISH CORRESPONDENT]

January 1st

IN the twenty years before the present war, Poland strove hard to restore her economic and social fabric and enable her population of 35 millions, exhausted by a war lasting nearly six years (the 1914-18 and Polish-Soviet wars combined), to attain a better standard of living and to exploit the potential resources of the country. Poland was then greatly impoverished, stricken with famine, pestilence and

unemployment and deprived by the invaders of practically all raw materials and capital assets. Yet, by the outbreak of this war, Poland had largely extricated herself from these economic and social troubles, although the Polish standard of living still continued much below that of the western countries.

Despite Poland's participation in the victory over Imperial Germany, the assistance rendered by France, England and the USA, though valuable, proved inadequate. When large sums were being pumped into prostrate Germany in order "to put her on her feet again," Poland in the post-war period received only scant attention from the Allied countries in terms of investment and working capital. Thus, after the losses and destruction caused by the 1914-18 war and its sequel, Poland took over her national economy under extremely adverse conditions. The acute shortage of capital is best illustrated by the fact that, as late as 1929, the official discount rate was 8.6 per cent, and of private banks 12.2 per cent, only dropping to 4.5 per cent and 8 per cent, respectively, in 1937.

Poland's currency circulation, as late as 1935, did not exceed £1 12s. per head of the population, and savings deposits were approximately 18s. per head of population. The consumption of sugar, coffee, tobacco, coal and cotton was one of the lowest in Europe, and foreign investments were only about £5 per head of population. Poland's foreign trade was largely circumvented by the system of quotas, clearing accounts and other restrictions gradually imposed by European and overseas countries. Poland herself was one of the last European countries to introduce monetary and trade restrictions.

After this war, Poland will have to face even greater economic difficulties than after the last war. Her impoverishment, owing to Nazi totalitarianism, will be even more complete, and the need for fresh working capital and raw materials, in addition to medical and social assistance, will be more pressing than ever. The mass transfer of population by the Nazis, and the large-scale confiscation of foodstuffs, raw materials and even private belongings, will render her situation more acute. Poland will have to turn to her western Allies for help.

The experience of the past 20 years has shown that Poland is a profitable client for Great Britain and her colonies, although her volume of trade was never large (imports, 1,254 million zlotys—25 zl. to £1—and exports 1,196 millions in 1937). The British Government and private firms lent Poland capital for railway equipment after the last war and also sent textiles, leather, foodstuffs, oats, wool, copper, medical supplies and sanitary materials. But the total Polish Government indebtedness to foreign countries was £84,814,416 on October 1, 1937, and only £6,765,000 of this sum was due to Great Britain. As a predominantly agricultural country, Poland chiefly exported foodstuffs to Britain—such as bacon, eggs, butter, sugar, starch, flax and timber—and imported from Britain textile machinery, cotton and wool, chemicals and manufactures.

Relations Between Spain and South America

[BY A SPANISH CORRESPONDENT]

ECONOMIC and cultural relations between Spain and South America have always been strong, and so far they have survived the growth of nationalism in the South American Republics, their industrial development, the Spanish Civil War and the reorientation of trade brought about by the war and the British blockade. Yet these factors involve a change in the nature of the relations if they are to remain as important in the future as they have been in the past, when South America was part of the Spanish Empire.

In the last few years, Spain has seen its exports to South America decline because of European and United States competition, while its own competitive strength has suffered from the Civil War, which reduced the merchant fleet, dislocated industry, paralysed agricultural production and greatly diminished the holdings of foreign exchange. These factors alone are responsible for Spain's shortages. Great Britain has not injured trade between Spain and South America by the blockade. On the contrary, Great Britain has always been ready to grant navicerts for the import of foodstuffs and other articles into Spain, and, in fact, has done so on such a generous scale that the Spaniards cannot find the necessary ships to carry the

goods. Great Britain has even allowed the diversion to Spain of a large amount of cereals originally intended for British consumption.

As an essentially agricultural and mineral continent, South America exchanges raw materials and foodstuffs for industrial and highly-finished products. Accordingly, Brazil sends to Spain coffee and cotton; Chile sends nitrates; Bolivia tin; Venezuela petrol; the River Plate Republics (Paraguay, Uruguay and Argentina) meat, cotton, hides and cereals; Peru cotton; Mexico chick peas, etc. Spanish exports to South American countries include textiles, iron, wines, olive oil, shoes, hemp-soled sandals, tinned goods and cider. Catalonian cloth, especially, has found a very good market in these countries. Spain's present main needs are cereals and fertilisers, which South America is able to produce and send in plenty. Its export trade should be directed to South America and the British Empire in order to obtain in exchange these products which she so badly needs. So far, the Nazi New Order has not proved of any practical help to Spain, because, as is well known, Germany's promise of foodstuffs has not been fulfilled.

As the United States now accounts for a great part of South America's foreign trade, because of the blockade, and as South American manufacture is becoming more and more important, Spain should organise and improve its commercial propaganda in these countries. The country would also do well to adapt its exports to the taste of the South American consumer and attend more carefully to the marketing of goods in order to avoid waste due to defective packing and other shortcomings. These improvements are all the more necessary since in the last few years the South American Republics have shown a tendency towards acute nationalism and independence which in the economic sphere tends to lead to self-sufficiency policies.

Cultural Relations

Cultural relations, like economic ones, date from the colonisation of South America. In 1513, Royal Charters decreed the foundation of schools in all towns and the compulsory instruction of the natives. Convents, seminaries and colleges conducted by religious orders, and Spanish



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missionaries taught the Spanish language, literature and history. Popes and kings gave a great impulse to the introduction of universities in Spanish America. Charles V and Philip II granted them the same rights and privileges as those already enjoyed by Salamanca, Spain, and especially the University of Salamanca, greatly influenced Spanish America until the latter achieved its independence. Ever since then, however, Spain and South America have made extensive plans for cultural intercourse, and provision has been made for the exchange of professors and students, works of art and music, although Pan-Americanism is influencing culture in the western hemisphere, and the American continent is rivaling Europe for pride of place in the cultural sphere.

The outstanding features in Hispano-American literature in modern times have been the appearance of the so-called "Gaucho" poetry, the "Americanismo" and the modernist movement. The poetic and epic works of the "Gaucho" poetry were based on material afforded by the life of the "Gaucho," or horseman of the plains. The "Americanismo" stresses nationalism. In fact, it is a natural effort towards a Latin American solidarity without distinction of frontiers.

German Europe

The Organisation of Europe

By conquest, Germany's war economy has been extended into a European war economy. But the unification of the different economies which made up pre-war Europe has not been achieved. The incorporation of Austria, Czechoslovakia and Poland into the administrative and organisational system of Germany was simple compared with the task of harnessing the economic resources of the other European countries. The method of economic penetration which had been used in the Balkan countries had only limited scope in Western Europe. A purely military administration of the occupied countries can produce only very limited results. Racial and national facts make outright incorporation impracticable. So "collaboration" remained the only feasible method.

But effective collaboration depends on a similarity in economic organisation which does not exist. State control and State planning in Germany depend on a highly centralised economic organisation, on compulsory marketing in agriculture, compulsory associations of employers and workers in industry and commerce, the regional framework of the Ministry of Economic Affairs and the co-ordination of military and economic organisation. No other European country had developed these features. There were some restrictions on civilian production and consumption, and some countries had controlled raw materials. Here and there, attempts had been made to control prices and wages. But in most of the European countries, peasants, farmers, industrialists and workers could combine and operate freely.

Almost everywhere, of course, the traditional systems of European organisation broke down under the impact of the campaigns and the subsequent occupation; and in some countries direct military administration was unavoidable, army detachments taking over all stocks of raw materials and even factories. But this method could not supersede the entire economic administration of those countries. In most cases, German State and private concerns acquired banks, insurance institutes and industrial undertakings in

As for the spiritual and diplomatic spheres, besides the traditional "Fiesta de la Raza" which takes place each October 12th in Spain and in the Spanish American countries to celebrate the discovery of America, other friendly gestures have been made, some as recently as the present year. The Chilean Government agreed to commemorate in 1941 the discovery and deeds of Almagro, and the Peruvian Government decreed on May 31st last that the remaining months of 1941 should be devoted to commemorating the fourth centenary of the death of Pizarro, the discoverer of Peru and the founder of Lima. Spain officially sympathised with this measure and decided to participate in these cultural observances, and a special commemoration took place on June 24, 1941, at Trujillo, Pizarro's birthplace. Another important Hispano-American event took place this year which was instigated by Spain. In Bilbao, an exhibition of arts and crafts was held in the ship *Cabo de Hornos*. The vessel was bound for Argentina and all the works of art aboard were offered for sale to South American people—in fact, this artistic argosy was intended to bring about a closer rapprochement between Spain and Ibero-America.

the occupied and dependent countries. But private concerns were later stopped from doing this. Instead, large-scale Continental companies, such as the *Kontinentale Oel AG*, in which Germany holds majority interests, were established.

Events in the occupied and dependent countries after the occupation were not very different from what happened in 1933-34 in Germany. The democratic organisation of workers, employers and peasants were either prohibited or put under the control of special commissars. Where a totalitarian political movement was in existence, such as the Quisling party in Norway, the Mussert party in Holland or the Rexists in Belgium, representatives of these parties were made controllers or commissars. Attempts to introduce Labour Fronts after the German model were not very successful; but various employers' federations acquiesced more readily; and the peasants were often ready to accept a centralised organisation on the style of the German *Reichsnaehrstand*. Politically, the Germans hoped that the occupied and dependent countries would "spontaneously" begin a "national revolution" similar to the Nazi revolution. Actually, they had to be forced to set up German-style economic institutions, simply to solve the problems arising out of the occupation and the German demand for manpower and industrial capacity.

Without regard to the peculiar situation of the different countries, the German system of rationing and the control of finance, prices, wages and dividends was introduced. But there was no political and economic background for such measures in these countries as there had been in Germany, which was highly centralised before Hitler. The occupied countries were simply poor and ground down. They had lost their trade connections with overseas countries. Most of them were forced to pay the costs of German occupation. They had to repair war damage, and they lost the manpower transferred to German agriculture and industry. The problems of Germany's own war economy were repeated in a more pronounced form in these countries—the shortage of raw materials and manpower, excessive liquidity, rising prices, speculation and scarcity of foodstuffs.

The Germans encouraged direct discussions between industrialists in Germany and in the occupied countries, which did result in some collaboration between whole sections of the industry, i.e. motor car, textile, chemical and light metal industries. These modern industries were sufficiently centralised in all countries for direct collaboration, mainly by sub-contracts placed by German concerns, especially in France, Belgium, Holland and Norway. Collaboration in South-Eastern Europe was confined mainly to agriculture; and here the German system of cultivation programmes, fixed prices and compulsory marketing has made progress, because the way had been prepared by pre-war economic penetration.

The real difficulties of the German war economy in Europe became plain when it was obvious that the war against Soviet Russia would be protracted. The blockade and continued large-scale fighting demanded greater numbers of men for the fighting services and more war material. The first result in Germany was a further concentration of industry and the tightening of control measures. In German

Europe, the ineffectiveness of simply trying to export Germany's system of organisation was recognised, and there was a new drive for industrial collaboration. In France, further collaboration was difficult because of the multiplicity of small firms. The control of prices and wages had proved practically impossible. In the occupied zone, the Germans reintroduced military factory commissars. Inspectors-General were appointed as liaison officers with the employers' organisations. Darlan himself is now at the head of a newly formed committee for the co-ordination of industries; and a director for the allocation of raw materials has also been appointed. All these measures are intended to encourage the concentration of industries, which is necessary for closer Franco-German collaboration. German influence is visible in a programme of standardisation in the iron and steel industry. Sugar-beet growers and sugar factories have been compulsorily organised with fixed production quotas and fixed prices.

Before the attack on the Soviet Union, German papers used to claim that France and other countries had worked out the new principles of organisation without German pressure. Lately the tone has changed. Germans are warned not to impose German organisation on other countries. The reason is obvious. Industrial production in all the European countries outside of Germany is below the level of 1938. In Holland, Belgium and France, much industrial capacity is idle because of lack of raw materials and workers. In Germany, the present organisation was developed in accordance with a gradual shift of Germany's trade from overseas countries to European countries. In the occupied countries, old-established foreign trade relations were abruptly severed. Germany was not able to replace former imports but demanded increased exports—which is reflected in the steadily growing clearing debts in occupied and neutral countries. Now the Germans are casting round for new and more suitable ways of harnessing their European dependencies effectively.

Banks.—The general expansion of German banks into occupied and dependent countries ended some time ago. Here and there German firms are still establishing banks for special purposes, such as the *Aero-Bank, S.A.*, in Paris, which was founded by the *Bank der Deutschen Luftfahrt AG*, Berlin, and confines its activities to the aircraft industry. In the occupied parts of Soviet Russia the necessary banking activities are mainly carried out by *Reichskreditkassen*.

Cheap money and excessive wartime financial liquidity have created a number of problems for the banks which have resulted in renewed discussion of rationalisation. The president of the Control Board of Banking Institutions has published statistics showing that the number of German banks at the end of 1940 amounted to 41,984, against only 34,438 in 1919, not including post office savings banks, which were introduced in 1938-39. Representatives of the commercial banks doubt the accuracy of these figures. There has been a considerable concentration of commercial banks since 1932, when several hundreds of private Jewish banks were either liquidated or absorbed. On the other hand, the last of the commercial banks which had been brought under the control of the State during the economic crisis 1930-33 was re-privatised a short time ago. It seems, however, that the Government now intends to compel the rationalisation of banks for the purpose of more effective financial control.

Traditionally, a large number of different banking institutions compete even in small towns and villages. Branches of the big banks, county district banks, local and district savings banks, credit co-operatives and post office savings banks are to be found side by side. At the same time, the influence of the State-owned banks has increased considerably. To the claim of the Control Board that there is a superfluity of banks, the private banks reply that the numerical increase is the result of the incorporation of new territories. But this is not the real problem. Exceptional liquidity has caused an increase in deposits at the same time as the demand for advances has fallen. This and cheap money have naturally affected the earnings of the banks, and the banks have been busy "hunting for prospective debtors." They are not only offering loans at unusually low rates of interest, but they also promise all kinds of services free of charge, and the financial authorities have repeatedly issued warnings against the cut-throat competition. The Government is naturally anxious to prevent the diversion of credits from investments in Treasury bonds and bills to non-essential activities, and when the boom in share prices was at its height, the banks were forbidden

to advance credits for dealing in shares. There is no doubt that some critics of the present position understand rationalisation of the banks in the sense of nationalisation. Wartime planning has reached such an extent in Germany that the relative freedom of the banks, which is largely the result of excessive liquidity, constitutes a danger.

Rationalisation, as it is contemplated at present, aims at establishing "the right number of banks at every place," in other words, at establishing one bank for each different group of the population. There is no doubt that this re-organisation would end "cut-throat" competition. It would probably, at the same time, free some personnel for war service. It is, however, no solution of the fundamental problem.

Shipping Companies.—Germany's two leading shipping companies, the Hapag (*Hamburg America*) and the Lloyd (*Norddeutscher Lloyd*), in which the State held majority interests, have been re-privatised. The shares held by the State have been acquired by Hamburg and Bremen investors. At the same time, a new shipping company has been founded jointly by the two companies. The official explanation of the move is of some interest. It is stated that the re-privatisation is intended to revive the interest of the shareholders in the development of the companies. For some time, Hamburg and Bremen shipping circles have been promised some compensation for the loss of trade during the war. First, they were promised a decisive influence in the shipping industry of Rotterdam and Antwerp. But the companies seem to have been more interested in getting back control over their share capital, since a number of smaller shipping companies had been actually absorbed by the *Reichswerke H. Goering*. It seems possible that the Government now wants to show that its general policy is not directed towards nationalising private firms.

Aluminium.—From Hungary, Norway, Italy and Sweden there come reports about expanding aluminium capacity. Italy's output, which amounted to 40,000 tons in 1940, is expected to reach 50,000 tons in 1942, and 60,000 tons in 1943. Norway's output, now depending on a native substitute for bauxite, will be increased from 31,130 tons in 1939 to roughly 40,000 tons. The most important expansion, however, is reported from Hungary, where new capacity amounting to 10,000 tons annually is under construction. In Norway and Hungary, German concerns hold majority interests in the new firms. Sweden aims at an annual capacity of 5,000 tons.

Timber Supply.—During the forestry year 1940-41, Germany imported 7 million standards instead of the 12 millions expected. The felling quota had to be reduced from 150 per cent of the felling done in 1934 to 125 per cent. A further reduction will be necessary during the current year. Internal timber resources have been reduced indiscriminately because of the steadily rising demand from the substitute industries; but transport difficulties have prevented substantially greater imports. There have been many signs lately that timber supplies are strained. In 1940 violent autumn storms destroyed large tracts of forests. The shortage of fuels has increased the demand for firewood; and the expansion of the use of generator gas as a substitute for motor fuel has created a considerable demand for suitable wood. The industry reports a marked shortage of workers and at one time contemplated the suspension of new felling. During the winter, prisoners of war employed in agriculture will be used to fell and transport timber. Since the beginning of the campaign against Russia, large supplies of timber have had to be diverted for the manufacture of huts.

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War Damage Anomalies

THE War Damage (Extension of Risk Period) Act, 1941, projected the "cover" provided by the original War Damage Act from August 31, 1941, to the same date in 1942, but left the question of contributions for that second "risk period" to be decided by Parliament. So far, the Chancellor of the Exchequer has been unable to give even an approximate date for the introduction of the necessary Bill. Indeed, a measure covering public utility enterprises (including the railways) for the first period has still to be tabled, and presumably will have the prior call on Parliament's time. The dual delay may be more than coincidental; for some of the problems besetting the Parliamentary draftsmen are common to both measures, and the virtual impossibility of differentiating widely, in the matter of rights and responsibilities, between the public utilities and property owners in general presupposes at least one fundamental change in the law as it now stands.

Truth is progressively revealed, and it is quite clear that the Treasury's mind underwent an evolutionary change after the passing of the first War Damage Bill, early last year. The basic principle from which the authorities started was that the cost of making good war damage should be shared equally between all classes of property owners and the State. But the necessity of thinking of a number, in order to arrive at some datum figure for assessing contributions in pounds, shillings and pence, resulted in a departure, in practice, from this principle, so far as owners under Part I of the Act were concerned, to an extent which was not realised at the time. The Act, as it reached the Statute Book, imposed on them an obligation to contribute the first £200 millions of "compensation." The next £200 millions was to be contributed by the State, and all damage in excess of £400 millions was to be shared equally. Some months later, it was officially announced that, for the public utilities, the fifty-fifty method of division would operate, whatever the amount of damage. What would appear to have been inadequately appreciated, at that time, was that equal sharing beginning at zero was by no means the same thing as equal sharing beginning at £400 millions. Property owners, however, large and small, have been quick to perceive the distinction, and to impress their point of view on the authorities. Their contention has been, and is, that the basic figure under Part I has been proved by experience to have been pitched far too high—so far, at least, as the first "cover period" is concerned.

The Damage Done

The value of property destroyed or damaged is, of course, an official secret. But it is possible to arrive at a limiting figure without telling the enemy more than he could deduce for himself. There appears to be no doubt whatever that the total damage bill to last August was not merely less than £400 millions, but was actually well below £200 millions. The figure of £170 millions has been unofficially published as the result of a process of estimation in which each constituent figure was deliberately put on the generous side; it may be that the truth is £150 millions or even less. Whether the true total is a score or so millions less or more hardly affects the property owners' main contention, since, even if it were as much as £200 millions, they would still be bearing the whole burden of providing compensation.

The reason for the authorities' unduly sombre view of possibilities, when the original Bill was framed, are fairly easy to understand. Hostile air activity was then at its zenith, but its intensity diminished greatly in the spring and summer of last year. Again, a remark let fall by the Chancellor during the debate on the Bill suggests that the authorities were working on a figure of £10,000 millions

as the value of properties covered, whereas the appropriate total was nearer £6,000 millions for "bricks and mortar" alone—excluding site values, which are largely insusceptible to war damage. The authorities may also have had insufficient regard to the distribution of brick and mortar values throughout the country. Districts other than boroughs and county boroughs, for example, account for appreciably more than half the total, and their global percentage of damage has been extremely small. Incidentally, the London area, including all the Metropolitan boroughs, is estimated to contain not much more than 10 per cent of the bricks and mortar of the whole country, and approximately five-sevenths of the London total is suburban.

Owner and Mortgagee

The property owner's complaint against the present law is that it treats him harshly, not only under this but a number of other headings. He almost alone in the Tenant-Owner-Mortgagee triangle has both had no relief from his pre-war obligations in the event of enemy damage, and has also had a new obligation—the payment of contributions—thrust upon him. Under wartime legislation, a tenant can disclaim his lease if war damage renders his premises unfit, and his obligation to pay rent thereupon ceases. The owner, however, remains responsible for the full payment of mortgage interest and any agreed capital repayments. If, in due course, compensation is made by way of a Value payment, the mortgagee receives his share directly, in the absence of agreement between the parties to the contrary. The mortgagor-owner (who has been receiving no income from the destroyed property in the meantime) receives the balance, plus interest on the whole sum at 2½ per cent per annum, against the rate of 4 per cent, 5 per cent, or even more, which he has been paying throughout on his mortgage. Whether the ultimate payment be on a Cost of Works or Value basis, the mortgagee has obtained, gratis, a Government guarantee of his security, with the right to undiminished income in the interim. Only in what is probably a minority of cases is he called upon to share in payment of any one of the five annual contributions of 2s. in the £ of the Schedule "A" assessment on the property imposed by the War Damage Act. That burden falls squarely on the unfortunate mortgagor, who, by a crowning stroke of irony, is not even allowed to charge the amount of the contribution as an expense for taxation purposes against his income from other sources.

War demands inescapable sacrifices from all classes of the community, individually and collectively. In this instance, however, it certainly would seem that a disproportionate share has been concentrated on a single group, and that the principle underlying the whole of our war damage legislation—that the inevitable loss should not be permitted merely to rest where it happened to fall—has not been duly observed. The original proposal that the State should bear half the loss was, presumably, intended to mitigate this inequality. But even so, there is no reason why the other half of the burden should not be equitably shared. The forthcoming introduction of a War Damage (Amendment) Bill affords an opportunity for adjusting the burden more equitably and, in the light of the facts set out in preceding paragraphs, the changes which might be made seem reasonably clear. In the first place, so long as the total damage to be provided for falls far short of £400 millions, there can surely be no case for piling Pelion on Ossa by imposing a fresh set of contributions, in respect of the second period, on top of the four annual payments which owners have still to make in respect of the first. Either one of two courses of action would be preferable. The first would be to continue to collect the contributions for the first period, but

to extend that period until the total of damage reaches double the total of contributions. The second would be to suspend the collection of contributions when they have reached half the amount of damage done in the first period, and to collect contributions for the second period at a much lower rate. In any event, major repairs and all Value payments must necessarily be postponed until after the war, and the proceeds of annual owners' contributions alone more than cover the cost of such reparations as are physically capable of being carried out during the war. It would not be unreasonable to ask the Government to treat war damage contributions as it treats EPT, by merging all damage suffered into a single continuous account for the war's duration. The authorities, again, would be giving property owners in general no more than they have already promised the public utilities, if they were to allow the cessation of collection of contributions when the total collected was equal to half the damage actually suffered. As an *ex gratia* matter, owners who were unable, through war causes, to pay contributions in full might be permitted to postpone anything up to, say, 50 per cent of their liability until the main contribution period was ended.

The case for demanding a share of contributions from the mortgagee is more debatable, since it cuts across accepted ideas of contractual relationship. But it may be argued, with some force, that a contingency which this country has not had to face since the years following 1066 justifies unprecedented action, provided it can be justified on broad grounds of equity. Unilateral variation of contract terms has already been applied to the wartime relations between landlord and tenant, and in the Government's requisitioning policy. It does not seem unfair to suggest that where a mortgage has implicitly recognised a quasi-partnership status by making a loan for a fixed term of years on a property, he should bear some part of the burden laid on it through a contingency which neither he nor the borrower foresaw. An owner who finances his investment by a temporary and fluctuating bank loan or overdraft—secured,

partially or wholly, by an equitable rather than a legal mortgage—may, however, be regarded as having himself assumed all risks incidental to ownership.

If, therefore, it were considered right and proper that liability for war damage contributions should follow the line of beneficial financial interest, and mortgagees as a class should be liable to contribute, the appropriate "test" would seem to be the existence, or otherwise, of a definite mortgage covenant. This test would bring in all specific mortgages, debentures, debenture stock and fixed or floating charges, but would exclude loans by overdraft or other temporary accommodation where no legal mortgage had been taken. And it would follow directly from the premises here enunciated that the mortgagee's contribution should be assessed in terms of his annual interest receipt. Even if the annual rate of contribution remained as high as 2s. in the £, his total contribution would be no more than one-half per cent where the rate of mortgage interest was 5 per cent. As a safeguard against unfairness in extreme cases, the mortgagee's share might be limited to a fixed maximum proportion, say two-thirds, of the total war damage contribution.

Amendment of the main Act on these lines would naturally encounter considerable opposition from mortgagees, particularly those, like the Building Societies, to whom the war has already bequeathed a legacy of formidable problems. Yet the principle *fiat justitia, ruat cælum*, has a peculiar and literal significance when applied to the results of enemy air activity. Equity and expediency alike dictate the widest spread of unavoidable risk. The payment of a moderate insurance premium by mortgagees for the maintenance of their security, against all the assaults of the enemy, can hardly be represented as other than fair and just, by contrast with the present position under which the borrower alone is penalised for failure to foresee that an international calamity might impair what has been traditionally regarded as among the safest of all forms of investment.

Finance and Banking

Sluggish Note Reflux

The position in the money market is gradually returning to normal after the temporary disturbances of the year-end. Most of the banks have once more become buyers of bills and the short loan supplies have proved fully adequate for the needs of the market. The banks have been helped by the reduction in the Treasury deposit payments expected of them this week, the amount required being no more than £15 millions, or equal to the nominal amount of maturities. It had been expected that a much larger contribution would have been demanded by the Treasury, given the substantial ways and means advances that had to be repaid to the Bank of England this week. The extent of these repayments and of the maturity of bills bought in the open market before the turn of the year is indicated in the reduction of £63,740,000 in Government securities and of £3,096,000 in other securities revealed by the latest Bank return. The credit basis has been correspondingly contracted, bankers' deposits being £64,120,000 down on the week, while public deposits show a reduction of £1,608,000. Bankers' deposits at £155,745,000 retain some of their year-end inflation and reflect a thoroughly comfortable money market position. There has as yet been little help to the credit position from the reflux of notes which can normally be expected at this time of the year. For the past week the net return of notes amounts to a mere £1,897,000, as compared with the expansion of £34,878,000 in the preceding four weeks. The sluggishness of this reflux of notes from holiday circulation is further indication of the continuing upward secular trend of the demand for currency.

Bank Clearings in 1941

In so far as they can be taken at their face value, the figures given in the annual return of the Bankers' Clearing House indicate an increase of 7.4 per cent in the total of cheques, bills and other instruments paid at the Bankers'

Clearing House in 1941, compared with 1940. It is interesting to compare this rate of increase with the expansion in clearing bank deposits for the year. Taking the data for the first eleven months of 1941 and 1940, the average for last year was 18.2 per cent higher than that for 1940. The grand total of clearings for the past year is given in the return as £43,011,222,000, and, in the customary tables which accompany the return, it is compared without qualification with the clearing data ranging back to 1868 and plotted in a graph showing the continuous line of clearings over the past 73 years. It should be realised in the first place that what is given in the return as the total amount of bills, cheques, etc., paid at the Clearing House during the year falls considerably short of the amount in fact cleared. Since the beginning of the war, the Clearing House handles the greater part of the inter-branch clearings of individual banks. But whereas some banks include such clearings in their return to the Clearing House, others do not. Inter-branch clearings probably account for as much as a third of the total clearing of every bank, and the diversity of practice among the banks in making their returns of such clearings to the Clearing House inevitably makes moonshine of the aggregate returns. In the second place, it should be realised that the considerable changes in clearing machinery made since the beginning of the war (of which the directing of inter-branch payments through the Clearing House is only one) completely break the continuity of the series of clearing totals and that there is no comparability between the pre-war and subsequent totals. These qualifications should not, however, seriously affect the comparability of the figures for the last two years. Split up in quarterly periods the Clearing House and Provincial Clearings show the following changes:—

	Clearing House		Provincial Clearings	
	1941	% Change on 1940	1941	% Change on 1940
First quarter	10,372,898,000	+7.8	383,420,000	+4.3
Second "	10,279,508,000	+7.6	348,611,000	+0.6
Third "	10,753,079,000	+16.7	367,895,000	+6.8
Fourth "	11,605,737,000	+29.1	371,002,000	+7.4
Total	£43,011,222,000	+7.4	£1,470,928,000	+4.5

It will be seen that the increase in clearings compared with 1940 became more pronounced in the latter part of the year both in the case of the Clearing House and of Provincial Clearings. This evidence on the changes in credit circulation corresponds roughly with changes in the estimated currency circulation, which, compared with the four quarters of 1940, rose by 15, 15, 12, and 19.5 per cent in the respective quarters of 1941.

* * *

Chilean Bills Renewal

Money market houses are beginning to earn the reward of the patience with which they have nursed Chilean Treasury Bills which were placed in London about twelve years ago and which have been in total or partial default since 1931. There are some £2,300,000 of these bills outstanding, of which £1,600,000 were originally placed through N. M. Rothschild and Sons and the balance through the then Anglo-French Banking Corporation. The bills in question fell due on November 27th last, and negotiations for their further renewal have been in progress for some months past. The terms finally agreed between representatives of the Chilean Government and of the issuing firms provide for a twelve months' renewal, i.e. until November, 1942; for payment of interest at 1 per cent, of which $\frac{1}{2}$ per cent will be made on May 27th and $\frac{1}{2}$ per cent on November 27th next; and for an amortisation payment at the rate of 2½ per cent on the face value of the original bills to be made on November 27th. These terms, which holders have been recommended to accept, represent some improvement on those applying to previous renewals of these bills and on those originally proposed by Chile when the negotiations for the latest renewal began. This improvement may to some extent be attributed to the strengthening of the Chilean exchange position which has occurred in recent months—a phenomenon which is gradually affecting

the whole of South America, and which may be expected to gain momentum now that the United States is at war.

* * *

Thailand Joins the Yen Bloc

The slide of the Thai currency from the sterling to the yen group, which began last August with the grant of important Thai credits to Japan, reached its final destination this week with the formal announcement from Bangkok that the baht had now been linked to the yen. *The Economist*, commenting on the grant of Thai credits to Japan last August, referred to them as "the first significant indication of Thailand's financial submission to Japanese pressure," and suggested that they pointed the way to an ultimate linking of the Thai currency with the yen. These comments drew a protest from Bangkok, and *The Economist* was asked by the Thai Legation in London on November 26th last to correct these aspersions on Thai neutrality and to assure its readers that "there is no connection between the baht and the yen" and that "Thailand has maintained and will continue to maintain her independence financially, economically, and politically." Events have now fully confirmed the correctness of earlier estimates of the situation. With the freezing of Thai assets in Great Britain and the United States, the bulk of the exchange reserve which provided the backing to the baht note circulation has become immobilised. The total of such immobilised assets has been announced in Bangkok as 217 million bahts, of which 184 million bahts or about £17 million, was in the form of sterling and the balance of 33 million bahts, or \$12 million, in US dollars. The greater part of these assets represents the holdings of the Government note issuing authority, whose exchange reserves at the end of the March, 1941, quarter amounted to 135 million bahts. In addition there were at the time the equivalent of 97 million bahts of gold in reserve. The credits granted to Japan last August will have begun the admixture of yen to the exchange reserve, which until then had been held almost exclusively in sterling and US dollars. The Thais may rest assured that any

deficiency in their reserves caused by the British and American freezing orders will soon be more than made good by their increased holdings of Japanese yen. Under the "Co-prosperity" scheme in which the Thais are now partners, the country's balance of payments with Japan is certain to move very much in favour of Thailand, with yen balances piling up on Thai account as the counterpart of the tin, rubber, rice and other materials which Thailand will from now on be compelled to export to Japan alone.

* * *

The Rothschild Succession

A unique company registration was announced this week as part of the mechanism for ensuring the continuation of the banking business of Messrs. N. M. Rothschild and Sons in the event of the sudden and simultaneous death by enemy action of the two existing partners. A company with the title of Rothschilds Continuation, Limited, has been formed with a capital of £100. Its function will be to carry on the business of the banking firm in the event of the sudden death of Mr. Lionel and Mr. Anthony de Rothschild, the two sole existing partners. The capital of the new company is divided into two shares, one going to each of the Rothschild partners. The holder of each of these shares has the right to appoint up to three directors of the new company. The functions of the company, should it ever be called upon to assume them, would be purely temporary, and would cease when new partners assumed control. The City has since September, 1939, witnessed many precautionary steps designed to meet and provide for the potential hazards of war; but few have equalled the meticulous ingenuity and preciseness of this arrangement to ensure the succession and continuity of a great merchant banking firm.

War Risks at Sea

The dramatic extension of the war to the Far East did not take the London marine market completely by surprise, although underwriters will doubtless have to meet a number of "shock" losses arising in the period of adjustment to the changed conditions; this phase includes the diversion of ships already at sea from the more hazardous routes, the organisation of precautionary measures to counter the new menace and the upward revision of rates to take care of the greater hazard. Rate increases are necessarily substantial, although by no means of a panic character; they must, of course, be regarded as experimental, and future movements will depend on such considerations as the possibility of organising convoys as well as the general development of the war situation. Illustrative of the rates put into effect on and after December 18th by the Government War Risks Insurance Office for cargoes shipped to and from the United Kingdom are the following examples: Dutch East Indies, 140s. per cent (against 80s. per cent); Australasia, 110s. per cent (against 80s. per cent); India and the Straits, 100s. per cent (against 80s. per cent), and the South American Pacific Coast, 100s. per cent (against 80s. per cent). The Government Office insures practically all goods shipped to and from this country, but does not cater for other voyages, with the exception of certain cross voyages in British ships. A large demand for war cover on cargoes is thus left open to private enterprise, and this is met by the London and New York markets. Rates in the London market are governed by the so-called "advisory" schedule of the Institute of London Underwriters; the latest revision of this schedule dates from December 11th, and, when comparable, rates are generally higher than those of the Government Office, although lower than those now ruling in New York.

Investment

Reviving Activity

The investing public is already showing signs of recovering from the immediate effects of war in the Pacific, and, although the conflict there continues to develop adversely for the Allies, the principal movements in prices no longer consist exclusively in the marking down of Far Eastern securities. In a sense, this was to be expected. The index of *The Investors' Chronicle* shows falls of 27½ per

and for railways is once more in evidence. The fall, at the worst, was only some 4 per cent for industrial equities, according to the figures of *The Financial News*, as compared with a net rise of over 13 per cent on the year. The more comprehensive figures of the *Actuaries' Investment Index*, which, excluding financial equities, show a drop of just over 1.6 per cent on the month, compared with a net rise of 22.6 per cent on the year. Apart from oil shares, the heaviest individual decline, according to this index, was 4.6 points in building materials, which does little more than wipe out the improvement experienced in November, while the next largest are in iron and steel and the very important miscellaneous section. As against these, there are a number of improvements, and quite a considerable proportion of the net decline is accounted for by the fall in building material shares, which can scarcely be attributed to the entry of Japan into the war. The moral seems to be that holders of industrial equities have been very little affected so far.

* * *

Small Business in Funds

The change in the yield on equities on the month is almost negligible, but this lack of response in the total is largely due to the fact that a cut in dividends on gas stocks occasions a fall in yield of almost 1½ points, which is sufficient to outweigh a number of appreciable rises. These are large enough, in the cases of building materials, iron and steel and motors, to suggest that a resumption of buying is not impossible. Two developments of some interest have occurred in fixed interest security prices on the month, namely, a continuance of the sharp advance in senior securities of investment trusts and a considerable rise in the price of industrial preferences. The margin between these and industrial debentures is now rather narrow, but there seems still room for a reduction in that between both these classes and trustee securities in general. It is possible that a reduction in these margins is a necessary preliminary to a really sustained rise in the last-named. Whether this is so or not, there is a moderate demand for the Funds, with considerable hardening of prices. There is more business in industrials, and there is some evidence that buying is becoming more selective. The fighting speech of President Roosevelt, and good news from

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Constituted by Act of Parliament 1695

AUTHORISED CAPITAL £4,500,000

CAPITAL FULLY PAID £2,400,000

RESERVE FUND & BALANCE carried forward ... £2,255,572

DEPOSITS & CREDIT BALANCES

as at 28th Feb. 1941 £47,596,106

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CITY OFFICE, 30 BISHOPSGATE, E.C.

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ESTABLISHED 1837

LIMITED

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Paid-up Capital £4,000,000

Reserve Liability of Proprietors £8,000,000

£12,000,000

(Not capable of being called up except in the event of and for the purpose of the bank being wound up)

Reserve Fund £3,250,000

Special Currency Reserve £1,600,000

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Russia, make for generally better sentiment, while the promotion of the cotton industry caused rises in that section. But it is not yet evident that the general advance is to be resumed. Certainly, payment of income tax at the increased rate is likely to discourage saving and to stimulate dis-

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Prices				Yields per cent.		
	Dec. 31, 1940	April 29, 1941	Nov. 25, 1941	Dec. 30, 1941	Dec. 31, 1940	Nov. 25, 1941	Dec. 30, 1941
24% Consols	136.9	137.1	145.7	146.3	3.26	3.06	3.05
Home Corps. (4)	127.5	132.4	138.7	139.2	3.65	3.36	3.35
Dist. Ind. Pref. (9)	101.7	105.5	108.9	108.8	4.27	3.98	3.99
Total Ind. Pref. (43)	107.0	110.8	113.9	114.3	4.44	4.17	4.16
Banks & Disc. Cos. (10)	93.7	93.0	103.3	102.1	4.85	4.39	4.45
Inv. Trusts (9)	32.0	33.7	36.0	37.3	7.38	6.42	6.15
Aircraft (5)	50.1	47.2	53.6	54.9	11.44	10.63	10.34
Elec. Light & Power (16)	91.8	95.3	105.5	106.5	5.54	4.49	4.45
Gas (8)	54.9	54.4	66.2	65.8	6.22	4.93	4.45
Motors (7)	27.3	27.8	36.5	36.3	7.38	4.81	5.04
Oil (4)	47.1	40.7	63.0	54.7	5.24	3.68	4.31
Total Productive	53.1	51.7	62.9	62.0	6.62	5.23	5.20
Shipping (7)	13.4	14.0	23.1	22.6	4.22	4.21	4.34
Stores and Catering (18)	34.6	32.9	48.3	48.2	5.97	4.10	4.05
Brew. and Dist. (20)	88.4	84.6	114.1	114.1	6.76	5.14	5.14
Total Miscellaneous (40)	67.3	55.6	71.2	69.8	6.44	4.87	4.95
Industrials—all classes (159)	49.8	48.1	61.7	60.7	6.47	5.01	5.00

investment by a limited number of private individuals, but this state of affairs ought to be remedied by further restrictions on the volume and value of goods obtainable.

National Secrecy Certificates

Lord Kindersley's novel suggestion that the Briton's innate reserve is at the root of current hoarding of bank notes and also of a general preference for Savings Certificates, among other forms of small savings, may well be true. The sting of income tax to the new taxpayer often appears to lie as much as in the fact that full disclosure must be made of his financial position as in the brute necessity of handing over earnings to the Government. Investment in National Savings Certificates, which carry interest at 3.35 per cent tax free, avoids the necessity of revealing all resources, and it is very possible that this fact does as much as the high rate of interest to recommend them to the small man. Thus, it is also possible that when the maximum holding is attained, the reticent saver, unable to find a further tax-free state security, turns to hoarding. Lord Kindersley suggested that the theory might be tested, and the solution found, in the grant of permission to hold further savings certificates beyond the existing maximum; the additional certificates would carry a lower rate of interest—say 1½ per cent—but they would retain their special tax-free appeal. This ingenious proposal once again raises the question, in an acute form, of what the aim of the national savings campaign really is. It can never be made sufficiently clear that mere totals of national savings in themselves indicate literally nothing more than the cost of the interest payable on them from public funds. The aim of war finance is not to build up the national debt; it is to sterilise current expenditure. If this can be done more cheaply by hoarding than by the purchase of certificates or the deposit of sums in the Post Office savings bank, the country is the richer by the amount that the hoarder is the poorer. It is true that funds are more effectively sterilised when they are invested than when they are hoarded, since it is slightly less easy to place them again in circulation. But on this score, the only truly effective sterilisation is through taxation or forced savings, which block funds for ever, or for the duration, whichever is shorter. What is needed at the moment is not so much a new form of Savings Certificate as a new form of bank deposit, interest free but subject to notice of withdrawal.

Montreal Committee in Being

The special committee of the Stock Exchange, appointed in connection with the Montreal debt plan, has now brought its labours to a conclusion which, even the most exacting standards must grant, is highly satisfactory. Tuesday last brought a meeting of a very influential British Stockholders Committee, which proceeded to appoint an executive body who have already started work on drawing

up concrete proposals for submission to the general body of stockholders. The actual amount of holdings in this country is understood to be some £9,000,000, and, although some forty large holders are represented on the main committee, the number of small holders is very substantial. The Executive Committee includes two members of the Stock Exchange—*ex officio* and not as stockholders—Mr. G. Tyser, acting both for the Public Trustee and Lazard Brothers, and, *inter alia*, representatives of the Ecclesiastical Commissioners and ICI Pension Funds. The banks have sent no representative, despite the interest of their trustee departments, and, while individual insurance concerns are represented on the main committee, the British Assurance Association is not, since it sent a representative to the Canadian Committee. As there is no reference to the Investment Trust Association they have probably no holdings. The presence of two members of the Stock Exchange on the committee is a natural consequence of the whole movement having been originated by that body, and it is clear that—however future committees for similar purposes may be formed—the inclusion of members of the market will be a logical and beneficial arrangement.

Chilean Debt Service

The news that the funds available for the service of the Chilean debt permit the raising of the interest payment only from 30s. 9.36d. to 31s. 1.92d. per cent came as a disappointment to the market, which had been hoping for better things. Actually, the yield of nitrate and iodine sales fell by approximately a million dollars, and only about three-quarters of this fall was made good by higher receipts from copper profits. In consequence, the year's contribution is lower, and it is only by using up balances under-distributed in respect of 1940 that it is possible even to maintain the payment. In the case of copper, receipts are based only on the profits of 1940, and, as there is known to have been a marked improvement in sales last year, holders of Chilean bonds have some ground for expecting better results a year hence. The market, if disappointed over the small increase in interest, is mystified at sinking fund operations. The figures published show that there should have been some 4½ million dollars available for redemption, but that only some 3 million dollars, nominal value—the stock is quoted at around 14 in New York—have been repaid, together with modest amounts in Swiss francs and sterling. There is no explanation whatever as to what has occurred to a sum of about 4 million dollars. Evidently, it is a matter of prime importance to bondholders that the sinking funds should be used to the full, since to do so would raise prices very materially. There seems to be a case for special representations to the Chilean Government, preferably in co-operation with the U.S.A., which is the largest creditor and the best placed to make its needs felt.

The Ex Dividend Rule

It is satisfactory to find that the Committee for General Purposes of the Stock Exchange has decided not to make any alteration in the rule relating to the marking of stocks and shares *ex dividend*. It has, in fact, restricted its action to an official announcement that the cancellation of a dividend, declared or recommended, shall automatically tender void the *ex dividend* mark and that any deduction made under Rule 132 shall be refunded. The rule quoted empowers the buyer to deduct the dividend from the price paid in appropriate circumstances, and this he will no longer be entitled to do, or if he has done it he must make a payment of the sum deducted. This is merely an official statement of the position as it was understood to be. There remains only the question of the position in which the company, having declared a dividend, decides to defer payment instead of cancelling the declaration. It is to be hoped that this case will not arise, for it would mean a great deal of work in order to recover a sum which must, in every case, be very small compared with the price movements of shares likely to be affected.

Fewer Failures

Last year the total number of business failures declined even more steeply than in 1940 by 1,963 against 1,665 to 1,020. This represents the ninth successive annual fall, and

demonstrates clearly that in terms of stability, business has never looked back since the trough of the depression was passed in 1932. The figures are especially remarkable since they refer to a year in which a large number of small concerns, particularly those in the retail trade, have been forced to go out of business in the national interest. In by no means every case has the necessity of closing down a business been accompanied by compensation. The Government has still relied on the "salutary" effect of bankruptcy to assist in the elimination of the least fit, and this no doubt explains the existence of even 1,000 odd failures in a year in which business is assumed to have been working with increasing singleness of mind for the war effort alone. *The Economist* profit figures, analysed on page 55, show the same trend as in the previous year. A rise in gross profits from £380,861,000 to £394,775,000 illustrates a general expansion in turnover, while a further reduction in net earnings from £198,230,000 to £176,239,000 indicates that increasing taxation is effectively removing the possibility of war profiteering, at least from the investing public. The two sets of results reinforce last year's conclusion, that the conditions under which this war is being conducted discourage the creation of mushroom concerns, and at the same time protect the reasonably efficient from the full effects of disasters due primarily to the war. The result is to create a greater stability in results of individual concerns, and a much smaller diversity between them, than was generally anticipated.

Turner and Newall Accounts

Details of the Turner and Newall profits in the year to September 30th last were already fully disclosed in the preliminary statement discussed in *The Economist* of December 20, 1941. The full accounts are chiefly interesting for the information which they provide of technical progress and adaptation to war conditions. The consolidated statement shows a rise in the surplus of liquid assets over current liabilities from £4,275,274 to £4,800,155. The increase is

effected mainly by a jump of more than £1,000,000 in cash holdings to £2,808,733. The chairman, Sir Samuel Turner, states that the increase follows abnormal depletion in the previous year which was due to heavy outlay on raw materials and investment in National War Bonds. Consolidated stocks for the group, despite certain shortages of raw materials, are up from £3,286,863 to £3,332,968, although those of the company are reduced from £2,111,516 to £1,970,730. The total of surplus and reserves is increased from £3,400,343 to £3,463,683, and that of creditors, including taxation, from £3,797,761 to £5,370,576. The directors state that a total of £460,074 was written off buildings and equipment of the group as a whole, inclusive of additional depreciation. The specially created stock reserve now amounts to 25 per cent of stock normally carried, but the directors state that the weight of taxation—in the year to September 30th last the entire group was liable for EPT at 100 per cent—makes it impossible to increase the reserve further.

Sir Samuel Turner's survey conveys an encouraging picture of the development of technical progress which, under stress of war conditions, has evolved the use of Everite pressure pipes as a constructional substitute for wood, of a new compound, Nicold, based on peat, as a substitute for corkboard, and a new method of milling raw asbestos. The use of asbestos cement for roofing is being extended. The company's subsidiaries in the U.S.A. and India are working near capacity, and are clearly to be called upon to expand output still further in the future. Export trade still suffers to some extent through the loss of the European market, but American and Empire demand have made good much of the loss. Possession of its own mines renders the concern at least partially independent of outside supplies of raw materials, though it has, of course, been hampered by shipping difficulties in the past year. Some improvement is evidently expected, as the Rhodesian mines have this month increased their output. The accounts reinforce the market opinion that the concern is a sound and profitable investment in war and peace alike. The £1 ordinary stock, at 70s., yields £3 11s. 5d. per cent.

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AUTHORISED CAPITAL - - - - - \$50,000,000
ISSUED AND FULLY PAID-UP - - - - - \$20,000,000
RESERVE FUNDS - - - - - £6,500,000
STERLING - - - - - £6,500,000
HONGKONG CURRENCY - - - - - \$10,000,000
RESERVE LIABILITY OF PROPRIETORS - - - - - \$20,000,000

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ASSETS EXCEED - - - - - £74,000,000
CLAIMS PAID EXCEED - - - - - £133,000,000
(1940 Accounts)

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Liability of Members is Limited
Head Office - - - - - **CAIRO**
Commercial Register No. 1, Cairo

FULLY PAID CAPITAL - - - - - £3,000,000
RESERVE FUND - - - - - £3,000,000

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Paid-up Capital - - - - - \$4,500,000
Reserve Fund - - - - - 2,500,000
Currency Reserve - - - - - 2,000,000
Reserve Liability of Proprietors under the Charter - - - - - 4,500,000
\$13,500,000

Court of Directors:

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Reserve Fund - - - - - 1,755,000
Special Currency Reserve - - - - - 1,585,000

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iron and steel makers. The rebate system and other commercial arrangements remain under the supervision of the British Iron and Steel Federation and its affiliated associations. The Federation apparently has reserved the right to re-introduce the delayed payment of rebates after the war, but if any measure of control continues it is hard to see how this will be necessary or even possible. Now that trade enactments can be given the full force of law, through the Control, commercial "sanctions" are no longer needed.

Cadmium

Cadmium has been added to the list of metals controlled by the Ministry of Supply's Non-Ferrous Metals Control. On January 1st all sales and acquisitions (except those by consumers whose requirements do not exceed 10 lb per month) became subject to licence. The maximum price of 5s. 4d. per lb, delivered consumers' premises, which has been fixed, appears comparatively low, in view of the normal pre-war price of between 4s. and 5s. per lb cif; it was as high as 7s. 3d. per lb in periods of intense industrial activity. Although no official reason for introducing control measures has been given, it is obvious that it is due to the adverse influence of the Pacific war on the tin position. Normally cadmium is widely used for electroplating and for the production of numerous alloys, especially cadmium-copper alloys and alloys with low melting points. The addition of cadmium to copper increases the strength of the copper up to 50 per cent without materially reducing its electrical conductivity. Consequently, cadmium-copper alloys are used for such purposes as tram and trolley bus wires, telephone flex, high voltage transmission cables and welding electrodes. Some minor uses of cadmium are in the production of pigments and alloys for jewellery making. Cadmium has proved the best available substitute for tin, especially in certain solders and bearing metals. Hardly any cadmium is produced directly, it is rather recovered as a by-product of the production of zinc and lithopone. The fact that control in this country has just been introduced after 28 months of war indicates that supplies are not short. The Allies, in fact, control roughly two-thirds of the world output, which was 9,000,000 lb in 1938, the last year for which comprehensive world production data are available. In 1941 production was estimated at roughly 13,000,000 lb. The United States supplies nearly half the world output, followed by Mexico and Canada, who together cover 15 per cent of world supplies. Other important producers within the Allied sphere of influence are Australia, Britain and South West Africa. Germany, Norway, Belgium, France and Poland have been producers of some importance, but Belgium and Norway obtained their cadmium almost entirely from imported zinc ore.

Co-operative Turnover

The sales of the Co-operative Wholesale Society for the nine months ended October 11, 1941, were £103,652,744, a decrease of 2 per cent compared with the corresponding period of 1940. Supplies from Society's own productive works rose by 1½ per cent to £33,777,557. The directors report that coupon rationing for clothes has improved distribution, and they are pressing the Ministry of Food for the registration and rationing of foodstuffs in short supply. Groceries and provisions accounted for £74,479,388 of the sales. Goods to the value of £3,531,522 were supplied to the Ministry of Food. There were decreases of 19 per cent in drapery, 23 per cent in men's wear and 32 per cent in furnishing and hardware. Sales of boots and shoes advanced by 4 per cent. Supplies of milk to the distributive societies rose to £7,596,373, an increase of 63 per cent. The output of the Society's own butter, margarine and soap works showed a striking similarity in the percentage comparisons. The value of the 560,673 cwt.

DOMINION OF CANADA

FOUR PER CENT. REGISTERED STOCK, 1953-58.

For the purpose of preparing the Interest Warrants due 1st March, 1942, the BALANCES will be STRUCK on the evening of the 2nd February, 1942, after which date the Stock will be transferred ex-dividend.

For the Bank of Montreal, Financial Agents of the Government of the Dominion of Canada in London.

EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 1st January, 1942.

CITY OF WINNIPEG

FOUR PER CENT CONSOLIDATED REGISTERED STOCK, 1940-60.

For the purpose of preparing the Interest Warrants due 1st March, 1942, the BALANCES will be STRUCK on the evening of the 2nd February, 1942, after which date the Stock will be transferred ex-dividend.

For the BANK OF MONTREAL,

EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 1st January, 1942.

of margarine was £1,471,254, representing an increase of 4½ per cent, both in quantity and value. Similarly, the decrease in the production of butter was 39 per cent in the weight and value, the respective figures being 134,315 cwt. and £1,012,702. From the soap works the supplies were 41,233 tons, a decrease of 2½ per cent, valued at £1,961,014. Thus the stabilisation of the prices of butter and margarine by the Ministry of Food has evidently been followed by the CWS in connection with its soap trade.

Trade Unions and Membership

Figures of trade union membership in Great Britain and Northern Ireland are given in the December *Ministry of Labour Gazette*. Salaried and professional workers' organisations are included in the figures where their objects include negotiating conditions of employment. Members of trade unions serving with the Forces are included. At the end of 1940, total membership was 6,542,000, an increase of 312,000 over the previous year. Male membership rose by 3.9 per cent from the end of 1939 to 5,460,000. Female membership increased more sharply, a rise of 11.3 per cent bringing the total to 1,082,000. The engineering and metal industries and local authority services accounted mainly for the addition to the male members, while among women the marked increases in the distributive trades, transport

NUMBER AND MEMBERSHIP OF TRADE UNIONS

End of Year	Number of Trade Unions	Membership (in thousands)			Percentage inc. (+) or dec. (-) in Membership of Previous Year
		Males	Females	Total	
1929	1,133	4,056	802	4,858	+ 1.1
1930	1,121	4,049	793	4,842	- 0.3
1931	1,108	3,859	765	4,624	- 4.5
1932	1,081	3,698	746	4,444	- 3.9
1933	1,081	3,661	731	4,392	- 1.2
1934	1,063	3,854	736	4,590	+ 4.5
1935	1,049	4,106	761	4,867	+ 6.0
1936	1,035	4,495	800	5,295	+ 8.8
1937	1,031	4,947	895	5,842	+ 10.3
1938	1,023	5,127	925	6,052	+ 3.6
1939	1,006	5,258	972	6,230	+ 2.9
1940	988	5,460	1,082	6,542	+ 5.0

services, Government service and clothing industries augmented their numbers. The total number of unions, which has been declining steadily since 1929, fell again during 1940, from 1,006 at the end of 1939 to 988. During 1940, 22 unions with a total membership of 4,700 were dissolved; seven unions with an aggregate membership of 4,800 were amalgamated with others during the year. The number of new unions formed during 1940 was 11, with an aggregate membership of 800. The accompanying table shows the changes in the number of trade unions and trade union membership at the end of each year from 1929 to 1940. In 1920 trade union membership reached its record total of 8,348,000. At the end of 1913 membership was 4,135,000.

Earnings of Agricultural Workers

The October issue of *The Farm Economist*, published by the Agricultural Economics Research Institute, examines the actual earnings of agricultural workers during the year ended September 30, 1940. Unfortunately, the sample on which the statistics are based is small, consisting of the earnings of some 146 men, over 21 years of age, employed on 32 farms. If the farms and the grades of workers are fairly representative of agriculture as a whole, the accompanying table can be taken as a rough guide

ANALYSIS OF EARNINGS. (Year ended September, 1940)

Type of Worker	No. of Workers	Average Cash Income for the Year		Proportion of Workers receiving		Average Total Earnings per Year		Difference between average total Earnings and Contract Rate
		at Contract Rate	Cash Earnings	Rent-free Cottage	Other perquisites	£ s. d.	£ s. d.	
Foreman	No. 4	£ 138 2 11	£ 138 0 1	75	75	£ 146 18 0	£ 135 15 1	10 15 1
Cowmen	27	126 19 9	130 14 10	52	93	137 6 11	110 7 2	27 10 9
Other stockmen	20	120 4 0	123 19 7	20	35	127 2 6	6 18 6	16 14 0
Horsekeepers	32	117 2 4	120 2 1	44	25	124 6 10	7 4 6	7 4 6
Tractor Drivers	19	108 4 7	121 3 9	21	5	123 8 5	15 3 10	14 15 10
Daymen	44	103 16 10	107 1 5	11	2	107 19 1	4 2 3	103 16 10
Average	146	114 10 2	119 6 1	30	31	122 13 9	8 3 7	114 10 2

to the range of earnings, and it gives some indication of the difference between minimum rates and actual income.

The weekly minimum rate rose during the period, by several stages. In the counties in which the 32 farms are situated the rate rose from 34s. 7d. per week to 38s. on May 26, 1940. It rose again on July 1, 1940, to accord with the national minimum wage, which was then fixed at 48s. The minimum wage is, of course, specified for a 48-hour week; cowmen, horsemen and stockmen normally work longer hours, and their contract rate is correspondingly higher. The table shows that the daymen, who number about one-third of the sample, receive the smallest sum above their minimum wage—£4 2s. 3d. per annum, while foremen, owing to greater perquisites and presumably through overtime, make £18 15s. 1d. more than their contract rate. The average is £8 3s. 7d. above an average contract rate of £114 10s. 2d. These statistics suggest that the differences between actual earnings and wage rates are not as wide in agriculture as in industry generally; but the comparative smallness of the numbers considered must be borne in mind.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: All dealings are for cash.

DESPITE further Russian successes and the latest political developments, events in the Far East continued to restrict the volume of business. The tone throughout the market, however, was distinctly firm. Quiet conditions ruled in the *git* edged market, and little more than routine business occasioned numerous small improvements in the early part of the week. In the *foreign bond* market, Brazilian bonds were in demand, persistent advances reflecting shortage of stock. Chilean issues recovered the previous day's losses on Tuesday, when Chinese bonds also improved sharply. After marked activity in the *home rail* market before the week-end, small losses for some junior issues were registered in the early part of the week. Senior issues, however, continued to attract demand. Among foreign rail issues, Argentine senior stocks advanced strongly on steady buying. In midweek the scheduling of the cotton industry caused a general advance in "cheap" textiles.

In the *industrial* market, brewery shares enjoyed moderate support, while aircraft and motor issues moved within narrow limits, Fairey Aviation easing on the lower dividend. Several small improvements were realised in the heavy industrial group, while textile issues were in demand. Shipping shares were firm, and tobacco issues, after some earlier weakness, were steady on Tuesday. In the *miscellaneous* group, Brazilian Traction and International Nickel advanced strongly in the early part of the week, and on Tuesday, United Molasses gained ½. In the *kaffir* market, Cape buying occasioned numerous small advances for both dividend paying and developing mines at the beginning of the week, and later the market was encouraged by working profit results. Tin issues continued their downward trend, despite a few slight improvements on Tuesday. In the *rubber* market, persistent sales continue to depress prices. The *oil* market was distinctly firm, and in the absence of selling pressure prices generally continued to advance strongly, South American issues being well supported.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Jan. 2	3,328	2,223	79.8	132.2
" 5	3,859	1,746	79.9	132.2
" 6	3,459	2,246	79.9	132.4
" 7	3,305	1,320	80.4	132.6

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 83.2 (Dec. 2); lowest, 66.8 (April 24). 20 Fixed Int., 1941; highest, 132.6 (Jan. 7); lowest, 126.1 (Jan. 2).

New York

JAPANESE successes and the lack of any incentive led to quiet conditions on Wall Street, prices generally moving within narrow limits. President Roosevelt's speech on Tuesday provided a temporary stimulus, but profit-taking sales resulted in numerous small losses at the close. Later, the budget announcement left prices barely steady.

New York Prices

Total share dealings: Jan. 2, 580,000; Jan. 3, 520,000; Jan. 5, 720,000; Jan. 6, 800,000.

* Two-hour session.

STANDARD STATISTICS INDICES (1935-36=100)

	1941		Dec. 17, 1941	Dec. 24, 1941	Dec. 31, 1941
	Low Dec. 24	High Oct. 1			
347 Industrials	71.6	83.9	73.1	71.6	73.0
32 Rails	58.6(b)	71.7(a)	58.9	58.7	61.3
40 Utilities	61.0	80.1	64.8	61.0	65.2
419 Stocks	69.3	82.6	71.0	69.3	71.1
Av. yield*	8.29%	6.41%	8.05%	8.29%	7.88%

* 50 Common Stocks. (a) Nov. 5. (b) Dec. 10.

DAILY AVERAGE OF 50 COMMON STOCKS

	Dec. 25	Dec. 26	Dec. 27	Dec. 29	Dec. 30	Dec. 31
Closed	85.1	85.3	84.5	88.1	87.5	
1941 High	105.8	January 10	Low	84.4	Dec. 23	

Capital Issues

Week ending January 10, 1942	Nominal Capital	Conversions	New versions Money
To the Public	1,800,000		
Particulars of Government issues appear on page 54			
Year†	Including Conversions	Excluding Conversions	
1942	15,450,387	11,650,387	
1941	15,408,593	15,408,593	

Year†	U.K.	Brit. Emp. ex U.K. Countries	Foreign
1942	11,650,387	Nil	Nil
1941	15,389,349	19,004	Nil

Year†	Deb.	Prof.	Ord.
1942	11,650,387	Nil	Nil
1941	15,389,349	8,541	10,468

† Includes Government Issues to Dec. 30th, 1941, only. Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

Chase National Bank (\$000s).—Total resources December 31st \$3,811,803 (\$3,824,403) deposits \$3,534,967 (\$3,543,338), Govt. secs. \$1,364,847 (\$1,098,108). Net earnings \$14,518 (\$13,550), equal to \$1.96 (\$1.83) per share.

Bankers' Trust Co. (New York).—Total assets Dec. 31st \$1,492 millions (\$1,405), deposits \$1,375 m. (\$1,416), cash \$454 m. (\$613).

Central Hanover Bank and Trust (\$000s).—Deposits Dec. 31st, \$1,326,577 (\$1,294,308), cash \$465,996 (\$732,639), Govt. secs. \$628,731 (\$390,224), undivided profit \$17,530 (\$16,154).

Manufacturers' Trust Co. (\$000s).—Total resources Dec. 31st \$1,080,506 (\$1,050,459). Deposits \$984,005 (\$953,709), cash \$365,610 (\$388,848). Capital surplus and undivided profits \$84,125 (\$82,735).

Dominion Bank (Canada) (\$000s).—Statement Oct. 31st shows cash \$33,889 (\$28,955), Govt. securities \$42,648 (\$38,489), deposits \$146,416 (\$133,682).

Canadian Pacific Railway (\$000s).—Gross earnings Jan.-Dec. \$221,446 (\$170,965). Agg. net Jan.-Nov. \$40,867 (\$30,833).

Canadian National Railway (\$000s).—Gross earnings in November \$27,293 (\$22,389), net earnings \$5,720 (\$5,524). Agg. gross earnings Jan.-Nov. \$276,365 (\$224,790), agg. net \$60,348 (\$38,734).

BRITISH WHOLESALE PRICES

CEREALS				TEXTILES				MISCELLANEOUS			
Dec. 30, 1941		Jan. 6, 1942		Dec. 30, 1941		Jan. 6, 1942		Dec. 30, 1941		Jan. 6, 1942	
GRAIN—				JUTE (per ton)—				COPRA (per ton)—S.D. Straits			
Wheat—				Daisee 2/3 c.i.f. Dundee				c.i.f.			
No. 1 N.Mt. 496 lb. f.o.b. St.J.		s. d. s. d.		10/40 Calcutta Hessians, Jan.		£ s. £ s.]		13/10/0		13/10/0	
Eng. Gaz. av. per cwt. (e)		33 10½ 34 6		100 yds.		32/0/0 32/0/0		HIDES (per lb.)—		s. d. s. d.	
Barley Eng. Gaz., av. per cwt. (e)		14 10 14 11		7½/40 " " "		s. d. s. d.		Wet salted Australian, } 40/50 lb.		0 7½ 0 7½	
Oats (e)		34 1 34 5		Sisal (per ton)—African Jan.		1.39 3 38 9		Queensland		0 6½ 0 6½	
Maize, La Plata, 480 lb., f.o.b.		14 3 14 5		Mar.—No. 1		29 7 30 1		Cape J'burg Ord.		0 6½ 0 6½	
		13 10½ 13 9				£ s. £ s.		Dry Capes, 18/20 lb.		0 8½ 0 8½	
OTHER FOODS				MINERALS				SHELLAC (per ton)—TN Orange			
COFFEE (per cwt.)—				NON-FERROUS METALS (per ton)—				VEGETABLE OILS (per ton net)—			
Santos, supr. c. & f.		Nom. Nom.		Tin—Standard*		275/0/0 275/0/0		Rape, crude			
Costa Rica medium to good.		190 0 190 0						Oil Cakes, Linseed, Indian			
		205 0 205 0						Oil Seeds, Linseed—			
SUGAR (per cwt.)—								La Plata (new)			
REFINED LONDON—								Calcutta			
Granulated, 2 cwt. bags, domestic consumption		21 7 21 7						15/12/6 15/12/6			
								20/15/0 20/15/0			

The last complete table of prices appeared in *The Economist* of Dec. 13, 1941. In future only those prices which have changed will be recorded fortnightly, but the complete table will be given at regular intervals. * Price at which Ministry of Supply supplies consumers, delivered works. (e) Average for weeks ended Dec. 27th and Jan. 3rd.

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)—				MISCELLANEOUS (per lb.)—				MISCELLANEOUS (per lb.)—cont.			
Dec. 30, 1941		Jan. 6, 1942		Dec. 30, 1941		Jan. 6, 1942		Dec. 30, 1941		Jan. 6, 1942	
Wheat, Chicago, May		126½		Cocoa, N.Y., Acera, Jan.		8 55		Lard, Chicago, Jan.		9 95	
Wheat, Winnipeg, May		77½		Coffee, N.Y., cash		8 55		Sugar, N.Y., Cuban Cent., 96 deg.		3 50½	
Maize, Chicago, May		84		Rio, No. 7		9½		spot		3 50½	
Oats, Chicago, May		55½		Santos, No. 4		13½		Sugar, N.Y., 96 deg., No. 4, f.o.b.		3 50½	
Rye, Chicago, May		73½		Cotton, N.Y., Am. mid., spot		18 59		Cuba, Mar.		3 50½	
Barley, Winnipeg, May		60½		Am. mid., Jan.		16 90		Moody's Index of staple commodities, Dec. 31, 1931=100		3 50½	

† Trading suspended.

‡ Nom.

COMMODITY AND INDUSTRY NEWS

PROPERTY in Bulgaria, Finland, Hungary, Roumania and Japan owned by persons and companies of British nationality can now be included in the register of British property in enemy territory. On January 6th, 391 additions were made to the "black list" of traders in neutral countries. During November the Ministry of Food undertook 2,400 prosecutions, of which 2,228, or 92.8 per cent, were successful. The International Rubber Regulation Committee has suspended publication of its monthly *Statistical Bulletin* owing to the impossibility of including in it various key statistics. While no statement has yet been made on the future of the tin market, the Ministry of Supply has been selling tin to consumers at the provisional price of £275 per ton, delivered works.

Tin Statistics.—The *Statistical Bulletin* of the Tin Research Institute for December is the last which will appear. Publication has been suspended owing to lack of information available in present circumstances. No world production figure is given for November. United States deliveries were 8,353 tons in November, against 8,000 tons in October. The total for January to November, 1941, was 135,642 tons, compared with 106,139 tons in the corresponding period of 1940. United Kingdom tin consumption was 2,899 tons in October, against 3,047 tons in September; in the first ten months of 1941 it was 24,879 tons, against 24,904 tons in the corresponding period of 1940. There are no figures of world stocks of tin for November.

Molybdenum and Tungsten.—The Control of Iron and Steel (No. 18) Order, which came into force on January 5th, varies the existing control orders by removing from their scope molybdenum and tungsten metal, except in powdered or sintered form. Other forms of these metals will in future be dealt with by the Ministry of Aircraft Production. The quantity and value of tinplate, terneplate, etc., which can be purchased without licence has not been reduced, but instead consumers will be permitted to purchase 13 double boxes in a month from any source, instead of being confined to 39 double boxes in a quarter from stock-holding merchants only.

Wheat Prices.—The monthly prices of millable wheat have been amended to

encourage farmers to accelerate delivery of the home crop which remains unthreshed. This policy has been adopted in view of the need to conserve shipping during the next few months and still enable the necessary stocks of threshed wheat to be maintained for economic feeding of the mills. On the new scale the maximum price of 15s. 9d. per cwt. to grower, ex farm, will be paid in February and March instead of in April, May and June. Prices are prescribed until July.

Fish Transport Levy.—The liability to pay the Ministry of Food a transport levy of 6d. per stone on a first-hand sale of fish was transferred from the seller to the buyer on January 9th. Provision has been made for reducing by 6d. per stone the maximum price applicable on first-hand sales of fish subject to price control, except herrings and mackerel. Other minor alterations are made in the prices of some kinds of fish.

Food Control.—Maximum prices for home produced and imported oatmeal, oat flakes and oat flour remain unchanged under an Order which comes into force on January 12th. The Order allows a retailer to pre-pack ready for retail sale, but only the prices specified on a sale of loose products may be charged. Maximum prices have been fixed for saccharin. From January 12th chocolates and sweets

may not be sold at more than 1s. 8d. per lb., unless they have been classified in a product group. Chocolates will be no more than 5s. per lb. and sweets not more than 4s. per lb. The price of about 90 per cent of sweet products will be 2s. 8d. per lb. or less.

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

	Jan. 1, 1942	Jan. 2, 1942	Jan. 3, 1942	Jan. 4, 1942	Jan. 5, 1942
Crops	115.4	115.7	115.7	115.7	115.7
Raw materials	171.0	171.0	171.0	171.0	171.0
Complete index	140.8	140.7	140.7	140.7	140.7
	Mar. 31, 1937*	Aug. 31, 1939	Jan. 1, 1941	Dec. 31, 1941	Dec. 31, 1941
Crops	147.9	92.2	105.4	115.5	115.4
Raw materials	207.3	122.9	167.1	170.7	171.0
Complete index	175.1	108.4	132.7	140.4	140.8

* Highest level reached during 1932-37 recovery.

RETAIL FOOD PRICES.

Average price per lb. at				Per cent increase since Sept. 1st, 1939
Sept. 1, 1939	Nov. 1, 1941	Dec. 1, 1941		
s. d.	s. d.	s. d.		
Beef, British—				
Ribs	1 2½	1 3½	1 3½	10
Thin flank	0 7½	0 9½	0 9½	27
Beef, chilled or frozen				
Ribs	0 9½	1 0½	1 0½	34
Thin flank	0 4½	0 6	0 6	22
Mutton, British—				
Legs	1 3½	1 5½	1 5½	13
Breast	0 7½	0 8	0 8	8
Mutton, frozen—				
Legs	0 10½	1 0	1 0	16
Breast	0 4	0 4	0 4	0
Bacon				
Bacon	1 3	1 8½	1 8½	36
Fish				
Fish (per 7 lb.)	1 1½	1 3½	1 3½	16
Bread (per 4 lb.)	0 8½	0 8	0 8	-3
Tea	2 4	2 6	2 6	7
Sugar (gran.)	0 6½	0 4	0 4	32
Milk (per qt.)	1 4½	0 9	0 9	33
Butter, fresh	1 3½	1 7	1 7	16
Butter, salt	0 10½	1 1	1 1	30
Cheese	0 6½	0 9	0 9	19
Margarine special	0 2	0 5	0 5	15
Standard	0 2	0 5	0 5	15
Eggs, fresh (each)	0 2	0 2½	0 2½	25
Potatoes (per 7 lb.)	0 6½	0 8½	0 8½	27
Index, all foods weighted (July 1914=100)				
138	168	168	19	

Source: Ministry of Labour Gazette.

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ONE SHILLING

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Inquest on Production

THE ardour with which the grand debate on munitions production is continuing cannot be regarded as anything but a great benefit to the war effort of the country. It is true that spokesmen for the Government, not excluding the Prime Minister, have shown a certain peevishness under criticism and attack. This is understandable; for there is much in the criticism that is widely off the mark, and little that shows any appreciation of the great achievements of the past eighteen months. But whether the fault is the critics' or the Government's, it is none the less a pity that the discussion has reached the stage of asperity. Nothing could be a clearer indication of the will to victory than this universal interest in the forging of its instruments; and, together with a certain amount of nonsense, a very great deal of sound sense is being talked.

Unfortunately, the discussion necessarily proceeds in a vacuum. There cannot be any precise public knowledge of what is really happening to production. There are, of course, certain indications. Thus it is no secret that the output of finished weapons is, and has been for many months, increasing very rapidly. As one after another of the new factories comes into operation, production is climbing towards its maximum—at a time when German output is undoubtedly falling off. The great machine tool bottleneck has been very largely broken, and labour supply is increasing—though with difficulty. Of the Prime Minister's four stages of production, the first two—

nothing at all and very little—have been left far behind; the country is well into the third—quite a lot—and in some items approaching the fourth—all you want. It is probable that, on any fair basis of comparison, the current rate of output is well above the highest reached in the last war. Another cross-check can be derived from the American programme. Even before the Japanese attack, American production was, in many lines, verging on the stage of quantity production. Moreover, it is obvious that the very high figures of production in 1942 given by the President last week would have been inconceivable if the pre-existing plans had not already provided for a very large output. To judge by estimates of expenditure, American production in the latter half of 1942 would, in any case, have been at about half the maximum rate that the President now ultimately envisages for his victory programme. But it was authoritatively stated in October that it would be late in 1942 before American production caught up with combined British and Canadian production. These facts make it reasonable to guess that present British production, on the average of all items, is between one-third and two-fifths of what American production will be when the President's programme has been achieved. In any discussion of what is wrong with British production, it would be very foolish to ignore what a very substantial achievement there has been.

In the absence of quantitative measures of output, it is

only natural that a number of misconceptions should have gained currency. There is, for example, the very widespread assertion to the effect that British industry is working 40 per cent below its capacity. The authority most frequently quoted for this figure is Mr Bevin's statement in the House of Commons that output would have to increase by that proportion. But, of course, that is a very different thing. Even the most perfectly organised and completely efficient production programme could not approach its maximum output other than gradually. To show that output must, and will, be greater in a few months' time establishes precisely nothing, one way or the other, about its present efficiency. Nor does evidence of under-employed machinery, of which there is plenty, establish a conclusive case when the greatest bottleneck is labour supply. Moreover, what is meant by "100 per cent of capacity?" If it is a purely theoretical concept, unattainable in practice, like 100 per cent efficiency in a steam engine, then it may well be that the present output is 40 per cent below capacity—but in those circumstances, the figure ceases to be a criticism. But if it is seriously suggested that it would be possible immediately, in present circumstances, with the present supply of machinery, materials, skilled workers and competent managers, to increase output in the ratio of 60 to 100, then the figure is certainly a wild exaggeration.

In justice, these facts should be recorded. But when everything has been said for the defence, it is obvious that in an undertaking as vast as the conversion of half the nation's industry, there must inevitably be a formidable list of muddles, stupidities and inefficiencies. What is perhaps more serious than the occurrence of such defects is a certain stiffness of the joints in the official machine when it comes to devising methods of putting them right. Where there is so much smoke of complaint, there must be some fire of mistakes, and it would be very wrong-headed of the Government departments concerned to deny it. But the critics and defenders are at cross-purposes on the general nature of the remedy. The critics tend, to far too great an extent, to argue as if some simple overall remedy, such as changes of ownership or the increase of money incentives, would make a magical difference. The defenders insist to too great an extent that, while detailed improvements can be made, there is little more that can be done from the centre.

The trouble seems to lie between the two extremes. There are no simple remedies for a very complex situation. On the other hand, the production Ministries have

never sufficiently addressed themselves to methods of production. They have never completely outgrown the mentality of order-placing departments and, in spite of their recruitment of experienced industrialists, they are still prone to leave questions of industrial practice and methods to their contractors. What could be done from the centre is to ensure that the best practice becomes universal, that experiments are made in methods of increasing the efficiency of production, and the results made known to, and if need be, enforced upon, the whole of industry. To give only one example—there is a certain amount of evidence that output per worker is higher where there is a factory council. This evidence should be analysed, and if it is conclusive, a policy of factory councils should be made universal. The provision of materials is now a centralised matter; labour supply and machine tool supply are handled in common for all the production departments. But matters of industrial technique are still left to be decided, or left undecided, by each Ministry or each branch of a Ministry, independently.

Something of this nature possibly lies behind the renewed demand for a single, or supreme, Ministry of Production. If so, it would be as well to make more precise what it is suggested that such a Ministry could do. If it were to be merely a few more layers of bureaucratic control, it would do more harm than good. Rather than a Ministry in the accepted sense, what is wanted is a Production General Staff, manned largely by production engineers (borrowed, if need be, from the United States), charged with constant research and experiment in methods of production and endowed with sufficient authority to enforce its decisions. That, indeed, should have been the role of the Production Executive. But that body has, from birth, suffered from two defects. Since it consists of the Ministers responsible for production, with one of them—the Minister of Labour—in the chair and without a neutral referee, it has been a battleground rather than a place of decision. And, secondly, its staff has never been more than secretarial. What is needed is not so much a Ministry of Production as a neutral and authoritative chairman and an expert staff for the Production Executive.

Mr Churchill will have to give his attention to this problem when he returns. Rumour has it that he has been doing so already. Perhaps the gigantic scale on which supply problems have obviously been discussed in Washington will have convinced him that in these matters even a good performance by British industry is not nearly good enough.

Imperial Allies

THE disasters in the Far East have disquieted the whole Empire. In London, before the agreements in Washington about production and strategy, a political revolt was possible. Even now, with General Wavell in the Indies to turn the tide, the critics at Westminster will not be satisfied until Mr Churchill himself has met them. In Canberra and Singapore, false promises, faulty defences and failures in the field are bitterly resented. There is nothing surprising or unreasonable about these reactions. They are the natural consequences of defeats for which no section of public opinion in the Empire was prepared. It is right that there should be the strongest possible pressure for the earliest restoration of the balance, in the air and at sea, in the Far East. The explanation that the Far East was starved to feed the Middle East must be heeded; but, until Singapore is saved and Rommel beaten, it cannot close the question.

What is surprising is that one of the most common of the remedies which the critics have put forward, in Britain and overseas, to right the matter is an Imperial War Cabinet. The obvious solutions—abler commanders, speedy reinforcements and more production—have, of course, been called for, and to some extent carried out. The united Anglo-American-Chinese-Dutch command in

the South-West Pacific is belated, but essential. It is when criticism takes the form of this demand for some sort of Imperial War Cabinet that scepticism is invited. The demand is not new. In this country, it has repeatedly been made as an instrument of Imperial Federation and, recently, as a means of co-ordinating the Imperial war effort and of symbolising Imperial solidarity. During the war, so long as their troops or territories have not been directly menaced, the various Dominions have been little more than academically interested in assuming an independent rôle in the making of war policy. Events in Greece and Crete first made Australia conscious of its separate responsibilities; the temporary weakening of the British naval shield in the Pacific has brought that consciousness to a head. Now, like Singapore, the Commonwealth feels naked, alone, neglected and on its mettle.

Understanding of the position of those who ask for equal participation by all the Dominions in the making of war policy does not necessarily imply agreement with all their proposals. It is precisely because the Dominions are independent nations and equal in status with this country that the proposal for an Imperial War Cabinet is almost certainly not practical politics. The decisions of an Imperial War Cabinet, however and wherever it

might be set up, could not bind the Government and Parliament of Australia without reference back to them and their explicit agreement, any more than the decisions of a Supreme Allied Council could bind the Executive and Congress of the United States. The Dominions are sovereign states separated from London by long stretches in time and space. The only Dominion statesmen who could possibly go to Downing Street with power to act would be their Prime Ministers; and their Prime Ministers, or any other Cabinet representatives of similar weight, could not be spared in wartime from the direction of home affairs. Representatives they could send to the common council table as observers; mandatories with authority to commit their countries they could not.

The cry of the revolting American colonists in the eighteenth century was "no taxation without representation." It offered no solution, except complete self-government or separation, because representation was physically impossible. The cry is now "no strategical decisions without representation"; and distance and Dominion status make the solution of an Imperial War Cabinet equally impracticable. The problem is not one of the parts of an Empire, but one of Allies, sovereign and independent. It must be solved in the same way as inter-Allied strategy. That strategy must be made in broad outline by consultation across the oceans. It must be executed, not by a common administration, but by separate Allied Governments in their own countries and by unified commands on each battle front. Neither Mr Curtin nor President Roosevelt can join Mr Churchill's Government, or *vice versa*. But General Wavell, whose appointment has been agreed by all the Allies, can move English, American, Australian or Dutch forces in his area at his discretion.

The task then is not to set up an Imperial War Cabinet, with responsible representatives from each Dominion and even India, to override or replace the War Cabinets in London or Canberra—just as, in the wider field of Allied strategy, the task is not to override or replace the executive agencies of Britain and the United States by a single Anglo-American administration. The task is rather to tighten consultation between the equal and independent Allies. By telephone, cable and wireless, consultation is already carried on continuously, and with especial closeness at crises. In London, there is an American Ambassador; in Washington, there is a British Ambassador of Cabinet rank; in Canberra, there is a British High Commissioner, an ex-Minister; in London, again, there is an Australian High Commissioner, an ex-Premier. The physical and personal framework of consultation between the Allied Governments exists. The problem is to strengthen and clothe that framework; to transmute the High Commissioners in London and the Imperial capitals into men of Ambassadorial status in the countries where they are stationed and of Cabinet rank in their own countries; and to furnish them with able and expert staffs to preserve a constant liaison between the war departments

of the two Governments. In Cairo, Mr Lyttelton is the projection of the British War Cabinet; his organisation is the microcosm of the British Government abroad; and every Allied and Imperial Ambassador or Commissioner might be furnished with the same work of functional liaison. This, incidentally, is broadly the solution proposed by Sir Earle Page, who came from the Australian Government to London in order to find ways and means of working out policy "against the background of general Empire interest." Consultation between Ministers, he argues, is too slow, it is while the plans are being worked out, lower down, that liaison is most needed.

In particular, there is undoubtedly room for a much closer and more detailed liaison between the High Commissioners in London and the various departments. There is no more reason, in wartime, why every contact between London and Canberra should be funneled through the Dominions Office than there is to restrict contact between London and Washington to the Foreign Office and the State Department. Each of the Dominions should have its own observers stationed in each of the British Government departments that concern it. By this means the apparatus of information and consultation could be expanded. But the fundamental dilemma must remain: central decision is not compatible with diffused responsibility. It may be doubted whether any of the Dominions—or Britain—is ready to surrender part of its sovereignty to some central body; it is certain that some of them are not. In these circumstances, an Imperial War Cabinet could neither replace the admittedly cumbersome mechanism of consultation at a distance nor prevent the occurrence of cases in which decisions have to be made without it.

There is no magic in machinery. Insofar as what has happened in the Far East was due to faulty policy, and not to a total insufficiency of supplies over all the battlefronts, it can only be remedied, not by new committees or Cabinets, but by new and abler men. Moreover, if an Imperial War Cabinet or Supreme War Council, in London, Washington, Canberra, Singapore or Batavia, representative of and responsible to the Imperial or Allied Governments, did contain such men, they would be hamstrung by distance and their terms of reference. When *The Economist* has spoken, loosely it must be admitted, of an "Imperial War Cabinet," it has meant a body of statesmen in London from all the Empire, chosen by Mr Churchill, as men of ability and not as representatives. Men of the required timbre, unoccupied in the administration of their own countries, may be no easier to find in the Dominions than they are in Britain. The point is that it is not representation but ability that is wanted, not a constitutional formula or new method of procedure, but a successful policy; and it is only by the wit of the independent Allied Governments and the closeness of their consultation that the failures of the past can be turned into the victories of the future.

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Justice and Revenge

THE Allies have again met in council, for the first time since they assembled to ratify the Atlantic Charter. On this occasion, their agenda was not the nations' hopes of a better future, but their concern with the grim facts of to-day, with the agonies that are being inflicted hourly upon Europe by its Nazi overlords, and on Russia by the invading armies. M. Molotov's long indictment of German atrocities gave impetus to the meeting, but the Poles are reported to have been most active in securing its assembly, and the British and American Governments have given their support. General Sikorski presided over the assembly, which was formally opened by Mr Eden.

A conference to consider Germany's misdeeds and to devise just measures of retribution is certainly valuable. It may clear Britain and America—the two nations who have physically suffered least—of the charge of showing an infuriating readiness to forgive the injuries Germans have done to other peoples. But the main task of the assembly was far more vital. By facing the problem of retribution, it was in a position to lay the foundations of a functioning system of international law in post-war Europe.

There are three essentials for any rational or fruitful discussion of Nazi atrocities. First, the allocation of guilt must be measured by accepted canons of law. Secondly, punishment must fall on those who are guilty in a moral and not in a racial sense. The Nazis have made racial scapegoats; the allies must not fall into exactly the same error. There are men and women inside Germany whose indictment of the Nazis would be as long and painful as M. Molotov's. They, too, must be allowed justice—a step which might at the same time establish the revolutionary but just principle that a government's treatment of its own subjects is the concern of international society. Finally, the means of judging the guilty and imposing punishment must be justly and realistically devised. The institutions necessary to ensure justice must be planned, the obligations of upholding them squarely accepted or the impossibility of preventing indiscriminate reprisals must be frankly admitted.

None of these principles is easy, especially in the light of what will almost certainly be the post-war mentality of Europe. It is very natural that, when the Nazi system crumbles, Europe will face the likelihood of the most frightful massacre in its history. But it is useless to pretend that massacres can have any but unhealthy consequences for international society. It is not so much their effect on the massacred; those who massacre are scarred and warped. Europe's fabric of order and decency is already torn to shreds. Licensed murder on the side of the victors would destroy it further. It is the task of the Allies to face this awful contingency and to canalise vengeance into legal channels, as, in most countries, private vendettas have gradually given place to national law. They must envisage a system which will incorporate and maintain the principles of legal trial, legal guilt and appropriate legal institutions.

The canons of law exist. Clause III of the two Hague Conventions of 1899 and 1907—both of which were signed and ratified by Germany—covers the behaviour of the conquering power in occupied territories; and other clauses cover such issues as the imposing of collective punishment for individual acts—a temptation to which the Allies must not succumb when it is the turn of the Germans to be arraigned as criminals. These conventions might be strengthened by adding to the general provisions of international law a clause making the maintenance of certain basic human rights—chief among them due process of law—the concern of the entire international community. The allotting of responsibility must as far as possible be carried on before international tribunals according to the proper methods of judicial procedure—the receiving of evidence, counsel for the defence,

impartial judgment. Finally, the execution of the penalty—be it death, imprisonment, or fine—must not be left to the plaintiffs. It, too, must be brought into the framework of law and supernational action—a point which raises the urgent but delicate problem of policing an international community.

In other words, to deal with German atrocities in the only way which will prevent an appalling prolongation of suffering and a further undermining of Europe's social structure, the Allies must devote themselves in all earnestness to the creation of a functioning international legal system with courts of law whose duties cover, not only relations between states, but the fundamental rights of man. The Allies have proclaimed their determination to set their handling of the problem of German atrocities on an "unassailable legal basis." To neglect the implications of such a basis is to court certain failure, and then to cloak it with lip service to justice and law.

Much good may come of this Allied conference. Yet it is surely a disturbing thought that the Allies have not met for six months, and that the thing that brings them together now is not reconstruction or joint planning for a co-operative European order, but simply the question of atrocities and retribution. It is as though a doctor confined himself to the symptom of delirium and declined to probe into the nature of the disease itself. German atrocities are the fruit of a vile political system. That in its turn is in part the fruit of anarchic social and economic conditions—mass unemployment, mass despair, mass revolt—which have had their searing effect on many European nations and have combined with the fatal German penchant for excess to produce the unbelievable brutalities of the Nazi system; while a first duty is clearly the punishment of the guilty, it would be a disastrous break with the best penal practices of civilised society if all attempt to deal with the problem of the rehabilitation both of the criminal and of the misled were set aside.

General de Gaulle gave a wise reminder of the real purpose of the Allied meeting when he spoke of concerting "essential measures so that a renewal of such crimes should be made impossible." The Allies are, after all, pledged to build a Europe sufficiently different from the Europe of 1914 and 1939 to give some hope of avoiding total war and its fearful consequences. Punishment of the criminal is a necessary and important step in the process, a step significantly omitted last time. But it is only one step. Prevention and cure must come after. Do the Allies intend to confine their co-operation to this negative basis? Are there to be no conferences at which the basis of a joint policy for Europe will be worked out? The peoples of the world are looking towards just retribution; it is right and proper that they should. But they are looking far beyond it to the hope of peace and order which only effective planning and joint action can secure. Are the Allied statesmen to prove unequal to this wider task?

AMERICAN SURVEY

appears this week on pages 66 to 69. It is hoped to make this a permanent weekly feature of *The Economist*.

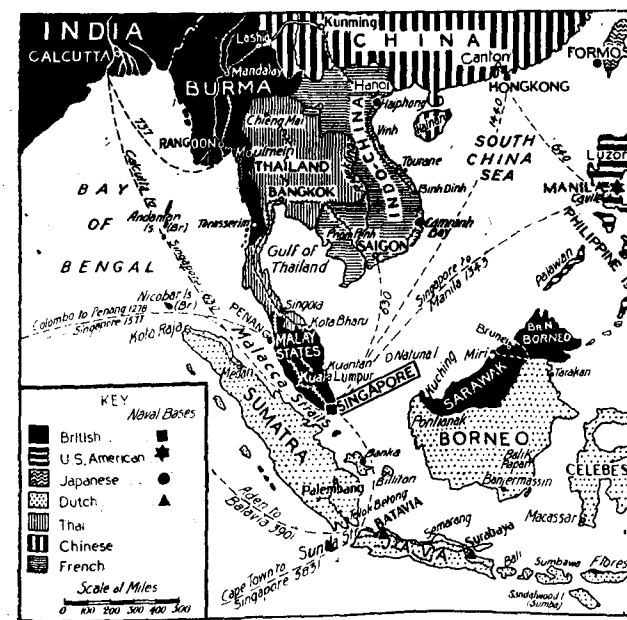
This new section will attempt to give a brief review of the major aspects of public affairs, political and economic, in the United States. It will incorporate contributions from our Correspondents in the United States as well as material written in London.

In the present state of communications across the Atlantic, it is not easy to secure an adequate flow of information. What is prompt is scanty; and what is detailed is delayed. In particular, correspondence arrives very irregularly. For the defects in "American Survey" that will follow from these causes, the indulgence of readers is asked.

NOTES OF THE WEEK

Hiatus at Singapore

Mr Duff Cooper has been unfortunate—or badly treated—though he may not have been the best man to do the job that he has not been allowed to begin. After only a few weeks as Resident Minister at Singapore, his appointment has been terminated. It should be emphasised that no blame for the many military and administrative shortcomings in Malaya can be attributed to him. Before his appointment, presumably to do in Singapore the work of co-ordination in supply, political and propaganda matters which Mr Lyttelton is doing in Cairo, Mr Duff Cooper had no jurisdiction; his mission was merely to report. After his appointment, he had no time. General Wavell, whose appointment as Commander-in-Chief in the South-West Pacific area apparently made the departure of the Resident Minister "necessary," has strong views about the catholic and comprehensive nature of a commander's functions—not without good reason; and it is probably more than a coincidence that, just as General Wavell left Cairo when Mr Lyttelton arrived, Mr Duff Cooper left Singapore when General Wavell came to Java. But the political problems of Singapore remain, as well as its military dangers. No clear report has come out, but quarrelling and recriminations are obviously going on, with past maladministration as the background and with the Governor, the Colonial Secretary, the military command, the civil



servants, the non-official community and the journalists as protagonists. Through the haze of partial information, it is not a pleasing picture; and it does not seem easy for some Britons in Malaya to regard Chinese or Malays as allies instead of coolies. It had been hoped, in Australia as well as in Singapore, that Mr Duff Cooper's War Council might step in and restore good sense and good government—and good information, instead of the spurious "good news" which has been their staple. Now it will be General Wavell's job, from a headquarters a long way off, to call a plague on all their houses; and presumably his solution will be to hand the control of administration over to his own commanders—which, if they can be weaned from the mentality which has led them, day after day, to put out the most infelicitous *communiqués* of the whole war, may indeed be very appropriate in a city which is very quickly ceasing to be a seat of government and becoming a fortress under siege. Nevertheless, Singapore must feel deserted. The Commander is in the Netherlands Indies; the Admiral in charge has left to reorganise the Far Eastern fleet; Mr Duff Cooper has gone. And, if Singapore and any part of Malaya is saved, it will still be necessary for General Wavell and the British and Australian Governments to find another Duff Cooper and another Supreme Council to put this house in order.

Far Eastern War Front

The chronicle of disaster in the Far East continues. With the British forces' withdrawal down the Malayan west coast, the invaders have reached open country, which is more suited to mechanical warfare and they undoubtedly possess heavy superiority in this type of equipment. The abandonment of Kuala Lumpur, the second largest city of Malaya, was rendered inevitable by the forcing of the Slim river on January 7th. At this engagement, the Japanese made good use of tanks and are now thrusting forward beyond Kuala Lumpur. Another disturbing feature of the Kuala Lumpur battle was the Allies' lack of air support. This can perhaps be made good more rapidly than the tank shortage. Otherwise, the fate of Singapore is likely to become extremely hazardous. The Japanese are showing some signs of a drive to open up a new front. There have been Japanese raids on Rangoon, and British air raids launched from Burma have been harassing the enemy in Thailand. Sooner or later, Southern Burma is bound to enter the battle zone, if only on account of Japan's need to close the Burma Road. Sharp frontier conflicts are reported, and it would be in Japan's interest to launch the campaign before any sizeable Chinese reinforcements can arrive in Burma. With the American resistance in the Philippines unrelieved and unreinforced and the new Japanese attacks on the Dutch East Indies, the maritime war zone, too, has a rather unhealthy look. It is clear that Japan has comfortable command of the seas between the islands, a fact rather ominously confirmed by Admiral Hart's arrival in the Dutch East Indies by submarine. In fact, the one promising feature in the whole war zone is the very successful Chinese campaign round Changsha and the increased military activity in Hupeh, Honan, Anhwei and Kwangtung.

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Battle of the Indies

Japanese ability to launch an invasion on the Dutch East Indies while the Battle of Malaya is still in progress demonstrates once more how grossly Japan was underestimated by the democracies. Striking south, Japanese forces captured the island of Tarakan off the east coast of Dutch Borneo last weekend. Since then, the northern peninsula of Celebes, Minahasa, has been the object of fierce fighting, in the course of which the Japanese claim the capture of the aerodrome at Menado. The present battle is of incalculable importance from the strategic as well as from the economic standpoint. Netherlands India at present forms a vital barrier to enemy raiders with designs on Allied shipping in the Indian Ocean. It also forms an important link between Singapore and Port Darwin. The Japanese have struck at the centre of the link, seeking no doubt to divide the Allied forces and, in particular, to prevent contact between the two main Dutch naval bases of Surabaya in Java and Amboina in the Moluccas. The immediate economic gain from the rich Tarakan oilfields will, no doubt, be small, since the Dutch appear to have scorched their earth scrupulously and efficiently, but the Japanese successes already constitute a serious threat to the important oil wells at Balikpapan in Dutch Borneo. The extent to which active Allied support is being given to the Dutch in their gallant defence is not clear. It is known that for some weeks the United States navy has been co-operating with Dutch naval units in the defence of the Indies and that, in the first week of the New Year, Admiral T. C. Hart, commanding the US Asiatic Fleet and the allied navies in the south-west Pacific, arrived in the islands. There have recently been reports that both American and Australian bombers have assisted in operations off Borneo, and Mr Curtin is reported to have pledged substantial Australian aid to the Lieutenant Governor-General, Dr van Mook, who arrived in Canberra for discussions some ten days ago. Meanwhile, the Dutch have effectively helped themselves. The list of successes disclosed by Mr Piet Kerstens, newly appointed Minister of Economics and Shipping, who recently returned from Batavia, is impressive by any standards. He claimed no less than 16 Japanese naval and merchant vessels, of which two were cruisers, as definitely destroyed since the outbreak of the war in the Far East. Since his statement, a direct hit on one more cruiser off Tarakan has been claimed by a Dutch bomber. The Dutch are fighting an all-in war for territory whose defence is vital to the whole of allied strategy.

Perspective on the German Retreat

The Russian advance in the main Moscow centre has now been continuing for over a month and brilliant progress has been achieved. In the northern sector, the important junction of Rzhev is threatened. In the centre, although Mozhaisk is still strongly defended, the Germans' position grows daily worse under the threat of encirclement from north and south. General Zhukov's forces have made a penetration of well over 100 miles and have advanced into the province of Smolensk. Germany's northern and southern fronts are threatened too. Activity on the Karelian peninsula is increasing while, in the south, behind Kharkov, the Russians claim to have recrossed the Donetz river for the Germans, and were it not for the ineradicable British habit of seeing victory round almost every corner and of suiting their efforts to their hopes, it would be unnecessary to do more than rejoice with the Russians and accept the German discomfiture. As it is, there is need for a careful assessment of the German position and its relation to the front. First, it must be remembered that the retreat began when the Germans failed to take Moscow, and a shortensary. There are no natural defences in the great Russian plain, and once the decision to retreat became inevitable, the Germans could argue that it was in their interest to put a large zone of thoroughly scorched earth—if their main forces and the advancing Russians. If a calculation of this kind was made, it is possible that the fighting action designed to keep open the Moscow-Smolensk line as long as possible. A decisive factor is of course morale.

The German armies are tasting retreat—and under appalling conditions—for the first time. Much depends on whether the German soldiers feel they are part of an orderly withdrawal. The German High Command claim that the Russians are falling into a trap by advancing in winter, losing valuable equipment in return for useless land while extending their lines before the spring offensive. That is as may be, but in any case it is a very pleasant change to hear the Germans explaining away retreats.

RAF Regiment

The plans for defending aerodromes, in this country but not yet (for some reason) overseas, have been announced, and they are not new. The Aerodrome Defence Force becomes the RAF Regiment, dressed in RAF blue off duty and in khaki battledress on duty, and with seconded Army officers in their regimental khaki. Major-General Liardet, who has been an inspector of aerodromes for over a year, becomes Commandant of the Regiment and Director-General of Ground Defence in the Air Ministry; but he is responsible to the War Office and HQ Home Forces. His predecessor as Director-General of Ground Defence, Air Commodore Sanders, will be his assistant. Mr Attlee, announcing this scheme, said that, while Army responsibility must remain, because aerodrome defence is logically and actually part of the defence of the surrounding country, the RAF had been made the local agent. RAF station commanders will have control of their defending units, and station ground staffs will be a further line of defence. To the layman, the arrangement must appear a compromise and confused. He may even suspect that the motives which caused the War Office to snatch back the Commandos from their independent position in liaison with the Navy have been at work again. The first line of defence for aerodromes is aircraft, and that is the job of the RAF. At any rate, it is obvious that the new body, whatever its name and status, should be at least as well selected, instructed and equipped as the Commandos themselves. The type of organisation adopted for aerodrome defence is only a means to an end. The end is the defence of aerodromes and, for that, three things are needed: adequate methods of defence; adequate defensive equipment; and adequate training. The RAF Regiment will go through infantry training, weapon training, and then tactical training for their special job. It is to be hoped that as they proceed through the course they will find the necessary weapons, tanks, guns and anti-aircraft guns, and the needed effective tactics. This will be the test, and not the adumbration now of new titles or new combinations of uniform.

The Lost Blitz

The general feeling that the bombing offensive against Germany provided for the autumn and winter of 1941-42 has gone astray is not simply due to lay ignorance and lack of understanding. It is due to the weight and continuity of attack which were promised, quite gratuitously, in the speeches of Ministers last spring and summer. When Sir Archibald Sinclair says (as he did in a speech in the City last week) that, even with the advent of Russia as an ally and before the entry of Japan as an adversary, British air resources were stretched to the utmost over all the fronts, he is giving one sound reason why the Blitz against German cities, which was promised, never happened—and one which was just as obvious when the "we'll give it them back" speeches were made. When he points out that it is difficult to bomb the Germans as hard as they bombed Britain because Germany and German Europe are a much more widely spread target than this island, he is confirming what a number of sceptical commentators said when these promises were first given. Remarkably bad flying weather and the improvement of defences have played an important part. But the fact is that, even allowing for this, the bombing of Germany has not been so intensive as it had officially suggested it would be; and the real trouble is that those in authority do not seem prepared to admit openly that their strategical plan in the air is not quite what the public has been allowed to believe it to be. It is not, very rightly, based on reprisals which, unless they are also sponsored by sound military considerations, are largely waste; nor is it based on the exaggerated belief in the efficacy of bombing as a separate weapon which was

thoroughly exploded by the failure of the *Luftwaffe* in the autumn and winter of 1940-41. It appears to be based, as it should be, on co-operation and the use of air power as an auxiliary, not autonomously—as an aid to the blockade by the bombing of shipping, key factories and communications and as artillery and a protective cover for land and sea forces. It is true, as Mr Churchill said in America, that bombing will play a great part in the defeat of Germany, but not in isolation; and it does no justice to the valuable work which is being done night and day by the RAF to allow it to be believed that it is falling short of some grandiose and impracticable target. It would smooth away a lot of bewilderment and some irritation about the fact that Germany has not, after all, been wrecked and blasted this winter, if a few of the more misleading Ministerial words on this subject were now well and truly eaten. When the point is put to them, no people are in a better position than the British to understand that wars are not won by bombing.

Overseas Remittances

It was perhaps more than a coincidence that the Chancellor of the Exchequer's announcement that the ban on remittances to emigrants in countries outside the sterling area would be relaxed was made on the day after President Roosevelt's Budget message. For the only justification for allowing the loss of dollar exchange—however small—by concessions to private individuals is the heavy new financial burdens which the war will now place upon the American hosts of these emigrants. From the moment the question of sending children overseas was mooted, the Government very wisely refused to allow any remittances to children and adults evacuated under private arrangements to the United States and Canada, primarily because of the need for conserving dollars, and also because such a concession might have led to a rush on shipping on behalf of the children of the rich to the detriment of the Government's own evacuation scheme. Now, however, the fact that the United States is at war, and will eventually be compelled to reduce its standard of living because of the enormous war effort it has undertaken, outweighs the dollar consideration, though the remittances allowed are limited to amounts that can hardly do more than cover the bare cost of living—if that. For each child under the age of 16 at the time of departure the maximum sum allowed is £3 a month and for every adult responsible for children £10 a month, sums which will leave little or nothing over for clothing and other necessities. (The procedure for making the payments is explained in a Finance Note on page 78.) No remittances can be made to adults not in charge of children—very rightly, since such adults, who ought never to have gone, should be regarded as part of the common stock of manpower and available for war work. In fact, the new arrangement is another illustration of the American people's change-over from the position of generous helpers to that of working allies.

Lower Rations

The first of the expected cuts in food rations have come. From January 12th, the sugar and fat rations reverted to the quantities available weekly before November 17, 1941, namely, $\frac{1}{2}$ lb. of sugar and $\frac{1}{2}$ lb. of fats, of which not more than 2 oz. can be butter. It was, of course, clear from the day that Japan entered the war that cuts would have to be made and more than a month has gone by before the inevitable first step has been taken. This delay may have been due to the fact that the necessary re-allocation of shipping quotas between the Allies and their departments, leaving less space for the British Ministry of Food, has only just been completed, though the need for cuts might wisely have been anticipated. In any case, the claims on shipping made by the war in the Pacific will increase in coming months; and it cannot be too strongly urged that Lord Woolton should, so far as possible, hold stocks intact and take any cut out of current consumption. It is a sign of providence that the normal cheese ration is to be reduced by 1 oz. to 2 oz. on February 9th, although priority cheese rations are rightly to be maintained. Since stocks of cheese are apparently somewhat restricted, it is possible that still further cuts in the normal rations, and in the allowance to caterers, will be necessary if these priority claims are to be

met. On this and other long-term matters, Lord Woolton has so far been silent. It would be fairer and more expedient to warn the country as a whole that further cuts in a variety of rations are more probable than possible—the present tea ration, for instance, cannot enjoy any long expectation of life in existing circumstances—so that the present level will not continue to be taken for granted.

Calling Up Women

The 1920 age-group of women registered last Saturday and will be called up, concurrently with the 1921's who registered last year, under the new National Service Act. Registration, however, took place under the Registration for Employment Order, and many of the women who registered are not liable to conscription—if, for instance, they are married or mothers—but only to direction; their registrations will be kept separate at the employment exchanges. Single women and widows without children, on the other hand, will be regarded as liable for service under the new Act; but they will not be called up if they are already working in agriculture and forestry; civil defence; the cotton industry; munitions, including work in canteens and hostels; some positions in national and local government; NAAFI; timber production; and public utilities and transport; or if they are religious sisters, teachers, veterinary surgeons, doctors, dentists or members of hospital and nursing services. The next stage, provided that a woman has not declared herself a conscientious objector, is the consideration, by the district manpower boards, of applications for deferment, either from the employer or from the woman herself, because of her present work or on the grounds of exceptional hardship—in the latter case, the procedure is slightly different from that for men, and the question of hardship will be decided before medical examination. Finally, when deferment, hardship and conscientious objection have been decided—against the applicant—the options between the various forms of national service—the auxiliary forces, civil defence and industry—take effect. Women who are turned down for the forces on medical or other grounds will be given the opportunity of serving in NAAFI; if they refuse this, they are in the same position as women who have chosen industry or civil defence and will be summoned for interview by the employment exchange. At this stage, there is little comment called for on this somewhat elaborate procedure except to ask that it be made as effective as possible in spite of its elaboration. Already there is considerable waste and duplication, because the 1921 and earlier age-groups, who registered last year, must—or should—have had the tests of deferment and hardship already applied to them when they were interviewed. It now seems that those who then escaped the net are to have further tests; and, presumably, the employers and the women themselves will have to produce more cogent reasons why they should not be called up—or directed—if the new manpower policy is to mean anything at all. Otherwise, it will again be a case of merely picking a few here and there instead of gathering in the wide harvest which the nation needs.

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Diversion in Africa

With the fall of Bardia and Sollum, only Halfaya remains upon the British lines of communication to interfere with the rapid bringing up of supplies to the new front line beyond Benghazi. This is fortunate, for it seems likely that the first phase of the battle for Tripolitania is about to open. Rommel's forces are deployed on a short 70-mile front between El Agheila—the maximum point of the British advance in 1941—and Marada, and so far they have put up a very stubborn rearguard action, defeating all attempts to encircle them and cut them off from the possibility of reinforcement from Tripoli. The British forces have a tremendous task before them, for it is their job to make of North Africa what Spain was to the campaigns of Napoleon, a "running sore," a constant irritant, a perpetual diversion which draws men, tanks and aircraft away from the main European front. It is still too early to say whether Hitler has determined to organise the diversion on an heroic scale. His decision must depend upon the extent to which stabilisation is possible in Russia. But there are signs of preparation in the Mediterranean, and Malta, in particular, has been subjected to an air offensive so heavy as to suggest the preliminaries of an invasion.

Indian Paralysis

Time and the opportunity are slipping away in India. Every week proves that an increased number of Indian politicians, of all groups, are anxious to co-operate in the war. On all sides, there is a feeling, which found some voice in the December meeting of the Congress Working Committee as well as, widely, in the Press, that some interim settlement, in the face of the new Japanese danger, should be possible. But those who have the decision in their hands are coming no closer. Under the confused and contradictory verbiage of the latest resolutions of Congress, the old impracticable proposals seem intact; and, correspondingly, the leaders of the Moslem League are still talking of partition, instead of national unity. Mr Amery has spoken; and, in effect, he sees no new way in which the deadlock can be broken, in spite of the tide of national sentiment that the Japanese aggression has set in motion. The Viceroy is silent and apparently as isolated from what is going on as the old Chinese Emperors, the Sons of Heaven. Without discussions, there will be no settlement, and without meetings, no discussion. The preparations for defending Indian territory go forward by decree; and the expansion of India's armed forces and arms output, is an astonishing contrast to India's utter inability, from the Viceroy downwards, to help itself politically.

The Rio Conference

The Pan-American Conference at Rio de Janeiro was to open on Thursday of this week. The Conference derives from the resolutions accepted by all the republics at the Havana Conference in 1940, when it was resolved that an act of aggression against one American republic by a non-American power should be considered an act of aggression against all. There is a certain amount of humour in the situation, since it can hardly have been envisaged at Havana that the United States would appear in the rôle of protector but of victim. The Havana resolution did not specify, save in the vaguest terms, what action should be taken by the republics not directly affected. As things stand at present, there seems to be a direct relation between the way in its support. Thus the Caribbean and Central American republics (with the exception of Mexico) have declared war on the Axis. Mexico, Colombia and Venezuela have broken off diplomatic relations. Brazil, Peru, Bolivia, Paraguay and Uruguay are apparently prepared to join in measures of economic warfare and in surveillance of Axis agents. Chile and Argentina dissent. Chile's presidential election rather than from her German popularity, and it is possible that her vote will be cast with the Minister, has flatly declared that he will not agree to any measures of pre-belligerency. This attitude is, in part, Argentina's traditional opposition to United States leadership in South America. But in part also it is something peculiar to the present political situation in Argentina. The Castillo Government is bent on maintaining a stiff

neutrality with what can only be called de Valera's defiance of the opinion of its neighbours—and, unlike Mr de Valera, it is at odds with the legislature and very doubtful of popular support, especially on this issue. The apparent temper of the United States delegation, which is led by Mr Sumner Wells, is to waste no time on conciliating this opposition, but to take decisions by a majority vote. From the strategic point of view, the most important republic is Brazil, followed by Peru, Colombia and Venezuela. It is on them that Mr Welles will concentrate his attention.

Feeding the People

From the moment communal feeding was first mooted, private caterers went in fear of the competition they might suffer. They have been consistently hostile to canteens. But when the so-called "British restaurants" were started, their cries of unfair competition became louder than ever. It is true that in large towns British restaurants attract the same customers as the light refreshment caterers, and that, owing to the use of voluntary labour, their low rent charges, if rent is paid at all, and the fact that they only have to cover costs, they can give better value for money—that is, provide cheaper meals. The purpose of these restaurants, however, has been rather lost sight of. They were designed to provide facilities for feeding the public in the event of their own cooking or feeding arrangements being destroyed by enemy action—as many homes and cafés have been. They now serve rather different purposes. They are used by people who formerly lunched in their own homes or off sandwiches, and particularly by the new wartime recruits into industry. In some districts, particularly suburban and country districts, they have won a popularity and success which could not have been achieved by the commercial caterer working on "business" lines, and the Minister of Food, after meeting a deputation of caterers' representatives, has undertaken that an inspection will be made in any area in which it is proposed to start a British restaurant, on application by the caterers in the area. Permission will be given only if a British restaurant is considered essential in the area, because there are insufficient alternative places for the preparation of meals other than people's own homes. This decision should alleviate the anxiety felt by so many small caterers who are afraid of being deprived of their livelihood (there is no method of compensating them), simply because it has become fashionable for local authorities to set up British restaurants. There will be some assurance that money, effort and food will not be wasted in any area merely to emulate a neighbour. On the other hand, communal feeding has two purposes which should not be forgotten when the caterer complains: economy of staff and equipment; and cheapness. The aim of wartime food policy is to feed the people; and the price of meals and the efficient use of food, labour and facilities are as important in terms of social justice and wartime expediency as any vested interests, however well founded.

Hungarian Vortex

The prospect of German diplomacy at grips with the Hungarian problem provides much ironic entertainment for the Allied Powers. The agreement of stable frontiers between Hungary and her neighbours presents difficulties for which there are no ideal solutions under the New Order any more than there were under the Trianon Diktat. The immediate purpose of Ribbentrop's visit to Budapest, promptly followed by that of Ciano, remains a matter for speculation. Its wider implications are clear. Germany requires from Hungary a greater contribution to the Axis cause in terms of both food and soldiers. It also requires more evidence that Hungary is willing to play the German game in Central Europe. Hungarian policy, now as formerly, lies in the pursuit of strictly nationalist aims—involving friction of a more or less severe nature with the Axis satellites, Roumania, Croatia and Slovakia—and the contribution of minimum resources to the feeding of Germany and the conduct of the Russian campaign. This conflict of purpose provides the opportunity for endless bargaining and old-fashioned diplomacy. The acuteness of the German need may force Ribbentrop to concede, at least nominally, that Hungary shall assume a position of subordinate leadership over the Central European puppets. Whether Hungary can combine this ambition with permission to replace Italian garrisons in Balkan occupied territory, as an alternative to taking the

Russians, is far more doubtful. German resources in Europe are now severely strained, but she is still in a position to bring considerable pressure to bear on dependent Governments. Ciano's visit raises even more interesting possibilities. It is barely eight years since Hungary and the defunct Austria, under the leadership of Mussolini, formed an offensive counter-bloc to Nazi expansion under the Rome Protocol system. Austria is now out of the picture, but it is difficult to believe that in Hungary and Italy the ambition to bargain with Berlin on a collective basis is extinct. Germany will certainly find it more difficult to exploit her stronger allies by diplomatic methods than to crush the occupied countries by brute force. The first opposition to the New Order may well come from within: from Italy and Hungary, and even from Vichy France.

Milk-O

Now that the corner of the winter has been turned, it is time to form some estimate of the measure of success attending Lord Woolton's courageous but complicated scheme for the rationing of liquid milk. The scheme as it stands at present has, of course, numerous drawbacks, the chief being that treatment of the normal adult consumer varies in too great a measure between the domain of one roundsman and another. It is not clear to what extent each roundsman's sphere of delivery is a self-sufficient unit, but there is no doubt that there is very little evening-out of surpluses between roundsmen in the same district, and next to none between different regions. The decision to bring producer-retailers into the scheme was a big step in the right direction and will do much to make the country surplus available for the benefit of the townsman. The greatest success of the scheme is the certainty with which most priority classes have been supplied, although the grant of extra milk in cases of illness has worked far from smoothly, largely on account of a short-sighted decision in the first place to withhold from the public details of the ailments for which extra milk might be granted. Supplies of condensed milk and dried milk powder appear to be adequate to the demand. But this is mainly due to the somewhat high price at which tinned milk is retailed and to the inability of the Ministry of Food to popularise dried milk. Since powdered milk—together with the national loaf—is one of the most satisfactory ventures of the Ministry, its only drawback being that a little skill is required in its mixing, it is unfortunate that its properties are not more widely appreciated. Finally, the scheme has only just entered the winter months in which the hardest weather can normally be expected. It is all too probable that two pints a week for the normal adult would be by no means general in the event of heavy snow and severe frost.

Industrial Health

At the end of November, the British Medical Association presented the report of its committee on industrial health in factories. Briefly, this recommended the appointment of medical officers—either whole-time or part-time, according to the size of the factory—and an efficient medical liaison system between the factory and outside medical services, including the patient's own doctor. Obviously, the object of the BMA's report—the reduction of illness which, through common ailments alone, costs industry so much in real and money terms—is the right one. But it is not nearly so certain that the means proposed to achieve it are the best; and, in a pamphlet published by the Fabian Society, Dr Hermann Levy has made some searching criticisms of the recommendations. First of all, he shows how impracticable is the BMA's proposal that the general practitioner should achieve a better acquaintance with industrial medicine by "improved medical education, continuous interchange of information during a patient's illness, and a closer association between the medical profession and industry." A doctor's training, he points out, is already expensive enough without adding to it the cost of studying industrial medicine; nor has he the time—under the present system of remuneration—for undertaking any specialised work such as physio-therapy. Moreover, there is the danger that a faulty diagnosis—so important in the case of industrial accidents and disease—can be made even more easily from a spurious specialised knowledge than from ignorance. Let the panel doctor, says Dr Levy, remain the family doctor, whose function is to diagnose and treat ordinary cases, but who should be able to suspect, though not to diagnose and

still less to treat, more serious developments. The latter should be left to real specialists in industrial medicine, and here again Dr Levy differs from the BMA in his conception of the nature and functions of these doctors. The BMA regards them as the servants of the employers who, through the "interchange of information," should be able to learn a case history from a patient's panel doctor. This, as Dr Levy shows, would make the latter suspect to his patient who would rightly resent his own medical adviser being indirectly an adviser to his employer as well. Whether the solution favoured by Dr Levy, that the industrial doctor should be the employee of a mutual compensation fund—and therefore responsible to both employers and workers—is the right one will probably not receive general acceptance, because at present sick workers often regard their insurance societies as too prone "to cheat" them of their rights. But—and it is Dr Levy's own chief conclusion—whatever system for promoting industrial health is proposed, it must be related to a reformed system of national health insurance and workmen's compensation. That the BMA failed to recognise this destroys most of the value of its report.

Question Time

There has been some suggestion that question time in the Commons should be abolished or curtailed. The argument is that too many Members are mere exhibitionists; that constituents put too high a value on the mere asking of questions by their representatives, and expect too much; and that they are the worst way of doing business with the departments because the civil servants are put on the defensive, anxious to excuse or explain themselves, rather than to tackle the matter raised. There is, of course, some substance in these allegations. But the argument is still an exercise in perverted ingenuity; and it is not without significance that it comes in the main from men who tend to be sure that Parliament has no function in wartime and nearly sure that it has none in peacetime either, men who usually equate democracy and inefficiency and, *per contra*, totalitarianism and efficiency and who, like the late Mr Neville Chamberlain in foreign affairs, want to put domestic politics on "a practical business footing." The fact is that the reverse is the case; question time is probably the most valuable hour of Parliamentary time in war conditions, and might well be extended. Mr Churchill has called the House the Grand Inquest of the nation, vigilant to ring the alarm bell. It is at question time that the coyness of Ministers and departments about misdeeds, mistakes, bungling and mismanagement is assiduously, and on the whole successfully, assailed. At question time, Ministers can be induced to make plain what is obscure and reasonable what has appeared unreasonable for lack of information. Parliamentary questions are the great sanction against recalcitrant and inflated officials, for non-committal departmental answers can never be more than a temporary playing for time. In wartime, the function of the Commons to scrutinise policy and elicit information, on behalf of the people, is more important than ever. It is their only function that has remained intact; and it cannot be replaced by backstairs bargaining, simply because the whole object is to bring publicity to bear upon the management of the nation's affairs.

Shorter Note

Mr Roger Liversidge, whose appeal against his detention under Regulation 18B was dismissed by the House of Lords last November, when Lord Atkin gave his famous dissenting judgment, has now been released.

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AMERICAN SURVEY

The Sinews of American War

THE figures contained in the President's Budget message on Wednesday of last week were, in their way, as stupendous as the figures of the production programme that he had given on the previous day. In the first seven years of Mr Roosevelt's administration, the expenditures of the Federal Government fluctuated between \$6 and \$9½ billions, and there were plenty of voices raised in those years to the effect that spending at such a rate was ruinous. In the year 1940-41, under the first impact of re-armament, expenditure rose to \$13½ billions, and for 1941-42, the last estimate before the Japanese attack foresaw an expenditure of \$24½ billions, of which \$18 billions was to be for defence. As recently as last summer, when Lend-Lease was already an accomplished fact, authoritative discussions of the economics of defence* were envisaging the problem in terms of eventual maximum expenditure of \$25 or perhaps \$30 billions a year. Mr Roosevelt's figures belong to another world. In the fiscal year July, 1942-June, 1943, he estimates a total Federal Government expenditure of about \$59 billions, of which \$53 billions will be for war purposes. In addition, Governmental agencies whose expenditure is not included in the Budget will spend \$3 billions, making a total defence expenditure of \$56 billions.

Comparison with Britain

To translate these astronomical figures into terms that can be compared with the British war effort is no easy task. The only thing that can be said with any certainty is that to apply to them the official exchange rate of approximately \$4 = £1 is gravely misleading. At this rate, \$56 billions equals £14,000 millions, and since the expenditure of the British Government on war purposes in the United Kingdom in the current year is slightly over £3,200 millions, it would appear that the American effort in 1942-43 was going to be rather more than 4½ times as great as that of the United Kingdom in 1941-42. But this is rather too much to believe. Mr Stacy May, of the OPM, revealed in October that American production, on the schedules as they then existed, would not overtake British and Canadian combined production (of which British is probably over 80 per cent) until late in 1942; it is surely improbable that approximate equality could be converted into a superiority of 350 per cent so quickly. The peacetime non-agricultural working population of the United States is a shade less than twice that of the United Kingdom, and even when allowance is made for higher output per head and for a smaller proportion of men in the forces, it is impossible to reconcile this comparison with a ratio of output of 4½ to 1.

On general grounds, it might be assumed that the true ratio of potential industrial productivity of the two countries was more like 2½ to 1. And this figure is confirmed, though in a somewhat speculative way, by estimates that have been made, independently of each other, on both sides of the Atlantic, on the relative cost of the production of munitions in the two countries. These estimates tend to show that, in the special field of munitions production and war costs this divergence from the more usual ratio is, of course, the small extent to which the processes of mass production, which lower the costs of general industry in America, can be applied to the production of munitions. (The same phenomenon, though for different reasons, exists between Britain and Germany; one Reichsmark buys more, relatively to £1, of war goods than of peace goods). If the figure of \$56 billions is divided by 8 instead of by 4, the resulting

sterling equivalent is £7,000 millions, or about 2½ times the current British expenditure in the United Kingdom. This accords better with observable fact. It seems fairly safe to conclude that the American war effort is planned to be, in physical terms, between 2 and 2½ times the British.

How is this vast conversion of the national economy to be achieved? At the time of the Japanese attack, the American national income was running at the rate of about \$95 billions per annum, while defence expenditure was probably running at about \$18 billions a year. This \$18 billions is now to increase to \$56 billions—that is, by \$38 billions. Where are these resources to be found? The American national income is probably not yet at its maximum—certainly not in a contest of total war. Allowing (as the President did in his estimates of expenditure) for only a slight rise of prices, it may be guessed that the ceiling for national income is at about \$110 billions. If so, \$15 billions out of the needed \$38 billions can be found out of increased production. Drafts on capital are most unlikely to reach the British dimensions. There is no possibility of a heavy adverse balance of payments, nor will there be import difficulties compelling a reduction in stocks of commodities. A policy deliberately designed to make the maximum draft on capital accumulations might well, according to Professor Harris, yield \$10 billions or even more. In actual fact, a figure of \$5 billions is probably the maximum that can be expected. If so, the required \$38 billions will have to be made up by a reduction of \$18 billions in the expenditure of the public—a somewhat stiffer dose of restriction than has in fact been imposed in Great Britain (though the American standard of living, being higher, leaves more scope for reduction).

The Standard of Living

Without in the least impugning the patriotic resolution of the American people, it may be doubted whether they will, in fact, impose on themselves an even sharper restriction of consumption than the British people have. One reason for this is the greater difficulty, within the constitutional and geographical framework of the United States, of setting up really effective controls of consumption. A much more important reason is that the British people were compelled to make an economic virtue of physical necessity. If it had not been for the shortage of shipping, which made it necessary to begin restriction with the common necessities of life, it is very doubtful indeed whether the political resolution would ever have been found to restrict these basic commodities, which absorb so large a part of the community's expenditure. The argument, therefore, concludes with two alternative explanations of the President's figures. Either they will not, in fact, be attained, or else they will be reached only with the assistance of a considerably larger rise in prices than has been allowed for in these estimates. If, for example, there is, say, a 15 per cent rise in the general price-level between now and the average of the fiscal year 1942-43, then national income might well rise to \$125 billions and war expenditure of \$56 billions could be accommodated with only a comparatively slight reduction of consumption.

In any case, it is apparent that Mr Roosevelt is not making the mistake of successive British Chancellors of the Exchequer and setting his sights too low. It is equally apparent that he is determined squarely to face the necessity for some reduction in the proverbial American standard of living. The primary weapon for achieving this purpose will, of course, be taxation. Unfortunately, the cabled reports of this part of the Message are both cryptic and contradictory. But the President appears to have suggested that the existing taxes which, on the latest estimate, were expected to bring in about \$12 billions in the current year, will automatically produce \$18 billions in 1942-43. He further proposed that the total yield of taxation should be increased

from that figure to \$27 billions by the imposition of new taxes. He recommended to Congress, in addition to increases in excise duties, a system of taxes on wages and incomes to be deducted at the source at the time they arise. He also recommended sharp increases in social security contributions, which, in the American system, are a variety of graduated tax on the lower incomes. This programme will take some swallowing. There is known to be considerable support in Congress for relying in the main on a general sales tax.

But if taxes are to be raised in the proportion the President desires, it will be necessary to try every device at once. Even so, as in Great Britain, it will be found to be very difficult to push taxation beyond the point at which it mops up the increase in incomes above their pre-war level—that would be just about achieved if the yield were, in fact, raised to \$27 billions. Any reduction in consumption below the pre-war level has to be left to be accomplished by increased savings and by more direct methods of restriction.

Thus, though the details differ, the problems of a war economy in the two countries are strikingly similar in their general proportions. And in both the formula for their solution is the same. The first essential is to see the task life-size. The second is to summon up the political courage to tackle it promptly and honestly.

clear up the existing confusion of responsibilities, and Mr Nelson has been emerging as the man for the job. A former executive of the mail order house of Sears, Roebuck, he has business experience without the drawback of believing in "Business as Usual"—on the contrary, he is one of those who earliest and most forcefully advocated the thoroughgoing mobilisation of American industry. It is not quite clear, however, from the cabled reports how far in the right direction the new step goes. Mr Nelson will have final authority within the Board's competence, which will certainly cover the allocation of materials between war and civil purposes and within each category, and may cover certain questions of labour supply. But the basic difficulty in the supply position hitherto has been the fact that the War and Navy Departments have never surrendered their exclusive right to place the actual contracts for production, and to do so, what is more, through the agency of uninformed staffs. All the series of external bodies, the NDAC, the OPM, the SPAB, have had powers to control the factors of production but not to organise the production itself. Whether Mr Nelson's War Production Board will be a replica of Mr Baruch's War Industries Board of the last war will depend on the decision that the President has reached on this very vexed question.

* * *

The Price Control Bill

The figures of the President's production programme, as is demonstrated in the article on the preceding page, make it quite clear that the United States will soon be in the stage of potential inflation—that is, the stage in which inflation will become actual unless drastic steps are taken against it. The control of inflation is essentially a political rather than an economic matter; it turns on whether the will can be found to impose sufficient sacrifices of consumption on the public. It is for the light it sheds on this political problem, rather than for its actual provisions, that the Congressional adventures of the Price Control Bill are of interest. The Bill started months ago as a draft emanating

American Notes

A Production Dictator?

It was announced from the White House on Tuesday that the President has decided to appoint a new War Production Board. It will have the same membership as the SPAB—but with one significant difference: Mr Donald Nelson, who was Executive Secretary of the former Board, is to be chairman of the new Board, with a final right to decide. This is clearly a step in the right direction to

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U.S. Government Obligations,		Capital Stock	\$100,270,000.00
direct and fully guaranteed	1,364,847,274.20	Surplus	100,270,000.00
State and Municipal Securities	125,045,060.17	Undivided	
Stock of Federal Reserve Bank	6,016,200.00	Profits	40,369,834.49
Other Securities	194,989,187.80		\$ 240,909,834.49
Loans, Discounts and Bankers'		Dividend Payable Feb., 1, 1942	5,180,000.00
Acceptances	802,221,308.65	Reserve for Contingencies	11,375,028.06
Banking Houses	37,775,473.15	Reserve for Taxes, Interest, etc.	3,032,603.47
Other Real Estate	6,842,700.13	Deposits	3,534,966,617.22
Mortgages	8,729,425.18	Acceptances Outstanding	8,241,999.24
Customers' Acceptance Liability	6,965,977.86	Liability as Endorser on	
Other Assets	9,853,853.88	Acceptances and Foreign Bills	575,267.46
		Other Liabilities	7,521,455.02
			\$3,811,802,804.96
	\$3,811,802,804.96		\$3,811,802,804.96

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* Two of these may be mentioned as of particular value and interest. The first is Professor S. E. Harris's "The Economics of American Defence" (New York: W. W. Norton), an extremely full and well documented, if somewhat confusing, discussion of all aspects of the problem. The other, "Essential Facts for Fiscal Policy," is published by the National Industrial Conference Board.

from Mr Leon Henderson's office. It was weakened in long hearings by a Committee of the House of Representatives and further emasculated by the House as a whole, shortly before the Japanese attack. The first effect of the declaration of war was to lead the Committee of the Senate, where the Bill was then lodged, to stiffen it up again. The two chief points at issue were that control of prices and the power to issue regulations, which the House had put in the hands of a five-man Board, were restored to a single Administrator; and that the limitation on the fixing of agricultural prices was made less outrageously favourable to the farmers. This week, however, there has been a revolt of farm Senators and the Bill as passed by the Senate provides that farm prices may not be fixed below a figure 25 per cent above their present level, or the average of the years 1919-1929, whichever is the higher, and that the Secretary of Agriculture, rather than the Price Administrator, must do the fixing. The Bill is now in Conference of the two Houses and if it is not substantially amended, a veto is said to be in prospect. It is doubtful whether, in an economy subject to the enormous pressures that will soon become apparent, the mandatory fixing of prices would, in any case, serve much purpose, except as the coping-stone to a far-reaching policy of consumption control. But if Congress behaves in this way over price legislation, what prospect is there of any such policy, even though much of it might be achieved by purely executive order? The reduction of civilian consumption—including that of the farmers—will not, of course, be averted; it will merely be secured by the hard path of inflation.

Civil Defence

There has been a minor political storm over the organisation of Civil Defence. In the somewhat embryonic form in which it has hitherto existed, the Office of Civilian Defence has been administered by Mr Fiorello La Guardia, who has doubled in that rôle and as Mayor of New York City. Mr La Guardia is an able and colourful figure, but he is not beloved of politicians. A titular Republican, he is seen with disfavour in his own party because of his open alliance with the New Deal (Mrs Roosevelt is one of his chief lieutenants in OCD), while the Democratic machine dislikes him because for more than eight years he has pre-empted their great stronghold in New York. There is also room for disinterested criticism of the attempt to occupy two posts, both of them of critical importance, which have to be exercised 220 miles apart, and several influential New York newspapers, including the *Times* and *Herald Tribune* have called on the Mayor to resign his OCD office. This week, Congress took a hand. A Bill extending the powers of the OCD and providing increased funds for it was amended to remove control from Mr La Guardia and vest it in the War Department. In an effort to head off this transfer, it was announced on Friday of last week that Mr James M. Landis, former chairman of the SEC, and present Dean of the Harvard Law School, had been appointed "executive" of the OCD, Mr La Guardia remaining a Director. It remains to be seen whether this will soften the Congressional heart. Another matter under discussion is whether the appropriation for civil defence work shall be unlimited or restricted to \$100 millions. The necessity, of course, arises only along the coasts, but even there the distances are so great and the possibility of heavy raids so comparatively small, that it will be difficult to know where to draw the line. At present wardens are being enrolled, gas masks and fire-watching apparatus are being provided and the public are being instructed. But neither evacuation nor the construction of shelters is, wisely, being contemplated on a British scale.

Steel Supplies

The rated annual crude steel capacity of the United States is 89,000,000 net tons of 2,000 lb., equivalent to nearly 80,000,000 long tons. It is about twice as large as that of the countries under German control, nearly twelve times as large as Japan's and about five and a half times as large as Great Britain's. Last month, steel ingot output was at the rate of 86,000,000 tons of 2,000 lb. According to present plans, the crude steel capacity will be increased to 93,000,000 tons by 1943 and to 99,000,000 tons by 1944. An investigation carried out by *The Iron Age* suggests, however, that actual output will be limited by the

supply of scrap and pig iron to 80,000,000 tons in 1942, 86,000,000 tons in 1943 and 87,000,000 tons in 1944. In 1940, when 67,000,000 tons of crude steel were produced, the industry consumed 40,173,000 tons of pig iron and 33,761,000 tons of scrap. In the current year, 49,748,000 tons of pig iron and 44,750,000 tons of scrap were expected to be available to the steel furnaces to yield 80,000,000 tons of crude steel. The possibilities of making up the deficiency of 9,000,000 tons between estimated actual output and rated capacity by the increased use of pig iron are limited. Can it be made good by using more scrap? The three main sources of scrap are the steelworks themselves, the metal-processing industries, and the stock of iron and steel accumulated in buildings and other structures since the beginning of the steel age. Supplies from the first source are in direct proportion to the actual output of steel; according to the calculations of *The Iron Age*, they are expected to yield 23,750,000 tons this year. Supplies from the remaining two sources are estimated at 21,000,000 tons. Like the volume of scrap produced by the steelworks, the quantity available from the metal-processing industries is a function of output. But the third source of supply is elastic, and the quantity forthcoming from obsolete and disused steel products depends in a large measure on prices. According to *The Iron Age*, the average price of steel scrap on December 9th was \$19 17 per long ton, against \$21.33 a year earlier and a peak of \$17.58 reached in 1929. The view has been expressed, probably not without justification, that the present scrap shortage is due partly to the limitation on prices enforced by the Price Administrator, which is reducing the incentive to collection. In view of the enormous quantities of steel products accumulated in the United States, it should not be impossible to make good a large proportion of the deficiency by a vigorous scrap collection campaign, accompanied, if necessary, by some increase in prices.

Steel for War

The total size of steel-producing capacity, however, is only a very rough guide to the magnitude of the potential output of munitions. The decisive factor is not total output, but the proportion of it that can be devoted to the war effort. This varies from country to country. The following analysis of the distribution of finished steel products in 1940 by companies responsible for 98 per cent of total production provides some indication of the magnitude of steel supplies that could be transferred to the production of war equipment in the United States:—

DISTRIBUTION OF FINISHED STEEL CONSUMPTION IN 1940			
(In thousands of tons of 2,000 lb.)			
Steel converting and processing industries	2,929	Agricultural equipmt.	920
Jobbers, dealers and distributors	6,687	Machinery and tools	1,885
Construction industry	4,968	Automobile industry	7,185
Shipbuilding	940	Aircraft industry	48
Pressing, forming and stamping industry(a)	2,160	Railways	3,777
Container industry	2,985	Mining and oil	1,132
		Miscell. industries	2,136
		Export	8,099

(a) Chiefly furniture and other household equipment.

The reduction in the manufacture of motor vehicles appears to offer the largest scope for economy, but several millions of tons can also be saved by the prohibition of unessential civilian building, by the curtailment of the output of household equipment and of exports. Shortage of tin will in any case reduce the demand for steel for tin plate. Economies in the consumption of steel for mining and railway equipment are limited in view of the need for an expansion in the capacity of plant. The shipbuilding, engineering, and aircraft industries, on the other hand, will require enormous additional supplies if President Roosevelt's war production programme is to be realised. Together, these three industries only consumed 2,873,000 tons of finished materials, or 6 per cent of the total output in 1940.

Increased Note Circulation

Following the precedent of other belligerent countries, the note circulation in the United States took a sudden upward leap after the declaration of war. On December 4th

the Federal Reserve notes in circulation amounted to \$7,730,140,000. By December 18th the total had risen to \$8,014,330,000, an increase of 3.5 per cent, which compares with an increase of 4.5 per cent in the circulation in this country over the fortnight following the last pre-war Bank return. Since that first rush for liquidity, the note circulation in America has followed more normal seasonal trends, rising to a peak of \$8,202,080,000 on December 26th and declining to \$8,178,760,000 on January 8, 1942. The original rush for additional currency was financed partly by drawings on member bank reserve balances, which fell by \$688,490,000 over the fortnight to December 18th—a movement also accounted for by the building up of Government deposits with the Reserve Banks from \$320,560,000 to \$925,260,000 over this period. The effect on the credit position of this twofold impact of increased demand for currency and immobilisation of additional funds in Treasury accounts was to some extent offset by the appropriate purchases of securities, the Reserve Banks' holdings of Government securities rising by \$55,640,000 over these two weeks. In view of the steep expansion in the American national income which is now proceeding, a corresponding, though it is to be hoped not parallel, movement in the note circulation must be expected. The impact of that movement on the credit position will provide interesting material for analysis. It must be realised in the first place that there will be no countervailing influence from further massive arrivals of gold. Moreover, excess member bank reserves have been reduced since the latest increase in reserve requirements on

* Owing to errors in cable transmission, the figures for this item in the table printed each week in the "Records and Statistics" section of *The Economist* have been incorrect. The defect has now been remedied.

November 1st. But they are still higher than at any time before 1939* and sufficient to support an expansion of nearly 40 per cent in the credit structure.

Shorter Notes

For a nation that has suffered severe unemployment for over a decade, the aspect of economic mobilisation that is hardest to credit in advance is the appearance of a labour shortage. It is a sign of the times that a conference has been summoned by the Federal Security Administrator, Mr McNutt, to consider ways and means of increasing the labour supply.

For the first time in recent years, United States merchandise imports from Latin America are now larger than exports. This is directly due to the war, as the two great normal imports, sugar and coffee, have remained at about the pre-war level. The increased imports have been such things as copper, wool, hides and skins, manganese, tungsten and other minerals.

Results of recent Gallup polls are as follows:—"Should single women between ages of 21 and 35 be drafted for training in wartime jobs?" Yes, 68 per cent; no, 26 per cent; undecided, 6 per cent. "Should the U.S., Britain, Soviet Russia and their allies form a joint war council to plan all war operations against the Axis?" Yes, 80 per cent; no, 10 per cent; undecided, 10 per cent. "If such a council were formed, should it control the armies, navies and air forces of all the united nations?" Yes, 68 per cent; no, 15 per cent; undecided, 17 per cent.



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Condensed Statement of Condition as of December 31, 1941

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS	
Cash and Due from Banks and Bankers	\$ 985,161,064
United States Government Obligations (Direct or Fully Guaranteed)	1,137,543,527
Obligations of Other Federal Agencies	45,756,272
State and Municipal Securities	164,997,544
Other Securities	66,145,598
Loans, Discounts and Bankers' Acceptances	618,810,573
Real Estate Loans and Securities	6,320,682
Customers' Liability for Acceptances	6,376,694
Stock in Federal Reserve Bank	4,290,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	39,522,843
Other Real Estate	1,607
Other Assets	934,178
Total	\$3,082,860,582
LIABILITIES	
Deposits	\$2,878,821,222
Liability on Acceptances and Bills	\$13,092,737
Less: Own Acceptances in Portfolio	4,495,723
Items in Transit with Branches	8,597,014
Reserves for:	
Unearned Discount and Other Unearned Income	3,843,790
Interest, Taxes and Other Accrued Expenses, etc.	7,475,921
Dividend	3,100,000
Capital	\$77,500,000
Surplus	77,500,000
Undivided Profits	17,891,093
Total	\$3,082,860,582

Figures of Foreign Branches are as of December 23, 1941, except Hong Kong, Shanghai, Tientsin, Peiping, Tokyo and Rangoon, which are as of November 25, 1941.

\$190,851,507 of United States Government Obligations and \$13,222,360 of other assets are deposited to secure \$170,658,678 of Public and Trust Deposits and for other purposes required or permitted by law.
(Member Federal Deposit Insurance Corporation.)

THE WORLD OVERSEAS

Europe versus America?

(By a Correspondent)

ON December 11, 1941, Germany and Italy declared war on the United States. Finland, Roumania, Hungary, Bulgaria and the three European "colonies" of the Axis, Slovakia, Croatia and Albania, followed suit. To the Reichstag, Hitler emphasised that his "peaceful policy" towards America had been frustrated by President Roosevelt. The actual decision to extend the conflict to the Western Hemisphere hardly calls for comment in view of the character of German-American relations during the past eighteen months. It is, however, necessary to clarify two points of the speech, especially since they are recurrent in Nazi propaganda throughout the world. First, does this antagonism towards the United States result exclusively from the course the war has taken and America's attitude during the war, or was it part of the original Nazi plan? Secondly, is there any evidence, outside the speeches of Nazis and quislings, of a "new Europe united as never before" which has embarked on "a war of revolution between the powers of the future and of the past" and has entrusted Hitler with the leadership in this "European war of secession," to direct "its defence against unprovoked attack from outside" (the quotations are from Hitler)?

The original concept of Hitler's foreign policy consisted of two main elements: "the revisionist policy" directed against the Treaty of Versailles and its signatories; and the Greater German (or pan-German) policy directed towards the establishment of the Third Reich as the leading power of Europe and of the world. This is common knowledge. What has been too often overlooked, however, is the fact that the Nazi "revisionist policy" was not confined to the "wrongs" inflicted on Germany by the peace-makers of 1918, but extended to the "wrongs" inflicted on all Europe. This policy required the total abolition of all the peace settlements and the re-establishment of Europe, with the Reich as its dominating state, as the "mother-continent of the world" and the chief centre of world power.

Old Antagonisms

This viewpoint must be understood when considering the Nazi attitude towards America. It was the basis for two antagonisms; antagonism towards the Power whose joining with the Allies in 1917 decided the last war against Germany and paved the way for Versailles; and antagonism towards the Power which, by succeeding to the world authority for France, possessed by Europe, has damaged the vital interests of the Reich, the strongest European state. Germany, it is maintained by the Nazis, cannot exercise the international influence due to her, if Europe (read German Europe) is reduced to the rôle of a secondary continent.

Visibly, Nazi policy was mainly directed against a European system dominated by France; and there was a deliberate attempt to appease America, first by stressing the apparent similarities between the methods employed by Roosevelt and Hitler in 1933 to deal with the economic crisis, and then by the appeal for collaboration between "the young Third Reich" and "the big Power of the New World." But the gap between one state built on individual freedom and the "melting-pot" and the other race was unbridgeable, even for a time. This was also responsible for the failure to use the memory of the wars between the United States and Britain for the benefit of Nazi Germany. Reminders of the German support given to Washington's armies during the War of Independence and of the fact that von Steuben, before he went to America, was aide-de-camp to Frederick the Great were

ineffective; and the attempt to obtain America's consent to the policy of "German Europe" in exchange for Hitler's recognition of the Monroe doctrine also failed.

Now, since the second half of 1940, all pretence has gone. The contention that "the aim and meaning of the war has grown with each stage of the fighting" (*Berliner Börsenzeitung*, October 26, 1941) is misleading as far as the real Nazi attitude towards America is concerned. This issue was decided long before the war; and the anti-American policy of 1941 is not the result of the events of 1940 or 1939. It is the execution of E. Nonnenbruch's formula set down in 1924 (the year when Hitler started work on *Mein Kampf* and the Nazi "brains' trust" was busily helping him), which ran: "Europe under German leadership will be able to force America—and Russia—into a new world framework." German anti-American propaganda during the past eighteen months has used Nonnenbruch's thesis without a single new point.

Failure of a Crusade

Thus to speak of the Nazis' originally peaceful intentions towards America is fallacious. Is the claim to speak for Europe and to be charged with the defence of "the European front" any more justified? Has there been any continental recognition of German leadership? Only seven European states have associated themselves with Hitler's war against America, even if the decisions of Finland, Hungary, Roumania, Bulgaria, Slovakia, Croatia and Albania are taken as independent acts—which seems hardly probable, in view of the character of these states and their dependence upon the Axis. Sweden, Denmark, France, Switzerland, Turkey, Portugal and Spain have remained outside the conflict. The USSR, Britain and the free governments of occupied Europe are fighting against Germany; and not even a majority of votes in the reduced Europe which the Germans have overridden can be collected for German or Hitlerite leadership.

The fact is that there is no anti-American front in Europe, and very little anti-American feeling. The general attitude towards America seems to be very much the same as before. Historical, cultural and economic ties, particularly strong between Northern and Western Europe and the United States, have not been forgotten. The power of attraction which America and all America stands for exercise on the minds of men in closed Europe is greater today than ever—if it is judged against the background of all the attempts of the German and German-controlled press and propaganda to counteract it. It should not be forgotten that the European idea of a "united Europe" has been widely influenced by the model of the United States. The bogey of American (and British) interventionist and imperialistic intentions in Europe has won no response.

The Nazis are trying their utmost to reverse this situation. The struggle to make Nazism the recognised *Weltanschauung* of Europe is more strenuous than ever. But disorder, sabotage, riots and the execution of hostages in Norway, France, Poland, Czechoslovakia, Serbia and Greece do not bear witness to a Nazi-minded Europe. The Nazis claim that "economic and moral isolation has been a most valuable help in fostering the new spirit of European co-operation" (*Deutsche Allgemeine Zeitung*, July 7, 1941); but the new spirit has failed to make an appearance. The attempt to create enthusiasm among the peoples of Europe for the opportunities the occupied Russian territories might offer as a European colony had failed completely before the German armies had started their retreat. Europe, in fact, is fighting neither Russia nor America. No "European front" exists under Hitler's command. It is the German Reich, led by Hitler, that is waging war against the United States, in accordance with the first principles of Nazism.

Vichy's Finances in 1941

[BY A CORRESPONDENT]

January 6th

DURING the past year, Vichy's Minister of Finance was able to plan his Budget only for periods not longer than three months ahead. The officially published quarterly figures give the following totals for the full year: expenditure on the Ordinary Budget amounted to about 96 milliard francs and was more or less evenly distributed over the four quarters of the year (22-25 milliards per quarter); and expenditure on the Extraordinary Budget amounted to 37 milliards, of which about 26 milliards were spent during the first half of the year and only 11 milliards in the second half. The latter figures are interesting, since the Extraordinary Budget consisted of two items: (1) the cost of "liquidating the war" and (2) public works and measures to fight unemployment; the sharp cuts in these expenditure items reflect, therefore, the failure of the public works programme which was announced by Vichy with much self-advertisement some time ago. The main reason for the reduction was the acute shortage of raw materials, which prevented most of the plans from being carried out. All in all, 8 milliard francs were spent on public works and on measures to relieve unemployment.

Thus total Government expenditure amounted to 133 milliard francs. Against this, state revenue brought in 68 milliards; the deficit was, therefore, 65 milliard francs. To this, the burden of the indemnity paid to the army of occupation should be added. It amounts to 146 milliards a year, if calculated at the 400 million francs per day rate, and 122.5 milliards at the combined rate of 400 millions up to May 10th and 300 millions per day for the rest of the year. (It is not clear whether the reported agreement on the reduction of the daily contribution has actually taken effect.) The total deficit for 1941 thus amounts either to 211 milliards or to 187.5 milliards.

The figures reveal what an outstanding importance the problem of the public debt has acquired for France. The anomaly of the situation is that the proportion of the annual expenditure which is to be covered by borrowing is far higher in France than in any of the belligerent countries. The principle underlying the financial policies of the belligerents is that payment for the war should be made as much as possible out of current income. The expenditure of a belligerent country grows enormously, but so does its national income; there is more scope for raising taxation to keep the balance between taxation and borrowing. France, on the other hand, has to meet high expenditure although the national income has sharply decreased compared with the pre-war level. Taxation covers one-fourth of the state's expenses, and about 75 per cent must be met by borrowing.

A Financial Paradise

In the meantime, the economic misery of France takes the outward appearance of a financial paradise. Money is abundant, and the Government finds no difficulties in obtaining credit. All the factors of France's economic disintegration work towards the setting free of great masses of capital. The impossibility of replenishing stocks, which have been sold out or requisitioned, and raw materials has brought much of the industrial machinery to a standstill. Shortage of foodstuffs makes even small savings increase. Money, with productive investment closed to it, flows to the banks and thence to the Minister of Finance. The pump of *Kreditbeschaffung* sucks money, and more and more money, out of the emaciated body of the idling nation and produces the "miracle" of the lowest interest rate France has known for decades. The rate on Treasury bills was reduced three times during the year. In January it was fixed at 2 per cent, in March at 1½ per cent and in September at 1¼ per cent. Similarly, the discount rate of the Bank of France was lowered from 2 per cent to 1½ per cent. The advances of the Bank to the Government remained during the whole year at about 60-65 milliards; the maximum limit of 70 milliards was not reached. Even the special indemnity account with the Bank shows only a moderate increase in advances; between January 1st and September 11th, it rose from 85 milliards to 130 milliards, and in November it dropped to 120 milliards. Thus, only 35 milliards of the contribution to the army of occupation was obtained from the Bank by more or less direct money creation. In fact, the easy supply of credit has slowed down

the pace of currency expansion. During the second half of 1940, the currency in circulation rose by 44 milliards (from 174 milliards at the time of the armistice to 218 milliards in December, 1940). In October, 1941, it stood at 252 milliards, the increase for nine months being 31 milliards only. Compared with its pre-war level, however, the circulation has been doubled.

Another feature of this delusory financial paradise has been Vichy's conversion policy. The supply of credit enabled the Finance Minister to carry out large-scale conversions. In May, a series of 6 per cent *Crédit National* loans was replaced by one 4 per cent security. The conversion was an indubitable success; there was almost no demand for cash reimbursement, and the sum converted was 11.5 milliard francs. In October, an operation on an even larger scale was undertaken by the Caisse Autonome d'Amortissement, which consolidated about 20 milliards of various medium-term loans incurred by the Popular Front Governments at onerous rates, as well as some defence bonds subscribed during the year. To convert all these, the Caisse issued 4 per cent securities with a period of redemption extending to fifty years. No doubt, under normal conditions, debt consolidation on such a scale would have been a considerable financial achievement. Vichy's obsequious Press consequently made the most of it, and some wits even went so far as to proclaim "a new era of France's deliverance from financial slavery." No doubt, too, the funding of a considerable part of the public debt has improved the technical position of the state's credit. But Vichy's yes-men have overlooked the fact that the operation has affected only a fraction of the yearly addition to the nation's debt and that the resulting reduction in the debt service (about 450 million francs per annum) is equivalent to no more than the occupation costs of 1-1½ days. They have also glossed over the trifling fact that the economy has been largely made at the expense of the small rentier by a Government that has driven itself into utter *Finanzknechtschaft* to Germany.

A Stock Exchange Boom

The plethora of money caused a boom on the Stock Exchanges, which was maintained almost throughout the year. State securities as well as industrial shares were affected by it. But, whereas the boom in the gilt-edged market was welcome to the Government, the upward tendency of equities met with severe official counter-measures, because it threatened to divert capital from investment in state securities. In June, the general index of Stock Exchange quotations was 243, whereas the equities index reached 270 (1939=100).

To deter capital from investment in industrial shares the following steps were taken: the daily price movements for equities were restricted to 3 per cent; a 33 per cent levy was decreed on Stock Exchange profits; and only cash transactions were permitted. In addition, dividends were restricted to 6 per cent. The prohibitive policy, however, proved a handicap to concerns whose activities were considered essential by the Government, and in the second half of the year there was a relaxation of the restrictions. The levy on equity sales was reduced from 33 per cent to 20 per cent, and stocks which had been in the seller's possession for more than a year were exempted altogether. The boom, however, was not effectively stopped. There were, of course, some ups and downs in the trend; in July, for instance, the offer of stocks was very heavy owing to the sale of equities and gilt-edged by Jews, who were barred from the Stock Exchanges, and to some big new issues (the *Compagnie Nationale des Chemins de Fer* made a 4 per cent issue of 4 milliard francs in June). But these were no more than momentary fluctuations which soon gave way to a new leap in prices. In August, the Minister of Finance turned on the screw again and limited the daily changes in quotations to 1 per cent of the price of an equity.

The main reason for the sustained boom seems to have been—apart from the general background of money abun-

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dance—the public's distrust of France's currency. Whatever might be said about the miraculous qualities of the state's financial machinery, nothing could explain away the fact that the currency circulation was twice as big as it had been two years previously, and that production had dwindled to a fraction of its normal size. The official statistics of prices provided fragmentary hints only; they admitted that, compared with 1939, meat had gone up in price by 50-60 per cent, dairy products by 70 per cent, iron by 60 per cent, textiles by 105 per cent and rubber by 165 per cent; these are the indices of the official prices for rationed goods. They are much below the unofficial prices, and also much below the general price level for unrationed goods. But even these odds and ends of official statistics show that the anxiety of the French public is not quite baseless. The investor feels that the currency of his country is eventually bound to be crushed by the burden of a tremendous public debt. The less he believes in the stability of the Vichy regime, the less he feels confident about the future value of Government securities, and the keener he grows, in spite of all the restrictions, to make "real" capital investment, that is, to buy industrial shares.

Eire's Food Policy

[FROM OUR DUBLIN CORRESPONDENT]

December 27th

THE problems relating to the increase of tillage have provided scope for much controversy among farmers and politicians since the foundation of the Irish Free State exactly twenty years ago. While all parties are agreed that an increase of tillage is desirable, differences of opinion exist regarding the best means of securing the result. The Cosgrave administration, which held office from 1922 to 1932, believed that the healthiest method of encouraging tillage was by an intensification of the livestock industry. The development of mixed dairy farming, it was argued, would bring an increase in tillage as one of its consequences without deflecting the agriculture of the country from its natural channels. In 1928, the Economic Committee reported that the area under wheat should not be artificially increased by means of a guaranteed price. Since 1932, when the present Government took office, a policy of agricultural protection has been pursued, and the area under wheat, even before the war, was considerably expanded.

The war has brought an end, for the time being, to differences of opinion on agricultural policy. The utmost expansion of home-grown food, for man and beast has

Crop	1939 Acres	1940 Acres	1941 Acres
Wheat	255,300	305,200	491,000
Oats	536,700	680,900	778,900
Barley	73,800	132,300	169,300
Rye, Beans and Peas	2,100	3,500	4,600
Total Corn Crops	867,900	1,121,900	1,443,800
Potatoes	317,200	366,700	437,500
Turnips	141,400	151,000	158,700
Mangels	85,500	93,400	96,800
Sugar Beet, Cabbage, etc.	67,700	93,800	116,300
Total Root & Green Crops	611,800	704,900	809,300

German Europe Food Rations

Food rationing, introduced in Germany on August 28, 1939, became general in Europe during 1941. The peoples of the continent have to rely on their own current production of foodstuffs, which tends to decline in quantity and quality the longer the war and the blockade last. Normal deficiencies grow more pronounced because of the shortage of workers and fertilisers; livestock breeding and dairy farming cannot be maintained because of the lack of overseas feeding stuffs. Germany takes the agricultural surpluses of the Danubian countries, Holland, Denmark and Italy. Continental self-sufficiency is impossible without the resources of the Soviet

become an acute necessity under the threat of a complete cessation of imports. Every farmer has been compelled to till a minimum fraction of his holding, and guaranteed prices have been fixed for wheat, sugar beet and other crops. That the response of the farmers to these measures has been remarkably satisfactory is shown by the figures at the foot of the preceding column.

The wheat crop this year is estimated to amount to 290,000 tons, which is the greatest amount produced since 1846. The quantity of food produced this year is the largest in the whole history of Ireland. In spite of the increase in the area under cultivation and the shortage of fertilisers, the yields have been good. While the yield of wheat has been less than usual, yields of barley and oats have been up to average and the yield of sugar beet has been unusually good. Eire is now completely self-sufficient in sugar. In spite of the increase in wheat production and the increase in the percentage extracted in the manufacture of flour, 80,000 tons of imported wheat were needed this year to supplement the home supply. To be independent of any imported wheat is the outstanding aim of agricultural policy in the coming season.

Farmers are being encouraged to produce the whole 370,000 tons of wheat which are necessary if the wheat loaf is to be maintained without the admixture of any other cereal. They are further being encouraged to increase the production of several other crops, for example potatoes, oats and barley. The compulsory tillage area has been raised to one quarter of every holding, and the guaranteed price of wheat has been raised from 41s. to 45s. a barrel. The realisation of the full tillage programme will not be easy. The late harvest has delayed the preparation of the land for winter sowing, and there is a shortage of implements and of fertilisers. Phosphates, potash and sulphate of ammonia are not procurable, and the supply of all available artificial fertilisers is less than one-third of normal. Reliance has to be placed on the elimination of waste in the use of natural manures and on the substitution of seaweed in the maritime districts. It is possible to grow one or even two crops of wheat on freshly broken grass land without any fertilisers. To the extent that the accumulated reserves of fertility in the soil are thus being drawn upon, the country is living on its capital. The experience of these years emphasises the mutual interdependence of intensity of cultivation and a heavy load of livestock on the land.

No Shortage

Ireland has experienced no food shortage during the war. White bread is no longer procurable, but the bread made from the high extraction flour is quite palatable and wholesome. The price of bread is kept down by a subsidy amounting to about £2,000,000 a year. Butter, eggs and vegetables are reasonably plentiful, and, of course, meat is abundant. The Irish farmers have risen to the occasion very creditably, and the non-agricultural population is greatly indebted to their efforts. The increased production of foodstuffs has prevented the urban dwellers from experiencing some of the worst sufferings of wartime and has released shipping space for imports of industrial raw materials, the supply of which is essential to maintain employment in the towns. In addition to these benefits, the agricultural producers have provided the country with practically all its visible exports, and these constitute the principal means of payment for the abundant imports which render possible a varied consumption and reasonably high standard of living in Eire.

Union. Germany's food rations have not been changed greatly since the beginning of the war; and the occupied and dependent countries, including Italy, have gone short. Food requirements and food habits differ from country to country. The diet of the peoples of industrial countries contains a higher percentage of high quality foodstuffs, such as meat, fats, and fruit. In agricultural countries, cereals are predominant. Climatic conditions are also important. In Southern Europe, the normal consumption of butter and meat is considerably smaller than in Central and Northern Europe. The average consumption of particular foodstuffs is very different in different countries; and a comparison of quantities may be misleading. Within each

country there are similar differences; the food consumption of industrial and agricultural workers differs.

The German system of rationing is extremely differentiated. Besides rations for normal consumers there are rations for children (in four age groups), for "heavy" workers, "heaviest" workers, and for night workers or workers whose working hours are exceptionally long. The differentiation is most marked in the case of bread, meat and fat rations. The present rations are as follows:

	GERMAN RATIOMS (ounces per week)		
	Normal Consumers	Heavy Workers	Heaviest Workers
Bread	79.0	127.0	162.0
Meat (including bacon and meat products)	14.1	28.2	35.3
Fats, total	8.8	13.4	25.0

The bread ration for children under six years of age is 39 ounces; children aged six to ten years receive 60 ounces; there is a similar differentiation in fat rations for children. The sugar, and cheese rations are the same for all categories of consumers, amounting to 8.8 and 2.2 ounces a week, respectively. All other foodstuffs, except potatoes and vegetables, are distributed according to current supplies; each week, certain foods, such as marmalade, jams, artificial honey, rice, apples, oranges, etc., are distributed in exchange for special coupons in the foodcard. Liquid milk is kept for children and expectant mothers. There is no fixed ration for eggs. Potatoes and vegetables are not rationed, but customers must register with retailers for supplies. There are separate regulations for the agricultural population; these so-called "self-suppliers" are entitled to greater rations of bread, meat and fats. The extra coupons for heavy workers are distributed by the factory management; and in restaurants rationed foodstuffs are only supplied in exchange for coupons. Thus there is legally no possibility of obtaining supplies "off the ration."

Contrast with Britain

In contrast, in Britain, of course, most of the rations are the same for all consumers. The total meat, bacon and meat products ration amounts, on an average, to 24 ounces against the 14.1 ounces of the normal ration in Germany; the 28.2 ounces of the heavy German worker and the 35.3 of the heaviest. But British workers get extra supplies off the ration in their canteens and in restaurants; all "feeding out," in fact, is unrationed. The British fat ration is only 8 ounces against 8.8 ounces in Germany which however, includes cooking oil; and the British sugar ration is slightly smaller, 8 ounces against 8.8. There is no equivalent to the British points system for tinned foods in Germany, where tinned and other foods are distributed according to special announcements on extra coupons in the food card—and there is no information about the average quantities distributed. There is little doubt that the total consumption of foodstuffs per head in this country is higher than in Germany, and the quality is very much higher. It is probable that this country's greater average consumption of meat, fats and cheese in peacetime compared with Germany's peacetime consumption has been maintained.

A comparison of the rations of all European countries is difficult. Accurate data are only available for bread. The present bread rations (which include flour) are as follows:

	BREAD RATIOMS (ounces per week)	
	Normal Consumer	Heaviest Worker
Germany	79	162
Denmark	75	132
Norway	58	120
Holland	71	142
Belgium	56	112
France	58	86
Poland	49	55
Greece	47	...
Italy	50	100
Finland	49	106
Spain	20	43
Sweden	65	97

In Hungary, bread cards have been introduced in Budapest and other big towns. In Slovakia, Roumania, Bulgaria, and the parts of Yugoslavia, all cereals are requisitioned, but no rationing system has been introduced, and no information is available. The quality of the bread differs widely. Almost everywhere, it is adulterated; in

northern countries, potato-flour is usually mixed with it, and in the Balkan countries and in the south maize or rice flour. In some southern countries, the extremely small bread ration is supplemented by flour and rice rations. The bread situation in all these countries is worse than in Germany. Their rations are far below normal standards, and it is hard for consumers to make up these small rations by an increased consumption of potatoes.

Information about meat, fat and cheese rations in the various European countries is scanty. In occupied countries, the rations are frequently nominal. The following figures suggest the differences in rations between Germany and other European countries:

	NORMAL RATIOMS (ounces per week)	
	Meat	Total Fats
Germany—present ration	14.1	8.8
Germany—ration in 1916	8.8	4.0
Denmark	(x)	12.3
Norway	(y)	8.6
Holland	2.5	7.0
Belgium	8.6	3.7
France	8.8	(z)
Poland	...	4.4
Finland	2.5	1.3
Sweden	17.6	8.8

(x) Meat is rationed by meatless days. The number of meatless days per week is changed according to supplies.

(y) Meat is rationed by butchers, who allocate to customers quantities which are supplied irregularly.

(z) The meat ration is nominal and fat is supplied irregularly. There are no fixed rations.

In Italy there is no uniform system of rationing. The rations are fixed for each district. Meat is generally rationed by four meatless days and the average fat ration is roughly 3.3 ounces.

The table reveals the interesting fact that the present rations in occupied countries are almost everywhere below Germany's rations in 1916. In the summer of 1941, Germany reduced the normal meat ration from 17.6 ounces to 14.1; and the additional rations for heavy workers were reduced correspondingly. But Germany's own rations compare favourably with those of 1916.

During 1941, all European countries including Germany were compelled to reduce their food rations as a result of poor harvests in 1940 and 1941. At the same time, the exportable surplus of dairy products in Holland and Denmark grew smaller. In 1940, Germany could have supplied occupied countries from stocks; but in 1941 even Germany was forced to draw heavily on reserves. Production could have been maintained in the absence of large scale fighting; but the winter campaign in Russia requires additional supplies which cannot be made up by current production; and some further reduction in rations can hardly be avoided. It must be assumed that Germany will ruthlessly deplete the foodstuffs of occupied countries with the purpose of maintaining at least the present bread rations at home.

Fixed Prices for Armaments.—The most significant event at the turn of the year was the introduction of fixed prices for public orders, particularly armament orders. It appears that the calculation of prices on a cost-plus-profit basis had prevented the desired increase in efficiency; and, in spite of the profit and dividend stop, whose aim was the reduction of prices, the Government has still been paying "excessive" prices for armaments. From now on, the Government will pay fixed prices, irrespective of the differences in the costs of production in different factories. The new prices will probably be fixed according to the costs of production in factories of average efficiency.

The economic journals make it clear that inefficient factories will have to work without any profit, whereas the most modern factories will be able to make differential profits. It is hoped that this method will create a kind of *Ersatz* competition and at the same time reduce the costs of armaments. The cost-plus-profit calculation created a great number of different prices for the same standardised manufactures, which made effective control of prices very difficult. During 1939 and 1940, additional output was largely achieved by price increases, which were the result of bringing the entire productive capacity into war employment. During 1941, state expenditure increased at an alarming rate, and war profiteering could no longer be avoided. The system of skimming off excessive profits produced inadequate results; and prices are now to be directly fixed to prevent profiteering.

If the new method were made general in industry a new wave of concentration would be the result. The more efficient factories would make differential profits and would expect preferential treatment in the allocation of raw materials and labour. Employers will be more ready to accept the new system of fixed prices because of the gradual introduction of efficiency or lower wages (*The Economist*, December 20, 1941). The point is that the German Government is now forced to make a new drive by all means for greater efficiency.

Registration of Shares.—The long-expected decree for the control of dealings in shares (see *The Economist*, November 8, 1941) was published on December 15, 1941. It empowers the Minister of Economic Affairs to order investigations into all shares purchased since September 1, 1939. If necessary, the registration of these shares may be ordered by the Minister. At the same time, the Minister may issue regulations for the sale of these shares, as well as for the re-investment of the realised capital. Joint stock companies will be ordered to disclose in their annual reports all shares acquired since September 1, 1939. The decree will remain in force until December 31, 1942.

The official commentary to the decree speaks of the

necessity of strict measures, because repeated warnings against speculation have been left unheeded by the investing public. If the boom in share prices could not be arrested the politically dangerous impression would have been created that there was considerable profiteering on the bourses. The new decree also aims at preventing the creation of new centres of economic power by companies acquiring shares. A short time ago, the banks were compelled to conduct all transactions in shares through officially registered brokers, and the turnover in each share must now be published daily. There is no doubt that the new measures have stopped speculation. But it is doubtful whether registration will be enough to stop the upward trend in share prices so long as the main cause is excessive liquidity.

Civilian Consumption.—The Monopoly for Alcohol reduced the December allocation of alcohol for civilian consumption from 25 per cent of the peacetime consumption to only 10 per cent. The explanation of this drastic reduction is the greater demand of alcohol for industrial purposes. It is, however, known that the allocation of potatoes for the distillation of alcohol had to be reduced because of a smaller potato crop in 1941. At the same time, the manufacture of electric radiators, electric stoves, and electric heating apparatus has been prohibited.

Letters to the Editor

Vansittartism

TO THE EDITOR OF THE ECONOMIST

SIR,—My attention has been drawn by many of my friends to your issue of December 27, 1941. In this you print an anonymous article entitled "The Rise of Brutality," which casts many aspersions on myself. Your anonymous correspondent repeatedly attacks "Vansittartism" without making any effort to define it, except in terms of falsehood. He insinuates, for example, that I have given a more literary expression to the doctrine that "the only good German is a dead German." He proceeds to suggest that I took advantage of "the period of agonising fear and uncertainty of last summer to canalise resentment into the easy channel of a racial myth." This again is a complete falsehood. My knowledge on the subject of Germany and German policy has been accumulated over a period of more than 40 years, and though I do not in the least object to being written off as a "gifted pamphleteer," by your anonymous correspondent, I am a good deal more than that. It is completely untrue that I have canalised resentment into the easy channel of a racial myth. I quoted Tacitus in *Black Record* as an entertaining literary illustration, but of course I really date the trouble from Frederick II, and still more from the middle of last century. I do not think or talk of race. There is no such thing as a pure race. What I do speak of is the German nation and its many miseducated generations and the ghastly results of that systematic miseducation which has been nationwide. These are simple and incontestable facts. No myth is involved. Your anonymous correspondent goes on to suggest, again without the slightest warrant, that I am suggesting that "the Germans are to be for the British what the Jews are for Nazi Germany." Such insinuations are beneath contempt.

I venture to make three suggestions to you: (1) Will your correspondent abandon his anonymity? (2) Will he give a perfectly clear definition of what he means by "Vansittartism," and precisely why? (3) Will he kindly base his estimate on what I have said and not on what has been said about me by pan-Germans and pro-Germans? I shall then be better able to decide whether he deserves further attention, for anonymity and distortion are subtle but unworthy methods.

Yours sincerely,

VANSITTART.

[Lord Vansittart must be aware that all articles in *The Economist* are anonymous. We took our correspondent's use of the term "Vansittartism" to be an "entertaining literary illustration" of a tendency of thought for which, whether or not it has now outrun his own views,

Lord Vansittart's writings have certainly been the inspiration. As was indicated at the time, the ascription of the article to "A Correspondent" indicated a lack of complete agreement with it on the part of *The Economist*; but we cannot agree that it was unfair to Lord Vansittart.—EDITOR.]

War Damage Anomalies

TO THE EDITOR OF THE ECONOMIST

SIR,—In the article entitled "War Damage Anomalies" in your issue of January 10th, there is a discussion of the position of the owner *vis-à-vis* the mortgagee in relation to the War Damage Act, 1941. Your concluding sentence stresses the equity of mortgagees being required to pay a moderate insurance premium for the maintenance of their security against damage by the enemy and contrasts "the present position under which the borrower alone is penalized" by failure to foresee one of the consequences of an international calamity.

I should be glad if you would allow me to add that building societies (whose aggregate mortgage asset of £678 millions accounts for no inconsiderable slice of the country's house property) are under the War Damage Act required as mortgagees to share in a very material degree the burden of contributions falling upon most of their ordinary mortgagors—i.e., in broad terms, the owner-occupier type of mortgagor. In this class of mortgage, the societies as mortgagees have a liability to indemnify (again in broad terms) where the mortgage exceeds one-third of the value or purchase price, the extent of the mortgagee's indemnity rising, in the highest range of indemnity, to the figure of two-thirds of the net contribution—which is precisely the maximum figure you suggest as the mortgagee's proportion under the proposals which your article mentions.

Many thousands of building society borrowers have benefited considerably by this very real sharing of the burden of insurance as between owners and mortgagees, while by extension the payment of these indemnities already represents a heavy financial liability upon building societies.

Yours faithfully,

L. F. GREGORY,

Acting Secretary,

The Building Societies Association.

January 14, 1942.

[The sentence to which Mr Gregory refers was loosely expressed; the point is that the borrower always bears at least his fair share of the liability, the mortgagee only in certain circumstances, and then usually not in proportion to his beneficial interest. But if this is the position between owners as a class and mortgagees as a class, it is also true that within the class of mortgagees, the building societies receive the least favourable treatment.—EDITOR.]

REPUBLIC OF CHILE

SERVICE OF THE EXTERNAL DEBT RELATING TO THE YEAR 1941 (LAW No. 5580, 31st JANUARY, 1935)

The Caja Autonoma de Amortizacion de la Deuda Publica de la Republica de Chile, in accordance with the provisions of Article 6 of the Regulations of Law No. 5580 of 31st January, 1935, approved by Supreme Decree No. 3837 of 24th October, 1938, declares that in the year 1941 it has received the following revenues to be applied to the service of the External Debt:—

Profits of the Chilean Nitrate & Iodine Sales Corporation ...	\$2,472,794.68
Balance of the previous year	\$ 166,572.32
Income-tax of the Fourth Category and additional tax on the Copper Companies	\$6,583,478.88
Balance of the previous year	\$ 82,400.60
Quota of the duties on petroleum for the Nitrate Industry (Article 7 of Law No. 6155 of 6th January, 1938) ...	\$ 74,043.19
Quota of the duties on petroleum for the Copper Companies (Article 7 of Law No. 6155 of 6th January, 1938) ...	\$ 106,546.92
Total	\$9,485,836.59

Fifty per cent. of this revenue or the sum of \$4,742,918.30 will be applied to the payment of interest at the rate of U.S.\$1.558 per hundred dollars nominal capital, Sw.Fcs.1.558 per hundred Swiss Francs nominal capital and £1 11s. 1.92d. per hundred pounds nominal capital. Out of the remaining 50 per cent. of the revenue received, bonds have been redeemed to the nominal amount of U.S.\$3,113,000, Sw.Fcs.18,500 and £1,300, and have been withdrawn from circulation.

After making the above-mentioned redemptions, the balances of bonds of the External Debt are as follows:—

£27,761,171
U.S.\$167,095,500
Swiss Fcs.108,709,500

The last named balance has been further reduced by Sw.Fcs.29,000. This reduction corresponds to Swiss Franc Bonds redeemed extraordinarily by the Municipality of Santiago in the year 1941. Deducting this amount from the figures given above, the actual balances of bonds of the External Debt in circulation are as follows:—

£27,761,171
U.S.\$167,095,500
Swiss Fcs.108,680,500

SANTIAGO, CHILE. 30th December, 1941.

THE BUSINESS WORLD

Competition in Insurance

(By a Correspondent)

IN insurance a highly competitive market is not in the best interests of consumers. The essence of insurance is security, and the failure of an insurance company is a far more serious matter than the failure of an ordinary commercial concern. For one thing, the inability of an insolvent company to meet its obligations inevitably brings distress to many thousands of homes. Moreover, in insurance, the failure of one company does not merely involve a transfer of demand to the remaining companies, as is normally the case in trade; it imperils confidence in the structure as a whole. So much is this the case that insurance companies have been known to make financial sacrifices in order to assist a competitor in difficulties, and this not from any altruistic motives, but from the realisation that bankruptcy might have serious repercussions on their own position.

A certain stability of the insurance background must, therefore, be regarded as necessary and desirable, and this provides the essential justification for rating agreements among insurers; the point is reinforced in some branches by the advantage, in the interest of accurate classification, of collating statistics from as large a body of experience as possible. Actually, collaboration among insurers, where it exists, goes far beyond the formulation of rates and extends to such matters as the drafting of uniform policy conditions and encouragement of risk improvement. Yet a measure of competition with the offices acting in combination is desirable, not so much to prevent excessive profits as to ensure that costs are kept at a minimum, as well as to stimulate rating refinements and experimentation with new ideas.

Tariff and Non-Tariff

The popular division of insurers into two groups, bearing the respective labels "tariff" and "non-tariff," whilst substantially correct, represents, of course, an over-simplification. Tariffs are confined to fire insurance and certain classes of accident insurance, notably motor and workmen's compensation; rating agreements are not a feature of life assurance, nor, in normal times, are they much in evidence in the marine market. Furthermore, while the tariff group may be fairly homogeneous in certain respects, the non-tariff group is composed of a number of elements bearing quite distinctive characteristics. As to the extent to which tariffs govern the fire and accident insurance markets, it is not easy to form an estimate. One difficulty is that the figures published by companies cover their world-wide transactions, and do not reveal the proportion of home business; moreover, no figures are available for Lloyd's underwriters. Of world-wide fire premiums written by British offices aggregating £51 millions, however, offices working on tariff lines at home account for £48 millions, or 94 per cent, whereas of world-wide motor premiums aggregating £32 millions, the corresponding figure is £21 millions, or 66 per cent.

There is one outstanding reason for the smaller effectiveness of tariff rates in motor insurance. In fire insurance, sums to be insured are frequently very large, and, at the same time, the risk of total loss is not inconsiderable. Accordingly, many fire insurances have to be shared between a large number of companies, thus creating a community of interest in the adequacy of rates, forming a basis for agreement. No such underlying motive to co-operate exists in motor insurance, for there are few motor risks which cannot be absorbed by an individual company or by a not unduly large Lloyd's syndicate, with, perhaps, the assistance of reinsurance in the professional market.

Within the dimensions of an article of this nature it is hardly possible to attempt an exhaustive classification of the various forms which non-tariff competition may take. The more important features can, however, be broadly

traced. Considering, first, competition from first-class non-tariff companies, it is apparent that, since these companies offer a standard of liberality in claim settlements and service to the public comparable with the tariff offices, they cannot economise to any great extent either on losses or expenses. To a large extent, however, these companies thrive on the imperfections of tariffs. A vigilant non-tariff underwriter will perceive that here and there the tariff does not take adequate account of each and every factor in the situation, so that, by concentrating on the better risks in any classification and ignoring the others, it is possible to work at lower rates. No doubt motor insurance, by reason of the importance of the human element, lends itself to this form of competition to a far greater extent than does fire insurance, and this provides a supplementary reason for the lesser power of the motor tariff by comparison with that for fire insurance. Clearly this form of competition obliges the tariff companies to be continually on the alert for ways of improving classifications, and this necessarily redounds to the benefit of the public. At the same time, there are limits beyond which refinement in a rating system which has to be applied independently of judgment factors cannot go, and if the necessity of a tariff as a background to the rating system is accepted, there must likewise be recognised a limitation to the utility of this form of non-tariff competition. In any case, the game is one which can be played only by the few, when the hands of the many are tied.

The next distinctive group is formed by Lloyd's underwriters, whose work, in the non-marine market, falls into quite a special category. Lloyd's charge premiums often considerably lower than those of both the tariff and first-class non-tariff offices, and they are able to do this partly because they do not maintain country-wide organisations; also, since policyholders do not recognise distinctions between one Lloyd's syndicate and another, as they do between one company and another, the individual underwriter is not concerned with considerations of goodwill to the same extent as the first-class offices, and for this reason Lloyd's do not need to be quite so generous in the settlement of claims. Nevertheless, in addition to their marine business, they also play a useful part in other fields, since they offer low cost with security, and at the same time constitute an admirable field for experimentation with new and unusual forms of cover.

There remains a miscellaneous group of offices, small in size relative to the tariff and first-class non-tariff concerns, of which perhaps the most efficient are those which can effect economies by specialisation. This miscellaneous group also includes those offices, now happily few in number, which only attract business by very low premium scales, and bring discredit on the institution of insurance by settling all claims for the minimum possible outlay and delaying their payment for the maximum length of time.

Competition in Life Assurance

The foregoing will serve by way of description of the fire and accident insurance market. In life assurance, side by side with a complete absence of rating agreements, there exists a multiplicity of offices, large and small, proprietary and mutual, and offering a great variety of contracts. It might, therefore, be expected that competition would be exceptionally severe, but actually this is not so. The primary reason is that life assurance is sold rather than bought; the question at issue, in most cases, is not whether assurance shall be effected with company "A" or company "B," but whether it shall be effected at all—and here the personal and persuasiveness of the salesman are all important. But there exist contributory factors in the absence of uniformity in policy provisions, in medical standards, and especially in

methods of bonus distribution. It is by no means an easy matter for the prospective policyholder to evaluate the respective merits of the life contracts offered by a number of offices.

Marine insurance, by way of contrast, provides an example of a market which is "perfect" in the sense of the classical economists, in so far as all the buyers and sellers are gathered together in one place, and the "commodity" sold is homogeneous. Until recent years there has not been much collaboration in rating matters and the processes of adjustment in the size of the market, necessitated from time to time by changes in demand, have been painful in the

extreme. More recently, there have been indications of a change in outlook.

Enough has been said to show that the insurance market is one of considerable complexity, and that a case can be made out in many of its branches for a certain restraint of competition. But immunity from competition in rates or conditions of insurance should carry with it the obligation to pay particular attention to those benefits which the public, as well as the profession, can only draw from co-operation—matters such as research and propaganda in accident prevention, standardisation and intelligibility of accounts and the whole subject of public relations.

The Government in Foreign Trade

TO say that the bulk of British overseas trade is now transacted by the Government may be a trite and obvious observation in view of the vast, monopolistic operations of the Ministries of Supply and Food and the flow of Lend-Lease material reaching this country. But there is another aspect of this Government encroachment on the field of overseas trade which, though less generally known, is more significant and perhaps more permanent than the direct bulk operations of the Ministries. It is to be found in the activities of the United Kingdom Commercial Corporation and its various offshoots. After some christening difficulties (there was strong Scottish opposition to the original proposal to call it English Commercial Corporation), the UKCC was registered early in April, 1940, with a capital of £500,000 wholly subscribed by the Treasury. It was given very wide powers, to wit "to carry on a general trading business . . . as merchants, concessionaires and financiers . . . in any part of the world." At its inception it was expected to transact its main business with the Balkans, where German economic penetration had to be countered by operations which obviously lay beyond the scope of normal, private commercial enterprise. But in the words of the Chancellor of the Exchequer (then Sir John Simon) "it was not intended that the company should supplant existing channels of trade, but, on the contrary, that it should make use of them to the fullest extent." The capital was raised to £1½ millions in August, 1940, and again to £3 millions in July, 1941.

Geographical Subsidiaries

The scope of the Corporation's operations has both grown and contracted with the fortunes of war and with changes in British export policy. Its eviction from the Balkans, other than European Turkey, has, of course, been complete. On the other hand, it has found more than compensating scope for its activities in the Near East, especially since military activity has barred the Axis road to Syria, Iraq and Iran. There were at one time ambitious plans for extending its activities to South America, but changes in export policy have hitherto kept them back, though there is always a chance of their later development. For the most part the UKCC has undertaken its operations in the various countries with which it trades through special subsidiaries. The first of these was UKCC (Spain) registered in October, 1940, with a capital of £10,000. The last was UKCC (Portugal), registered last November with a capital of £50,000. Other subsidiaries have been established for trading with Turkey, Palestine, Egypt, the Sudan, Iran, Iceland, Syria and Iraq. In all cases except two, the names of the subsidiaries follow the pattern set out above for Spain and Portugal. The two exceptions are the Arctic Trading Corporation, which trades with Iceland, and the Irano-British Trading Company. In addition to its subsidiaries, the UKCC has direct representatives in New York, Buenos Aires and India. There remains to be mentioned an important member of the family, the English and Scottish Commercial Corporation which was registered a few days after UKCC with a nominal capital of £100. In June, 1940, the capital was raised to £1½ millions and there have been two subsequent increases (the last was announced early last month), carrying the total to £6 millions, or twice the capital of the UKCC. Early in the life of this family it was found convenient to centralise in a non-operating company the financial activities arising out of the business of the whole group. It is this function that is performed by ESCC and requires such substantial capital resources. It should, however, be realised that these figures of nominal and subscribed capital bear no relation whatsoever to the resources that the group can command or to the business that it is transacting. The

potential of available resources is virtually unlimited, since the group has behind it the great borrowing power implied by its Treasury backing.

The UKCC and its subsidiaries have been called upon to play a highly elastic role. Detailed description cannot, for obvious reasons, be attempted at the moment. But a broad outline can be given without revealing any information of which the enemy is not already in possession. In the first place, it should be emphasised that, as was announced at the Corporation's inception, it is not its objective to displace the normal existing machinery of import and export trade. It is true that this machinery lies derelict between Great Britain and some of the countries with which the UKCC now transacts considerable business. But that would have been its fate whether or not the UKCC had appeared in those markets. Foreign trade under war conditions obviously calls for a new and highly adaptable technique. Where such trade is most highly competitive, the competition is usually of a political character; it involves bidding against hostile Governments, as may be seen in Turkey, Spain and Portugal to-day. Under those conditions trade means pre-emptive or subsidised buying and equally subsidised selling. For such operations, which are largely divorced from the competitive level of world prices, the normal channels of foreign trade will not serve. An organisation such as the UKCC, through which can be mobilised the financial and economic power of the country, is required. Serving in this capacity, the UKCC has acted as the highly effective spearhead of our trade offensive, acting in close collaboration with the Foreign Office and the Ministry of Economic Warfare and ultimately under the broad directive of the War Cabinet. In all these operations the Corporation uses the customary trade channels to the fullest possible extent.

Allied Trade

The methods applicable to markets where trade has become essentially political are not necessarily those that must apply, even in time of war, to countries such as Egypt, Iran and Palestine, where by reason of the blockade or treaties of alliance the enemy is not in the running. There the activities of the UKCC need only supplement the normal import and export trade machinery, and in many instances can be canalised through it. Direct intervention in those countries is only required where subsidised operations are called for, as, for example, in buying up the surpluses of commodities produced by friendly countries which owing to war conditions are cut off from their normal export markets. Even in such cases, the UKCC will, as far as possible, utilise the normal foreign trade machinery. In such countries as Egypt, Iran and Iraq the UKCC, therefore, handles but a small fraction of the trade with this country. Where it intervenes, it often does so in a manner that helps the private trader, obtaining for him advantages which otherwise might elude him, for example, obtaining the necessary priorities for materials, getting cargo space (which is becoming more and more the crux of all overseas trade operations), and even providing special insurance cover against financial risks analogous to those covered by the Export Credits Guarantee Department.

The methods of finance chosen by the UKCC vary with every country with which trade is conducted. In some of these cases trade with the sterling area is financed through a centralised clearing machinery such as Special Accounts. Finance in those cases is provided through these accounts and through whatever method the Treasury may choose to settle balances arising on either side of the clearing. In other cases normal methods of finance are utilised and bank credits are to some extent used, though it is evident from

the experience of the discount market that acceptance credits have played very little part in such financing.

The scope for the further development of the UKCC's activities in wartime is obviously considerable. It is already the agent for large-scale Government operations which, for one reason or another, are not handled by one of the Ministries. For example, much of the trade in raw materials with Soviet Russia is handled by the UKCC. There may be a good case for its continued handling of such trade which even under normal peace conditions will have to be conducted with a Government monopoly on the other side of the counter. The absorption of surpluses and the building

up of stocks of foodstuffs and raw materials as reserves for post-armistice distribution are other spheres for the activities of the UKCC—acting in some of these cases in collaboration with one or other of the commodity reserve corporations formed with the financial help of the Reconstruction Finance Corporation.

Finally, it should be pointed out that the organisation is not one which has been grafted from outside on to the existing markets. It is true that there is a small Civil Service nucleus in it, but the bulk of the personnel has been drawn from banking and the various trades in which the UKCC is mainly engaged.

Finance and Banking

Heavy Tax Payments

Heavy tax payments and the promise of their continuance have dominated the money market position during the week. The Exchequer return covering the first ten days of January indicates a record inflow of revenue averaging over £10,200,000 a day. It is true that over the same period expenditure exceeded revenue by £26,754,000, but this deficit would be well within the current inflow of extra-budgetary sources of income. Though the banks were not called upon to make any Treasury deposit payments and should have benefited by maturities to the extent of £15 millions, they have found their cash position appreciably affected by the large revenue transfers they have had to make. The Bank return shows a reduction of £21,985,000 to £133,760,000 in bankers' deposits, a movement which gains emphasis from the fact that over the week a further £6,115,000 of notes have returned from circulation. The authorities have utilised the whole of the resources drawn from bankers' deposits to repay Government debt at the Bank, and Government securities show a fall of £32,310,000 over the week. Public deposits are down by £2,955,000 to the low level of £6,664,000. The banks have been very diffident buyers of bills and in general have limited their purchases to February and March bills. On the other hand, they have been ready lenders of money to the market and at no time have the supplies of credit been inadequate for the needs of borrowers. The banks' readiness to make loans rather than buy bills is an indication of their desire to keep specially liquid at present, in view of the need to make further heavy tax payments in the near future and of possible conversion of deposits into tax reserve certificates by their customers.

Private Remittances to America

The banks have this week received detailed instructions on the method to be followed in effecting the remittances to evacuees in the United States for which Treasury sanction was recently granted. These remittances, up to £3 a month for children who were under 16 at the time of departure and up to £10 a month for adults who left in charge of children and who are still responsible for them, must in each case be effected from one source only and may be made on a monthly or quarterly basis. If more

than one resident in this country contributes to the remittance to any one evacuee, the contributions must be pooled before they are converted into dollars. The concession is to have effect retrospectively from January 1st last. The details are to be handled by the Children's Overseas Reception Board who will make a register of all recipients. The total expenditure of dollars involved by the concession is small, and the decision of the Treasury must be regarded as having other than financial grounds and not as an indication of any considerable easing of the dollar position.

Irish Bank Profits

The leaner times that have fallen on Irish banking are reflected in the reduced dividends declared by three out of the four Irish banks whose results for 1941 have so far been announced. They are those of the Provincial Bank of Ireland, the Munster and Leinster Bank and the Royal Bank of Ireland. Though the Northern Bank has maintained its dividend, its net profits have fallen from £65,819 to £50,169. The disparity between the experience indicated by these reduced profits and distributions and that of British banks can be readily understood. In the first place neutral Eire has hitherto felt few of the benefits and many of the disadvantages that a world at war disseminates. There has been little stimulus to industrial activity such as has occurred in belligerent countries, while shortage of supplies and loss of markets have hit trade in Eire as severely as in this country. Secondly, the expansion of bank credit has been far smaller in Eire than in Britain, and the Irish banks have in consequence found little compensation in increased resources for the inordinately low level of earnings on the greater part of their assets. The appreciable expansion in the Irish banks' London funds indicates the lack of investment opportunities in Eire. Thirdly the level of costs in Eire has risen as steeply since the beginning of the war as in this country, though this movement should now be considerably checked by the wages and prices standstill which came into operation last year. The deterioration in the ratio of costs to earnings of Irish banks should from now on be to some extent remedied by the increased scale of charges for keeping current accounts operation. The first proposal to increase these charges met with a storm of protest which caused the whole matter to be referred to an official committee of investigation. That

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Chittagong	Mandalay	Nakuru
Cochin (S. India)	Nuwara	Port Har
Colombo	Ellya	Jinja
	Rangoon	Kampala
Dar-es-salaam	Mwanza	Tanga
		Tanganyika Territory.

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

committee, on which the banks' customers were adequately represented, has agreed that the banks' proposals were reasonable, and they have been sanctioned without material alteration.

Barclays Bank Capital

Barclays Bank is following the precedent set recently by Barclays Bank (Dominion, Colonial and Overseas), and is proposing to convert its shares into stock. This step is primarily intended to save the considerable clerical labour involved in checking numbers of shares in share registers, transfers and certificates. An incidental advantage of the move may be to increase the marketability of part of the capital, since the proposal is to fix £1 as the minimum amount of stock of each class which will be transferable, as compared with the £4 fully-paid denomination of the "A" shares. The proposal and its primary intention, as voiced by the chairman, namely "to eliminate the necessity of checking definitive numbers of shares in registers, transfers and certificates," brings with it a faint but interesting echo of the Banking Companies' (Shares) Act of 1867, commonly known as "Leeman's Act." This measure, which was intended to put a stop to bear sales of bank shares and stock—sales which had done great damage in the panic of 1866—provided that contracts for the sale of bank shares or stock should be null and void unless the numbers of the shares or names of the registered holders were set forth in the contract. The proposal to convert shares into stock does not run counter to this Act, since it will still be possible to set forth the name of the transferor in contracts for the sale of the stock to be created. But the declared purpose of the change is perhaps the most categorical rebuff which this moribund piece of legislation has yet received. Although the Act became a dead letter from the time of its enactment, and has consistently been ignored by the Stock Exchange, it should not be forgotten that it remains on the Statute Book and that it was successfully pleaded in 1882 to cancel a purchase of shares of a bank which suspended payments

subsequent to the date of the contract, thus leaving the seller liable to pay the calls made in respect of the uncalled liability. Bank suspensions and speculation in bank shares may no longer be the commonplaces which they were in the 60's and 70's, but there are milder reasons which might cause the act of 1867 to be invoked by a sharp-witted buyer or seller of bank shares or stock. Either the Act should be enforced in Stock Exchange practice or—the preferable alternative—it should be expunged from the Statute Book.

Alexanders Discount Results

The first of the discount companies' balance sheets to be published this year is that of Alexanders Discount Company. In so far as it can be said to represent general experience, it indicates another successful year for the market. The net profit shown before deduction of tax on the dividend amounts to £165,616, compared with £166,570 for 1940. In large measure that profit must have been derived from business in bonds. The holdings of investments at the end of the year amounted to £18,220,000, compared with £13,637,000 at the end of 1940. The whole of the investment holding now consists of British Government securities. The net holding of bills, of which Treasury bills now constitute the overwhelming majority, fell slightly over the year, from £25,509,000 to £24,104,000. The exceptional stability of discount and short money rates, and the minute margin of profit available during the whole of the year both on running bills and reselling them to the banks, must have kept the profits on the discount side of the business to very small proportions. The average profit on bills during 1941 cannot have worked out at more than 1½d. per £100 every quarter for bills taken up and run or resold. On this assumption, the running of a portfolio of £24,000,000 for the year would not have yielded a profit of more than £2,000—a figure which, even allowing generously for profits on results, puts into perspective the ratio of discount market profits now extracted from bills and bonds respectively.

Investment

Investment Buying

There are already signs that the latest activity of the more speculative investor, the buying of cotton shares, has passed its zenith for the time being, while there is little or no recovery in business in South American securities. Instead, fixed-interest securities seem to be coming to the fore, while there is a considerable recovery in industrial equities. The fixed-interest index of *The Financial News* continues to establish new records, while the equity figure is within 2.2 per cent of the maximum. Apart, however, from the fact that there has been, occasionally, considerable solid investment buying of trustee securities, other than Australasian, and of railway and industrial debentures and preference stocks, there is no very definite indication to be extracted from the rather increased volume of orders as to what the direction of price movements is likely to be. The rise in the Funds may owe something to the renewed talk of a change in the terms of issue of 2½ per cent National War Bonds or of 3 per cent Savings Bonds, or of both. This talk is based primarily on the fact that it will very shortly be six months since the last change was made by the Chancellor; that six monthly reviews have been made so far and that, therefore, another is due. Doubtless the Treasury is as anxious as ever to depress the rate of interest, but whatever the future may hold, the usual indices do not show as marked a fall in yields on leading Government securities over the past six months as in either of the two preceding periods. In particular, the large step taken in giving the latest series of National War Bonds a maximum life of some ten years has militated against their popularity, and it seems doubtful whether it will prove feasible to step down the terms offered next month. It would possibly be easier to adjust those of the 3 per cent Savings Bonds, but the whole matter is complicated by the approach of the Budget and a certain doubt as to the future yield of savings, both large and small.

Cotton Textile Prospects

The resumption of the rise in cotton textile shares, during the past few days is a tribute to the belated recognition that the industry has, in present circumstances, a vital part to play. Official action has been taken to reduce the

most acute bottleneck in the industry, that of labour, and it is far from clear why this was not done sooner. As it is, cotton is, presumably, assured of its share of the most suitable new labour available, up to the limits which the authorities have in mind, but it is far from probable that old hands, who have left, can be attracted back, while it is almost certain that new recruits will be both less efficient and more exacting in the matter of amenities than those who have grown up in the business. From the standpoint of the investor, these matters can be adjusted by alterations in the sale prices fixed, but there has not so far been much evidence of an undue tenderness for his interests. Presumably, a somewhat reduced yield per unit on a larger output may be expected. The vital question is how much larger that output will be, and somewhere behind the labour bottleneck is that of supplies of raw cotton, both in absolute amounts and in the qualities required. It may be a tantalising prospect for the shareholder in an industry which has been almost chronically depressed for a couple of decades to see half the world crying out for yarns and materials which nobody can supply. But there is very little prospect that Lancashire can be put in a position to fill the gap until the shipping position is improved out of recognition. Official needs and those of a, possibly reduced, ration for the public must be met. Probably Lancashire, rather than India, will supply part of our allies' requirements outside this country, but a halt must be called far short of the total world demand by shortage both of shipping and of labour.

Contrasting Results

The reports of cotton textile concerns now appearing cover a period when there was some expansion of business, but the position is complicated by the effects of concentration, of which little is said in individual reports. The full accounts of *The Lancashire Cotton Corporation* to October 31st, on the one hand, and of *Amalgamated Cotton Mills Trust* and *Horrockses, Crewdson* to end August, on the other, show results suggesting very different experiences. As was disclosed in a note in *The Economist* of December 27th, the former has secured a fair increase in profit after all charges. *Amalgamated* shows a fall, after

taxation of subsidiaries, from £414,537 to £294,794, while *Horrockses, Crewdson*, a much smaller concern, barely maintained total income, after providing for EPT, and half the balance, after covering depreciation, is absorbed by war damage contributions, which a year before called for nothing. Even so, the profit suffices to eliminate the adverse balance on profit and loss account, so that the ordinary shareholder is within sight of a dividend for the first time for at least a decade, should earnings be maintained. The principal change in this company's balance sheet is a rise of some £177,000 in cash, partially offset by a fall of £43,000 in debtors, but in the case of the *Cotton Corporation* there is, in addition to these movements, a slump of £866,000 to £720,000 in stock, which reflects the excess demand over the group's production. In the case of *Amalgamated*, the company's own tax is reduced from £503,727 to £458,334, and a further £50,000 is saved by omitting any appropriation to contingencies, with the result that it is possible to repeat the tax free payment of 8½ per cent. It is probable that *Horrockses* have been disturbed by concentration, but *Amalgamated* have suffered from war damage, while all have had to face rising costs and stable yarn margins. In any case, the industry has ahead of it a difficult period of adjustment before it is finally placed on a sound basis, and whatever the demand may be between now and the conclusion of hostilities, there is no guarantee that this country can expect a larger share in the total market after than before the war. *Lancashire Cotton* ordinary shares of £1 at 25s. 6d. yield £5 17s. 8d. and *Amalgamated* rs. ordinary at 2s. 9d. some £3 2s. 8d. tax free.

Canadian Pacific Prospects

The final net figures of the Canadian Pacific Railway for last year are not yet available, but the gross figures of twelve months, with the net for eleven, form a reasonably sound basis for making a guess as to what will be theoretically available from railway operations. If the December experience of the Canadian National could be taken as a guide, it would be safe to count on a rise in net railway receipts of some 13 million dollars minimum over 1940, but a more conservative figure is safer. This, however, leaves out of account the other income of which the determining factor last year was receipts from steamships. What will have happened to this item during 1941 is anyone's guess, but it is fairly certain that the CPR, like other shipping companies, will decide that replacement costs are likely to be heavy and will accordingly wish to make substantial provision for them in advance. There is very little guidance on this matter in the review of the year by Mr R. C. Vaughan, President of the CNR, who merely mentions that the group's ships have played their part in the Atlantic and elsewhere. He does, however, point out that, while no rise in charges is in sight, the railways are faced with greatly increased costs in 1942 for wages and material. The likely to be available for the ordinary stockholder, have times unexpected. Instances which readily recur to the memory are depreciation of the "Soo" line investment, and of holdings in the USA. Writing off of lines abandoned has been another important item and now there is the likelihood that shipping, if not railway, earnings may be devoted to providing for fleet replacement. In the circumstances, it is a tribute to the confidence of the British investor that the price is such as to give a yield of some 5 per cent on a dividend of 2 per cent.

The Paper Muddle

After a lapse of two months, during which the existing practice has been followed, there is a further direction as to the use of paper for brokers' and jobbers' price lists. As was pointed out in *The Economist* of November 22nd, to insist upon payment being exacted for these lists would not materially lessen the demand, while it would add to the labour involved. It has now been decided that the lists may be distributed free, provided that the weight of paper involved is not more than "three-twentieths" of that distributed in similar lists in the corresponding period of 1939. So far so good. But the statement refers specifically to "any advertising circular which consists solely of a list of stocks or shares together with the usual particulars relating thereto." This certainly covers the

publications which are essential to the continued conduct of the market, but it leaves completely on one side the possibly small, but certainly influential, amount of weekly or monthly letters issued by jobbers and brokers, dealing with a large variety of subjects, some of national, but mainly of sectional, interest. These have certainly already been cut to the required 15 per cent, but neither the authors nor the Committee appear to have any idea of where they stand. This is a poor result for two months of deliberation.

Company Notes

Philip Hill Segregation

Following the example set by the Charterhouse Investment Trust, as long ago as March, 1939, Philip Hill and Partners are now effecting a functional division of their enterprise. Originally, it was intended to carry on the business of an issuing and finance house, which called *inter alia* for the holding of substantial amounts of investments. In the changed conditions of a closed capital market, the opportunities for issuing are negligible, but the investments remain. It is now intended to retain the major part of these, which are of a semi-permanent character, in the existing parent company, to be re-named the Philip Hill Investment Trust while the remainder will be transferred to a subsidiary whose business, for the time being, will be to trade in these and other stocks. The advantage of this procedure is presumably that an investment trust, unlike a finance company, can distribute dividends without providing for unrealised losses on its investments, although it cannot distribute even realised capital profits. Evidently, in a period of uncertainty, this is a more convenient arrangement in respect of stocks which are regarded as long-term investments. How long it will be before any semblance of freedom is restored to the capital market is a matter of guesswork, but that there may be opportunities for profitable trading is not improbable. What it is important to realise is that the arrangement is a matter of machinery only and that it in no way alters the value of an investment in the parent concern, which will continue to depend upon the sagacity of those responsible for its administration. It would, however, seem desirable that, in so far as may be, a clear statement of the valuation of holdings both in the parent investment trust and in the subsidiary finance company should be made available to shareholders.

Bowater-Lloyd Accounts

Accounts of the Bowater Lloyd group for the year to September 30, 1941, show that, as in the previous year, all the three manufacturing companies have decided to pass preference and ordinary dividends. The sales company, *Bowaters and Lloyds Sales*, which is controlled by *Bowater's Paper Mills*, suffered only a moderate reduction in income from £95,564 to £92,451. Ordinary shares receive a total payment of 22½ against 27½ per cent, the cash bonus being cut from 1s. 6d. to 6d. per share. As in the previous year, dividends are not completely covered by available earnings, the earned rate amounting to 20.9 against 25.0 per cent. Reductions in profits of the three operating companies, *Bowater's Mersey Paper Mills*, *Edward Lloyd* and *Bowater's Paper Mills*, which control the two former concerns, are moderate, and the decision to refrain from meeting even preference dividends is dictated only by a determination to preserve liquid resources against further restrictions on the use of paper. All three companies have made substantial transfers to dividend reserve to cover arrears of cumulative preference charges. But *Bowater's Paper Mills'* transfer is considerably reduced by an appropriation of £50,000 to cover undetermined tax liability. The balance sheets of the operating companies show a general reduction in stocks and investments in Government securities, while £203,130 to £885,240, and in creditors, including *Bowaters and Lloyds Sales Co.*, is due to the introduction of a centralised invoice system for the use of the company's agents. War damage contributions are met from profits by the sales company, but by transfers from supplies by the manufacturing concerns. Until raw material resources are restored the directors are undoubtedly wise to conserve resources. There is, however, little prospect that present difficulties will injure earning capacity in the long

BAT Dividends

The BAT preliminary statement shows net profits of £4,087,565, against £4,865,442 in the year to September 30th last. After meeting preference dividends, equity earnings amount to £3,502,565, against £4,280,442, equivalent to a tax free rate of 14.9 against 18.0 per cent. The announcement of a final payment of 1.25 per cent., tax free, gives a total tax free distribution for the year of 14.58 against 17.92 per cent. There is no transfer to reserve, so that the carry forward is raised from £2,300,266 to £2,388,157. The following table shows three years' earnings and allocations:—

	Years ended September 30,		
	1939	1940	1941
Profit after tax	5,165,453	4,865,442	4,087,565
Prof. dividends	585,000	585,000	585,000
Ordinary stock (tax free):—			
Earned	4,580,453	4,280,442	3,502,565
Paid	4,543,029	4,254,307	3,414,674
Earned %	19.3	18.0	14.9
Paid %	19.17	17.92	14.58
To Contingencies	£500,000		
Carry forward	2,274,131	2,300,266	2,388,157
† From 1938 carry forward			

The announcement that the first interim for 1941-42 will be reduced from 3.75 to 2.08 per cent, tax free, was expected by the market, and the initial fall in the price of the £1 ordinary stock was quickly corrected. It is impossible to judge from the published figures whether the setback to net profits is due exclusively to additional tax liability, or whether there has also been some fall in gross revenue. In view of the loss of income from the American subsidiary, temporarily pledged to the Reconstruction Finance Corporation, it is probable that there has been some fall in total earnings. The company's sales are worldwide, excluding this country and the U.S.A. While further areas are now closed to it, there is no certainty that the expansion in demand, so characteristic of this country, has been a general experience. The £1 ordinary stock stands at 84s. 4½d. ex dividend, against 86s. 3d. cum dividend, before the announcement, at which price it yields £3 9s. 1d. per cent, tax free, on last year's payment.

Further Bank Dividends

The following table, which analyses earnings and dividends of *Williams Deacon's* and the remaining "Big Five" banks—earlier results and those of the discount companies

were discussed in *The Economist* of January 10, 1942—shows that all equity payments have been maintained in 1941. Figures of disclosed profits, which have been rendered comparable by the deduction of tax on dividends from the 1940 earnings of the *National Provincial* and *Williams Deacon's*, all suggest that taxation alone is responsible for declines in the amount earned for equity. Thus, in every case the rate of earnings is higher than in the previous year.

Year ending December 31st	Disclosed Profits	Earned for Equity†		Dividends	
		Amount	Rate	Final	Total
Lloyds Bank ("A" shares):					
1940	1,383,807	1,342,485	16.2	6	12
1941	1,274,199	1,237,593	16.8	6	12
Midland Bank (shares):					
1940	1,933,093	1,933,093	21.3	8	16
1941	1,969,288	1,969,288	25.8	8	16
National Provincial (shares):					
1940	1,093,227	943,227	17.3	7½	15
1941	1,057,783	907,783	19.1	7½	15
Williams Deacon's ("A" shares):					
1940	193,063	193,063	19.0	6½	12½
1941	184,170	184,170	21.0	6½	12½

† Before bank premises allocation.

The *Midland Bank* is the only concern where the actual amount of equity earnings, after taxation, is above the 1940 level; and there is, in consequence, a possibility that profits approximate to the EPT level. The general stability of earning capacity in the face of war conditions is, of course, due mainly to the considerable expansion in bank deposits last year. It is a matter for congratulation that all the eight English banks—and incidentally most of the Scottish—now present their profit figures on a comparable basis.

Houlder Line Reserves

Full accounts of Houlder Line for 1941 show a decline in income from £206,906 to £101,261. It has only been possible to maintain the ordinary dividend at the 7½ per cent, paid throughout the last decade, by reducing the transfer to fleet replacement account from £104,500 to £35,368 and by approximately halving the allocation for repairs and renewals at £23,402. After these charges, equity earnings amount to £21,607, against £35,906, providing cover of 7.8 against 11.3 per cent for the ordinary distri-

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Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania, Commonwealth Savings Bank of Australia, 3,804 Agencies at Post Offices in Australia.
As at 30th June, 1941:—General Bank Balances ... £130,752,179
Savings Bank Balances ... 150,563,865
Note Issue Department ... 77,444,818
Rural Credits Department ... 2,389,454
Other Items ... 19,795,546
£380,685,862
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LONDON AND MANCHESTER ASSURANCE CO., LTD.

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Chief Office: OXFORD STREET, MANCHESTER, 1
ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £74,000,000
CLAIMS PAID EXCEED - £133,000,000
(1940 Accounts)

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)
AUTHORISED CAPITAL - £50,000,000
ISSUED AND FULLY PAID-UP - £20,000,000
RESERVE FUNDS (STERLING) - £6,500,000
RESERVE FUNDS (HONGKONG CURRENCY) - \$10,000,000
RESERVE LIABILITY OF PROPRIETORS - \$20,000,000

Head Office, HONGKONG, temporarily transferred to LONDON OFFICE, 9, Gracechurch Street, E.C.3. Acting Chief Manager: A. MORSE.
BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

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CITY OF JOHANNESBURG

THREE AND A-HALF PER CENT. INSCRIBED STOCK, 1952.

NOTICE IS HEREBY GIVEN that in order to prepare the dividend due 1st March next, the BALANCES of the several accounts in the above-mentioned Stock will be STRUCK on the night of the 31st January, and that on and after the 2nd February the Stock will be transferable ex-dividend.

Forms of Request for the purpose of forwarding Dividend Warrants by post to Banks or other Agents may be obtained on application to the Bank.

For Barclays Bank (Dominion, Colonial and Overseas)
C. D. ALCOCK, Manager.
Circus Place, London Wall, E.C. 2. 8th January, 1942

bution. The carry forward is £982 higher at £40,580. The chairman, Lord Essendon, points out that the decline in income is due to loss of vessels through enemy action as well as to the operation of the Government requisition scheme. The loss of fleet is also reflected in the fall in the balance sheet value of ships from £922,000 to £373,000, and by the rise in Fleet Replacement Account from £200,000 to £900,000 through inclusion of the difference between war risk valuation and the written down balance sheet figure. The surplus is for the present largely devoted to raising the total of investments from £719,000 to £1,419,000 of which £1,112,000 is held in Government securities. The directors reveal that the company has secured a licence, and placed a contract, for the construction of a modern, fast, refrigerator vessel, payments for which require substantial current cash holdings. These are in fact raised from some £44,000 to £139,000. It is estimated that a substantial proportion of Fleet Replacement Account will be required to write down the new vessel and that, consequently, the balance sheet total is not adequate to the needs of the company's post-war construction programme. There is £76,500 standing to the credit of Houlder Line on Government Tonnage Replacement Account.

Dalgaty Improvement

The full accounts of Dalgaty and Company, the important Australasian and East African pastoral and merchanting concern, for the year to June 30th show a rise in gross profits from £1,109,871 to £1,162,520, a new record. Expenses and taxation are higher, and although the exchange loss is reduced, the net figure is up only from £147,682 to £157,915. Since the allocation to staff funds is £5,000 lower at £15,000, the increase in equity earnings, at £117,915 against £102,682, is even more striking. The ordinary shareholder received 7 per cent as in the previous year covered by earnings, grossed up for income tax at 7s. 6d., of 8.4 against 6.8 per cent. The whole of the surplus goes to raise the carry forward from £121,844 to £134,759. These results are the best since 1936-37. The report does not throw much light on trading results, but it is evident that the wool agreement, coupled with the bumper New Zealand clip, is an important factor. Until well after the date of the accounts, Australia was enjoying a mild boom, which is reflected in the balance sheet in a drop in advances on land from £7,078,850 to £5,782,677 and a rise in cash and debtors by some £417,000 and £146,000 respectively. There is also an important increase in investments from a mere £5,864 to £212,614. Evidently the company is in a sound position to face current problems, but on these the report is silent. The ordinary shares of £20—£5 paid—stand at 90s., at which they yield £7 19s. 1d. per cent. The high yield—the shares recently stood at 106s.—is a reflection of an actual loss of some business owing to the Pacific war. It does not perhaps fully discount further possible losses, but the shares are strongly held, and over a period of years the average yield has probably not been much above half that now obtainable.

Industry and Trade

The Railways Look Ahead

The decision of the railway companies to appoint a commission charged with the task of enquiring how the efficiency of the undertakings can be improved by schemes of post-war reconstruction or reorganisation is to be welcomed. The choice of Sir Ernest Lemon, vice-president of the LMS, and one of the ablest officials of the industry, as the commission's full-time chairman is the measure of the importance attached to it by the railways. The commission will be concerned largely with ways and means of improving the technical efficiency of the railways and with adapting their facilities to post-war needs. Its scope, therefore, is very considerable. On the purely technical side, the commission will no doubt investigate the possibilities of new equipment, and the arguments for and against an extension of main-line electrification will probably be on its agenda. But the commission may be expected also to inquire carefully into the results of the closer collaboration between the four main-line railways, imposed upon them by the exigencies of the war, and will consider the relationship between the railways and the other means of transport. The findings of the commission are sure to be of considerable

Henekeys' Profits

The full accounts of Henekeys for the year to October 13th show a rise in gross income from £66,511 to £76,747 and in equity earnings from £32,009 to £34,253. The transfer for income tax and NDC is more than doubled at £12,500 against £5,600. Grossed up at the higher standard rate of income tax, the rate of equity earnings rose from 19.8 to 23.1 per cent, providing ample cover for the total payment maintained at 15 per cent on ordinary and "A" ordinary capital. Dividend equalisation reserve receives £2,000, as in the previous year, and general reserve £5,000 against £3,000, bringing the balance-sheet total of the fund to £131,000. The carry forward is raised from £10,446 to £10,699. These surprisingly good results are interesting, more for the light which they shed on the vintner's business in general than from the investment angle. The company has, of course, been handicapped during the past year by the ban on the import of wines and spirits and the restriction on the production of whisky. To some extent, profits are due to a depletion of stocks, which are down from £122,398 to £94,516, and are, for the present, in the main irreplaceable. But there can be little doubt that the ability to maintain profits with no greater reduction in stocks is due mainly to the substantial rise in the prices of wines and spirits last year, an increase which is reflected in the jump in total cash holdings from £15,794 to £35,984. Future earnings depend in the long run on the possibility of importing fresh stocks; in the short run, they depend on a skilful sales policy capable of maximising receipts from present holdings. In the absence of price control, there seems every probability that the dividend can be maintained in the current year, but this will depend upon how far existing stocks, valued at cost or under, represent pre-war—or even pre-blitz—holdings. That they do so in part can be inferred from the directors' report.

Apex (Trinidad) Accounts

The full accounts of Apex (Trinidad) Oilfields add little to the analysis of profits contained in the preliminary statement which was discussed in *The Economist* of December 27, 1941. The balance sheet shows a decline in stocks from £210,201 to £196,137, which, coupled with the reduction in all classes of debtors from £326,393 to £250,055, accounts for the rise in cash holdings from £235,767 to £394,570. The total value of fixed assets after depreciation is up from £782,966 to £801,760, since capital expenditure increased from £269,082 to £287,325. The liabilities side of the account shows a rise of some £6,000 in creditors to £68,217. Tax reserve is up from £260,914 to £310,953, while general reserve, after the latest transfer from profits of £30,000, stands at £430,000. There are, of course, no details of drilling and production, but it may be assumed that development is being expedited in view of the threat to the Asian oilfields. The 5s. shares, at 29s. ex dividend, yield £5 3s. 5d. per cent.

interest, though they will have to be considered against the general economic background.

A New Scrap Campaign

As a result of the entry of the United States into the war, exports to this country of steel materials are likely to be curtailed still further. In particular, exports of scrap the Atlantic, which, as a Note on page 68 shows, is preventing the full utilisation of America's steel-making capacity. The deficiency must be made good, mainly by an expansion in the use of domestic scrap. Hence a new scrap campaign was duly launched this week with the usual exhortations to farmers, blacksmiths and householders to WVS will be engaged in the preparatory work, and it is hoped that clergymen, commercial travellers, insurance agents and others with an opportunity to observe the existence of scrap will make a note of it and inform the Ministry of Works and Buildings (or its local representative), which

has been charged with the collection. There will be sweeps by counties, beginning on January 21st, with Essex, Wiltshire and Cumberland. So far as the larger accumulations of material in disused pit-head gear, bridges, rail tracks, machinery and other forms of scrap is concerned, these are to be ascertained by a national survey, and an Order to be issued shortly will require the owners of quantities exceeding three tons to disclose them. Even the national survey is not a new device, since Mr Herbert Morrison, during his period of office at the Ministry of Supply, faithfully promised to have one carried out. The successive scrap campaigns have become somewhat of a farce; they have a habit of getting stuck, and the production of steel, in which scrap is the most important ingredient by weight, has remained below the capacity of the steel furnaces. But the position is now too serious for making fun of the latest version. If supplies are not increased very substantially, and not merely for a few months, the output of war equipment must suffer. There must be a weekly or monthly target high enough to keep the steel furnaces in operation at full capacity; and steps must be taken to ensure that it is attained with regularity.

Science in Industry

Discoveries in the laboratory can be likened to the findings of Royal Commissions in that, if they are not disregarded altogether, there is usually a long interval before the former are applied in the factory and the latter reach the Statute Book. In the present war, however, whose outcome depends so largely on the quality of equipment, the scientist must play a rôle of considerable importance. It is scarcely surprising, therefore, that many of the scientists who attended the conference of the Association of Scientific Workers last week-end expressed impatience at the frequent neglect of their work and at the delay in using their discoveries. Several speakers deplored the lack of provision for the pooling of information and of contact between the design departments of the Ministries and those in charge of production. Sir Daniel Hall, who presided at the conference, was undoubtedly right when he suggested that the real problem for men of science was to find within the machinery of Government the appropriate method of using the expert. As in the last war, scientists have already made important contributions to the solution of many difficult technical problems, and often at short notice. Their suggestions at the recent conference deserve the closest consideration.

Unemployment in December

With each publication of the unemployment figures there is speculation whether the minimum has been reached. Though the numbers of unemployed are fewer each month, the decline from the previous month, not unexpectedly, is growing smaller. On December 8th, there were 188,354 persons registered as unemployed on the employment exchanges of Great Britain, a drop of 10,748 from November 17th. Of the 162,224 wholly unemployed, which compares with 171,984 on November 17th and 541,900 on December 9, 1940, 84,235 were men, 8,108 were boys, 62,058 women and 10,823 girls. The number of persons temporarily stopped was fewer than on November 17th by 2,751. Their number was 13,261, which compares with 141,848 on December 9, 1940. Unemployment among persons normally casually employed fell from 11,106 in November to 9,869 in December; in December, 1940, there were 21,531 in this category. Over the year, unemployed women appear to have been reabsorbed faster than men. There were 248,068 men and 244,166 women wholly unemployed on December 9, 1940, but on December 8, 1941, there were still 84,235 men and the relatively smaller number of 62,058 women. On the other hand, the decline in number of persons temporarily stopped has been greater in the case of men than of women. Whereas a year ago there were 82,435 men and 53,952 women temporarily idle, last month the corresponding figures were 4,356 men and 7,957 women. This may be ascribed partly to the application of the Essential Work Order to coal mining and to outdoor occupations, such as building and the handling of cargoes in ports, which employ chiefly male labour.

Compensation to Coal Mines

On September 25th last year the Board of Trade issued an Order providing for the granting of excep-

tional financial assistance to necessitous colliery undertakings, and this week it has formally sanctioned the adoption of a new principle in the payment of compensation under the Coal Mines (War Levy) Scheme of December, 1940. In its original form this scheme authorised the payment of compensation at a maximum rate of 3s. 6d. per ton (the actual rate has been 2s. 6d. p.r. ton) to colliery undertakings which had suffered loss of trade in consequence of the war to a greater extent than the average loss of trade sustained by the industry as a whole. Claims were determined irrespective, on the one hand, of whether the individual undertakings concerned were making profits on their reduced volume of trade, or, on the other, of the extent to which their financial difficulties might have been due to causes other than that of loss of trade owing to war conditions. Since the scheme has been in operation it has been found that the compensation payable to the more necessitous collieries has not been enough to keep them out of financial difficulties and to maintain their outputs, while quite a number of collieries have been receiving substantial compensation although they showed good profits. It is the aim of the changes made by the recent Orders to remove both these anomalies. By the September Order the Central Council may, in addition to compensation, give such further assistance as it may deem necessary, in view of the present emergency, to maintain production, while by that issued this week the amount of compensation is to be determined in future by the relation of the financial condition of the undertakings concerned to that of the industry as a whole. Until September 30th last year, a colliery was entitled to assistance at the rate of 2s. 6d. per ton on the difference between its actual and its notional supply, i.e., the quantity it would have supplied had it retained the same proportion of the total supply of the industry as in the corresponding period of 1939. From October 1, 1941, however, the right to and the amount of compensation will be regulated by the difference between the credit balance of the individual undertaking during the period of impairment and a figure representing between 80 per cent and 100 per cent (as the Central Council may determine) of the credit balance of the whole industry. A colliery will not be eligible for any assistance if its actual supply is greater than its notional supply, or if its rate of profit per ton is in excess of that of the national average, unless it can show that the amount arrived at by multiplying its actual supply in the impairment quarter by its rate of profit per ton is less than that obtained by multiplying its notional supply by the national rate of profit. It is expected that these arrangements will assist the more necessitous collieries to carry on. The levy for the current quarter remains unchanged at 2d. per ton.

Cotton Importers and Distributors

When the cotton futures market in Liverpool was closed at the end of March, 1941, a company, Cotton Importers and Distributors, Ltd., was formed under Government auspices to carry on the work of distributing raw cotton supplies to the trade. The company consisted of members of the Liverpool and Manchester Cotton Associations; directors were appointed by ballot. The Government allocated a sum of £500,000 for the services to be rendered by Liverpool and Manchester firms during the ensuing twelve months. During the past two weeks discussions have taken place between the Cotton Controller, Mr Frank Platt, and the directors of CID, and it is reported that important changes are about to take place. It is understood that the Controller has decided to abolish the dual control; this will involve the winding-up of CID, and merchants will be remunerated on a commission basis for work done. Some firms may suspend business for the duration of the war. The proposed change has caused some

ROYAL BANK OF CANADA

DIVIDEND No. 218.

NOTICE is hereby given that a DIVIDEND of 2 per cent., being at the rate of 8 per cent. per annum, upon the paid-up capital stock of the bank, has been declared for the three months ending 28th February, 1942, and will be PAYABLE at the bank and its branches on and after 2nd March, 1942, to shareholders of record 31st January, 1942.

E. B. McINERNEY, London: Manager.
By Order of the Board.

6 Lothbury, London, E.C. 2. January 15th, 1942.

concern among raw cotton merchants in Liverpool and Manchester, but the system in force during the past nine months has not been satisfactory and some revision of the arrangements has become necessary. The work of the CID has not been easy; for example, spinners have complained of having to gather relatively small numbers of bales from numerous districts, a consequence of the dispersal of stocks.

Canned Food Storage

Canned food now plays a more prominent part in the average diet than it did in peacetime when a greater variety of fresh foods was available. Fears of future shortages tempt the housewife to keep stocks of canned foods longer than in peacetime. There has been discussion on the durability of these preserved foods, and the

Food	LIFE OF CANNED FOODS		Effect of Longer Storage
	Storage Life		
Fish, meat (sausages, meat rolls, galantines, tongues, soups)	Over 5 years		—
Hams	6 months	Usually sound, if can not bulged	—
Honey, jam (lacquered cans)	3 years	Appearance less attractive	—
Vegetables	2 "	Appearance does not deteriorate	—
Baked beans	Over 2 yrs.	Appearance less attractive. Damaged parts of lacquer may be attacked	—
Fruit, soft or stoned	1 year	—	—
Condensed milk—			
Unsweetened	3 years	—	—
Sweetened full cream	6-9 months	Becomes sugary, but not objectionable	—
Dried milk powder	A few weeks	Depends on moisture, butter fat content and method of packing	—

Ministries of Food and Health have now given useful guidance in listing the length of life of various foods in cans, summarised above. Cans are made of tinplate, but articles such as acid fruits, which might corrode the tin coating, are packed in lacquered cans. The temperature and degree of humidity of storage places affects the external condition of the can and of its contents; dampness may lead to rusting and perforation may eventually follow. The length of time which foods will keep appears to have been wisely estimated somewhat conservatively by the Ministries. For example, sardines are better when kept longer; there are vintage sardines which are at least seven years old. No times are given after which it may be definitely unsafe to consume tinned foods, but it may be that deterioration sets in at widely different times, even for the same food, according to the packing of the tin and storage conditions. Where one or both ends of a can are bulged and cannot be pushed back to their normal position, the can is "blown" and should not be used; nor should cans with rust holes, punctures or defective lids. The Ministries' announcement does not mention foods packed in glass, but it is well known that these do not last as well as canned foods. It is urged that the date of purchase should be written on the label, but the date of purchase is no guide to the age of the food. It would be more sensible if the date, or at least the season, of packing were printed on the label of the container.

Non-Pacific Tin

In recent years South-Eastern Asia has been responsible for roughly two-thirds of the world's tin production,

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

and the United States, Great Britain and Russia for a similar proportion of world consumption. These facts in themselves indicate the seriousness of the Japanese threat to Allied tin supplies, even if stocks of tin in the United States and Great Britain are substantial and considerable quantities of tin are still being shipped from the Eastern producing areas, and in particular from the Netherlands Indies. The conclusions to be drawn from the present position are twofold. On the one hand, tin must be saved as far as possible by the exclusion of unessential consumption, by the recovery of secondary tin and by large-scale substitution of other metals and non-metallic materials for tin. On the other hand, supplies from non-Pacific sources must be raised to their maximum with the least delay; virtually the whole of these are either directly controlled or otherwise (chiefly by existing delivery agreements) available to the Allies. Production in these areas is shown below:—

	NON-PACIFIC TIN PRODUCTION in Long tons		Standard Tonnages	
	Peak Production	1940	Old Agreement	New Agreement
Belgian Congo	12,392(e)	12,392	13,200	20,178
Bolivia	46,338(b)	37,940	46,490	46,678
Nigeria	10,855(d)	10,257	10,890	15,367
Cornwall	3,271(b)	1,500*		
Other Africa (f)	1,613(a)	1,500*		
Australia	3,329(c)	3,300*		
Other America (g)	2,071(c)	2,500*		
Portugal & Spain	1,910(d)	2,000*		
(a) 1928. (b) 1929. (c) 1938. (d) 1939. (e) 1940. (f) Chiefly South Africa. (g) Argentina, Mexico and Peru. * Estimated.				
† Not member of regulation scheme.				

The table indicates that production in non-Pacific tin producing areas reached about 71,400 tons in 1940, against their combined peak production in recent years of 81,779 tons. Consumption in the United States, Great Britain and Russia amounted to roughly 145,000 tons last year and may be reduced to 100,000 tons this year by the exclusion of all non-essential consumption. Even so a large gap remains between prospective Allied requirements and the tonnages available from the non-Pacific producing countries in 1940. It is most unlikely that the gap of, say, 29,000 tons can be bridged by increased production, but it can certainly be narrowed by a determined effort.

Amongst the smallest non-Pacific producing areas the output of Portugal and Argentina is rising slowly, but prospects for a material increase in the immediate future are slight. Cornwall could double its output to roughly 3,000 tons a year, provided that funds and labour are made available by the Government. The main contribution to a sizable increase in non-Pacific tin production, however, must come from Nigeria, the Belgian Congo and Bolivia. Amongst these, Bolivia is meeting with difficulties. The Bolivian mines are situated high up in the Andes at elevations around 15,000 feet above sea-level. Climatic conditions prevent the employment of foreign labour, and native labour has been short since the Chaco war. Moreover, technical equipment requires replacement, a fact which increases some difficulties as the Bolivian mines are lode increase in Bolivian supplies, though not immediately. Prospects appear much more favourable in Africa. The Belgian Congo has not been seriously hampered by the regulation scheme in its developments, which are chiefly of recent date. Ore reserves proved over great stretches of the Colony from Katanga in the south along the great lakes to Ruanda-basi tonnage of the Colony under the new scheme has been raised to over 20,000 tons in proof that development has outpaced recent production. Equipment will be needed by the Congo mines and should be provided without delay. This year the Congo may supply 15,000 tons, and if the material help is forthcoming, this figure may be raised to 20,000 tons next year. The Nigerian tin mining industry which is centred on the Bauchi plateau, 700 miles from the coast, has solved unusually difficult water and power supply problems. In recent years, however, little has been done to raise its capacity. If additional mining equipment is provided, production can be rapidly stepped up to an annual rate of about 20,000 tons. As Nigeria's tin mining industry, like that of Malaya, is mainly engaged on the exploitation of alluvial deposits, it appears logical that, wherever possible, equipment from endangered Malaya areas should be dismantled and shipped to Nigeria.

COMPANY MEETINGS

BARCLAYS BANK LIMITED

FEATURES OF AN EVENTFUL YEAR

MANY DIFFICULTIES SURMOUNTED

NOTABLE INCREASE IN DEPOSIT, CURRENT AND OTHER ACCOUNTS

WARTIME STAFF PROBLEMS

MR EDWIN FISHER ON URGENCY OF NATIONAL SAVING

RETIREMENT OF MR L. D. LEWIS

The following is the statement by the Chairman, Mr Edwin Fisher, on the report and accounts for the year ended December 31, 1941, to be submitted at the forty-seventh ordinary general meeting of the shareholders, to be held at the head office of the bank, 54, Lombard Street, London, E.C.3, on Monday, January 26th, 1942:—

For the convenience of shareholders, it is intended that the proceedings of the annual general meeting shall be formal in character, and accordingly, instead of my customary address, this brief statement on the bank's affairs for the year ended December 31st last is being circulated with the report and accounts.

THE LATE MR BLAND AND MR FORRESTER

It is with a deep sense of loss that we record the death of Mr Francis Lawrence Bland. That he was invaluable to us is no exaggeration. With a profound knowledge of banking, he was possessed of great administrative ability which found full scope both in the bank and in the county of Suffolk. He had also gifts of understanding and human sympathy which gained for him a special place in our affections and in the affections of countless others with whom he came in contact. We deplore his death, but deem ourselves fortunate in having had among our number a man of such rare attainment.

We also record with sincere regret the death of Mr Peter Forrester, who joined our board in 1920, when The Union Bank of Manchester Limited, of which Mr Forrester was then the managing director, became affiliated to Barclays Bank Limited. During a long banking life, for he entered the Bank of Liverpool some 60 years ago, he became a noted authority on commercial banking in Lancashire, and The Union Bank of Manchester, over whose fortunes he watched for so many years, owed much to his foresight, ability and shrewd judgment. Barclays Bank too, in its turn, derived benefit from his wide experience, and we would wish to place on record our appreciation of the valuable help which he gave us on all occasions.

CHANGES ON DIRECTORATE

Mr Frederick George Hugh Clayton, who was elected to the board in 1906 and was therefore one of our senior directors, has decided to relinquish his seat upon the board on the ground of ill-health. We regret the reason which has led him to take this step. Happily for us he finds himself able to continue to represent us upon the local board at Newcastle-upon-Tyne, so that we shall still have the benefit of his knowledge and advice in connection with our banking interests in that district.

Mr Walter Osborne Stevenson has been appointed to a seat on the board and, at the annual general meeting, shareholders will be asked to re-elect him. He is well known to you, having been a general manager of the bank for a number of years. He retired from this position at the end of last year, after 41 years of banking service. The wide knowledge and experience of foreign and overseas banking which he brings to the board will be of great value. Mr Frederick Cecil Ellerton, who was one of our assistant general managers, and who has been in close association with Mr Stevenson for many years, has been appointed a general manager of the bank.

You will also be asked to confirm the appointment to the board of Mr George Colville Hayter-Hames, C.B.E. As a local director at Exeter, he has represented our interests in Devon with conspicuous success, and I am confident that he will prove to be a most useful member of the board.

It is appropriate that I should make reference to the retirement at the end of last year of Mr Lewis Davies Lewis, who was one of our loyal band of assistant general managers. He had been with us for many years, having joined the London and Provincial Bank Limited in 1898, and he had held his important appointment since 1919. We take leave of him with genuine regret and wish him all happiness in his retirement.

During the year 47 members of our staff have lost their lives in the service of their country and their names are recorded in the report of the directors to the shareholders. These names are held in honour and we pay tribute to their memory. We also regret that there are 14 members of the staff on active service reported as "Missing," and that altogether 67 of our men are known to be prisoners of war.

Before making any detailed reference to various items in the balance-sheet, a few general remarks by way of introduction may be permitted.

EFFECT OF INTENSIFIED WAR EFFORT

What I have to say is purposely confined to the domestic affairs of the bank—to my mind an appropriate course to take in these times. The balance-sheet as at December 31, 1941, reflects, as is only natural, the influence on financial conditions of the intensified war effort of the country, which has been so marked during the past twelve months. The year was notable for a great increase in our current, deposit and other accounts and, on the other side of the balance-sheet, for a marked rise in the amounts lent to the Government in the form of Treasury deposit receipts and longer-term British Government Securities. There has been, however, a heavy decrease in our total of bills discounted and a further falling off in our advances to customers. We have had to solve many staff problems connected with the calling-up of our men for service with the Forces and to deal with the difficulties occasioned by damage to our premises from enemy action. The country has experienced a great decrease in enemy bombing for several months, but certain of our branches sustained damage in air raids during the year. Where this happened, the interruption to the smooth conduct of business was reduced to a minimum and the special arrangements made to cope with such disturbances were again found to work with smoothness and efficiency.

CONVERSION OF SHARES INTO STOCK

As you will see from the notice of meeting, we are proposing to convert our "A," "B" and "C" shares into stock. This step will save a great deal of clerical labour by eliminating the necessity of checking definitive numbers of shares in share registers, transfers and certificates. It will not be necessary for shareholders to send to us their present certificates for alteration. The board propose to fix £1 as the minimum amount of the stock of each class which will be transferable.

It would also seem to be an opportune moment for adopting the common form of transfer for our "A" and "B" capital. The use of a special transfer form is required by Article 19 of our articles of association and therefore a special resolution to vary this procedure is necessary. Accordingly, an extraordinary general meeting of the shareholders has been called for Monday, February 9th next, so that the alteration can be carried out. The transfer arrangements relating to the "C" capital, which is reserved for

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the staff of the bank, will not be disturbed. I have little doubt that these proposals will meet with the approval of the shareholders.

THE BALANCE-SHEET

The total of our current, deposit and other accounts has attained a record figure of £645,185,397, against £546,914,676 at the end of 1940. This further expansion conforms to the general pattern of banking figures during the past twelve months.

Due recognition can well be given to the great service which the banking system of this country renders in mobilising the credit resources of the country in a manner which enables them to be utilised for the benefit of the community in peace or war. The network of branches covering all parts of the country collects the deposits of the public and the system which has been developed by care and experience enables these deposits to be utilised for lending to the Government and to trade and industry, and thus facilitates the employment of workers and the production and marketing of goods. At the same time, the depositor knows well that his deposit will be available for him to use at any time.

One further word on the subject of our increased deposits. It would be idle to pretend that the rise in our deposits has not helped our earning power, but the extent to which we have benefited should not be allowed to get out of true perspective, for when we come to examine the increased cost of administration, the special war-time expenditure and the heavier taxation which has to be borne, it is perhaps not surprising that there has been a diminution in the net profit, as will be seen from the figures to which later reference is made.

EXTREMELY LIQUID POSITION

In view of the increased importance of Treasury deposit receipts as a means of financing the floating debt requirements of the Government, it is not surprising that the total of our bills discounted is lower at £40,343,437, against £61,822,742 twelve months earlier. Of the total of bills discounted at the end of 1941, no less than £32,080,000 consisted of Treasury bills. Nevertheless, our specially liquid assets, comprising cash in hand and with the Bank of England; balances with other British banks and cheques in course of collection; money at call and short notice; bills discounted; and Treasury deposit receipts, total £315,694,392, a ratio of 49 per cent. of our current, deposit and other accounts. It will be seen, therefore, that our position is extremely liquid and that we are favourably placed to deal with any eventualities that may arise.

ADVANCES AND INVESTMENTS

If we turn to the other earning assets, it will be noticed that our advances total £174,234,477, representing 27 per cent. of our current, deposit and other accounts, whereas our investments (excluding those in subsidiary banks) total £168,219,936, representing 26 per cent. of those accounts. Time was when we looked to lend 50 per cent. of our deposits in the form of advances, a percentage which, in more spacious days, was considered a fitting proportion to be lent in this way. It is not that bankers have become more niggardly or less willing to lend. Circumstances have come into play which are so well known to you that they need not be referred to in detail. It is true to say that, as a result of the war, industry as a whole is more fully occupied than in peace time.

On the other hand, certain businesses which are less essential for the prosecution of the war are doing less work. Moreover, many transactions are now financed by the Government in one way or another, with the result that trade and industry need less of our money by way of banking advances and this money, instead, must find a resting place in the more prosaic field of investment. Compared with a year ago, our investments have risen by £46,745,081, the increase being more than accounted for by larger holdings of British Government securities, mainly through subscriptions to the new Government issues.

It is some solace to us that, compared with our investments, our advances are still in the lead, but the margin is a slender and narrowing one, and we hope that after the war our advances will be found in the ascendancy.

AGRICULTURE

In spite of the great activity in agriculture, due to the measures taken to increase the home production of food, there has been some falling off in our advances to farmers. This decline betokens

the better times which farmers are experiencing. Easier conditions for the industry have made the farmer less dependent on borrowed money than formerly, for he is getting better prices for his produce. It is well that this should be so. It is also satisfactory that the wages for these agricultural workers have been brought more into line with the wages earned in other industries, seeing the national importance of agriculture and the necessity to make conditions sufficiently attractive to stay the drift of labour to the towns.

It is natural, if it may seem unfair, that the importance of agriculture in times of war should receive an emphasis which is denied to it in peace. We may hope that the lessons learned—a balanced programme and an agricultural policy suited to our particular needs—will be remembered, so that the efficient farmer may be assured of conditions which will enable a proper relationship to be kept between the costs of production and the prices of farm products. The decrease in our loans to farmers does not result from any change in the policy of the bank, which remains ready and willing to afford all assistance in its power of a banking nature to those who are exerting every effort to increase our home-grown food supplies.

IMPORTANCE OF NATIONAL SAVING

By heavy taxation of income, by the drive of new savings, by rationing and by price control, the Government has been able to keep in check the dangers of inflation. No small part of this success has been due to the energy and leadership of those directing the National Savings Movement. We must, however, at all times be alive to the possibilities of inflation, which are ever present, and in this connection one has only to look at the high level of banking deposits and at the mounting total of the note circulation.

The rise in the note circulation is no doubt very largely due to higher amounts paid out in wages to individual workers and to the great increase in the numbers of people employed, which is shown not only by the fall to an insignificant level of the total of persons registered as unemployed, but also by the bringing into active employment of those not previously engaged in industry. Part at least of the increase in the note circulation may represent additional money in the pockets of the people which would be better employed if invested in National Savings Certificates or some other Government security, and it is the duty of each one of us to see that money does not lie idle to the detriment of the war effort.

DUTY OF CITIZENS

We, as citizens, should continue to give every support to the Government by providing funds, through savings, to equip the fighting forces with the weapons they need and our efforts in this direction, coupled with the other measures which the Government has taken, should enable this country to emerge from the war without having to face the very serious difficulties which inflation on a large scale would assuredly bring in its train.

The new Tax Reserve Certificates, which have recently been offered by the Government, will help to absorb the funds accumulated by customers of the banks in the shape of credit balances in readiness to meet Government taxation. These resources were not previously free for diversion by customers into Government securities or other forms of national saving, and the new security should assist in ensuring a more even flow into the Exchequer of what, in effect, is money earmarked for meeting taxation demands.

NET PROFIT AND DIVIDENDS

The net profit of the bank for the year ended December 31st last, after payment of all charges and after making provision for all bad and doubtful debts and for contingencies, amounted to £1,353,302 13s. 3d., which compares with the figure of £1,525,665 16s. for the year 1940. The sum of £546,704 5s. 6d. was brought forward from December 31, 1940, making a total report, the directors have allocated for the profit for the year £200,000 to contingency account and £150,000 to premises reserve account for deferred repairs and reinstatement).

Interim dividends at the rates of 5 per cent. on the "A" shares and 7 per cent. on the "B" and "C" shares, less income-tax in each case, were paid on August 8th last, amounting to £520,734 os. 8d. The directors now recommend the payment of final

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dividends of 5 per cent., making 10 per cent. for the year, on the "A" shares, and 7 per cent., making 14 per cent. for the year, on the "B" and "C" shares, less income-tax, involving a sum of £520,734 os. 8d., and leaving a balance of £508,538 17s. 5d. to be carried forward. That is what we propose and I hope that shareholders will feel satisfied with the results which we have been able to show, having in view the increased taxation which the gross profit had to bear.

VALUATION OF PREMISES

Our premises stand in our balance-sheet at £7,937,665 and are conservatively valued. Where the premises happen to be leasehold, provision is made annually so that the cost to us is extinguished by the time the lease runs out, or earlier. The figure compares with £7,952,334 in the balance-sheet for the previous year. In the interval, capital outlay has been, of necessity, reduced to a minimum. We are not, therefore, proposing to make a general allocation towards reduction of premises account on this occasion. It is clear, however, that in war-time it is not possible to carry out such a complete programme of maintenance as that to which we are accustomed, and consequently we have thought it prudent to set up, out of our profit, the premises reserve account which I have mentioned, so that it may be available when time permits, for purposes of repairs and reinstatement.

In cases where premises have sustained war damage, the appropriate claims for compensation are being lodged with the War Damage Commission, but inasmuch as at this stage we can make only a conjecture of the amount of compensation to be received from the War Damage Commission towards the cost of reinstatement of the premises after the war, the existence of a reserve account of the nature I have described will, I feel sure, meet with the approval of the shareholders.

STAFF PROBLEMS

Staff matters have occupied our attention to an increasing extent during the past year. We are concerned to see that our internal organisation is able to meet the calls made upon us for the release of man power for other purposes and at the same time to maintain at a high level of efficiency those services upon which so much of the successful conduct of the war industries and the general life of the community depend. Since I last made my report to the shareholders, we have released for service with the Forces a further large number of our staff. At the end of 1941, 5,261 of our men were serving with His Majesty's Forces or were absent from the bank on other full-time National Service. Many more are waiting to go under arrangements made earlier in that year with the Government authorities concerned. In place of the men who have left us for other forms of National Service, we have engaged mainly women staff, and a measure of the efforts which have been made to meet the new situation is afforded by the fact that, with so large a proportion of relatively new staff in the bank, the number of men and women employed is smaller than before the war, in spite of the increased work undertaken for the Government, the large expansion in the credit balances kept with us and the growth in the number of current accounts of Customers on our books.

CLOSING OF SOME BRANCHES

The solution of these staff problems would not have been possible without some exceptional measures. It has been part of our policy to close branches wherever possible, in order to effect some economy in staff, and since the outbreak of the war we have closed no fewer than 470 branches, although some of them, it is true, have been closed for us through enemy action. Of those voluntarily closed, the majority are small offices, and while a number of staff have been freed in this way, the effect of this saving can be easily overestimated because, although a branch or sub-branch may be closed, the banking business carried on at that office has to be done elsewhere and staff must be available to undertake the work. We shall proceed with this programme of concentration wherever possible.

The closing of branches may cause some inconvenience to customers, but I am sure they will appreciate the exceptional circumstances which make it necessary. Our aim is to afford a banking service which is at all times efficient, able to adapt itself to changing conditions, and with branches staffed by men and women imbued with the desire to make the bank they represent

TRIBUTE TO MANAGEMENT AND STAFF

In the eventful year through which we have just passed, there have been difficulties to face and new problems to be solved in the conduct of our business. It would be strange if it had been otherwise. That the difficulties have been surmounted successfully and the problems overcome speak volumes for the energy and loyalty of the staff, men and women, permanent and temporary, for it is on them that the day-to-day burden has rested, but no tribute would be complete without a special acknowledgment of the part played by the general managers and all those others associated with them in the administrative work of the bank. What they have done has been invaluable. I offer to all, on behalf of myself and the board of directors—and, I feel sure, also on behalf of the shareholders—our grateful thanks and appreciation.

ALEXANDERS DISCOUNT COMPANY, LIMITED

MR COLIN F. CAMPBELL'S STATEMENT

The annual general meeting of Alexanders Discount Company, Limited, will be held at their offices in London on Wednesday, the 21st inst.

The following is an extract from the statement to the shareholders by Mr Colin F. Campbell (the chairman), circulated with the directors' annual report and accounts:—

I regret to say the offices of the company were twice damaged through enemy action during the early months of the year, when the management and staff were again called upon to work under very great discomfort and inconvenience. It will be remembered that the offices were first damaged in November, 1940, when a messenger of the company lost his life. One-half of the members of the staff are now on active service with the armed forces of the Crown, and so far as we know they are all well. We send to them our best wishes for their safety and good health.

SATISFACTORY RESULTS

The results of the past year may be considered in every way satisfactory. The volume of business was again very considerable. The bank rate stood at 2 per cent. throughout the year. Rates ruling for money continued without much change, and the same may be said of those for bills, which were dealt in at a fraction over 1 per cent., the differences in Treasury Bills week by week being only a few pence. The bulk of the business transacted was in Treasury Bills, while the supply of commercial bills is still small.

The gross profits for the year, after making provision for taxation and a transfer to contingencies, are shown in the profit and loss account at £438,012 5s. 9d. before providing for rebate. The amount brought forward from last year was £160,570 os. 6d., making a total of £598,582 6s. 3d., as mentioned in the directors' report. From this rebate has been provided to a total of £211,379 13s. 1d., and after deducting this amount and also current expenses and interim dividends (together £338,395 13s. 8d.) an amount of £260,186 12s. 7d. remains to be dealt with.

Interim dividends on the preference and ordinary shares were paid as usual in July, and it is proposed at the forthcoming meeting to pay a dividend on the preference shares at the rate of 6 per cent. per annum, and on the ordinary shares at the rate of 20 per cent. per annum, these being the same as in the previous year, and to carry forward to the next account £169,186 12s. 7d., against £160,570 os. 6d. brought in a year ago.

The balance-sheet calls for no special comment. Bills discounted are slightly less than they were a year ago and, as I have stated, are almost wholly composed of Treasury Bills. The securities, which now consist of British Government issues entirely, are more than £4,000,000 in excess of the total disclosed in the balance-sheet of 1940, and they are all short-dated.

Our thanks are once again due to Mr Newcomb and to his successor, Mr Bowie, for the careful manner in which the affairs of the company have been conducted throughout the year, and in

fact to all those who have been associated with them in carrying on the business.

REMUNERATION OF DIRECTORS

Shareholders will observe that a special resolution is to be submitted at the ordinary meeting, dealing with the remuneration of the directors. Under the original article, the directors were entitled to their remuneration free of income-tax, but the Finance Act,

1941, introduced legislation to modify the remuneration payable in such cases. It is considered that the matter would best be dealt with by providing that the directors should in future bear the income-tax personally on such remuneration as they receive, and the proposed new article would have this effect. The gross remuneration of the directors would then amount to a sum slightly below that which they received in the year ended December 31, 1940.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: All dealings are for cash

EVENTS in the Far East continue to exert a restrictive influence on the markets, but the advance in most sections is being maintained. In particular, re-investment support and shortage of stock in the gilt-edged market occasioned numerous small improvements, which on Tuesday became a general advance with gains of $\frac{1}{2}$ and upward. In the foreign bond market, Brazilian stocks enjoyed steady support, but Chilean issues fell immediately before and after the week-end. A rise of 2 points for the 5 per cent. loan of 1912 on Tuesday reflected the strong demand for Chinese bonds. A little profit taking resulted in

numerous small losses for junior stocks in the home rail market, but on Tuesday prices remained steady. Senior issues, however, continued to advance on persistent support. In the foreign rail market senior Argentine stocks were in demand before the week-end, but in the early part of this week lack of interest led to many small declines.

Turnover in the industrial market was moderate, buyers tending to hold off pending developments. Brewery issues, however, were strong on provincial support before the week-end, although Guinness fell $\frac{1}{2}$ s., but the higher prices were later maintained. Albion Motors were prominent in the aircraft and motor group, but movements in the heavy industrial section were without interest, although Allied Iron rose $\frac{1}{2}$ s. on Tuesday. Shipping issues

were dull and neglected. After early advances on the Government's announcement to schedule the industry as a "vital war industry," textile issues suffered an all-round decline on profit-taking in the middle of the week. Quiet trading in the tobacco group led to small losses at the re-opening, but on Tuesday Carreras gained $\frac{1}{2}$ s. Among miscellaneous issues, Dunlop Rubber fell $\frac{1}{2}$ s. on Tuesday, when Brazilian Traction lost $\frac{1}{2}$ s., but Turner and Newall improved slightly on balance. The kaffir market reacted sharply to rumours of a possible restriction on gold production, and a steady offering of non-producers by the Cape on the Friday was followed by some weakness in dividend payers in the early part of this week, losses of $\frac{1}{2}$ s. being general. Small purchases in the tin market occasioned a few small improvements, Nigerian issues being especially in request, but each day saw further declines for Far Eastern shares. The decline in rubber issues continues, with losses of $\frac{1}{2}$ s. for Sungei Krian and Saping in the early part of the week, but non-Malayan producers were in demand, Malayalam rising sharply. After earlier gains in the oil market, the Japanese assault on the Dutch East Indies led to numerous losses on Monday, but the following day prices recovered lightly on renewed buying.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Div. 1941	Security Index	30 Ord. shares*	20 Fixed Int.†
Jan. 8	3,479	2,385	80.8	132.8	
" 9	3,593	2,383	81.3	133.0	
" 12	4,195	2,169	81.4	133.1	
" 13	3,292	2,873	81.3	133.4	
" 14	3,190	2,216	81.3	133.4	

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 83.2 (Dec. 2); lowest, 66.8 (April 24). 20 Fixed Int., 1941; highest, 133.4 (Jan. 13); lowest, 126.1 (Jan. 2).

Capital Issues

Week ending January 17, 1942	Nominal Capital	Conversions	New versions	Money
Particulars of Government issues appear on page 89.				
Year†	Including Excluding	Conversions	Conversions	
1942	27,447,019	25,647,019	25,647,019	
1941	40,832,002	40,832,002	40,832,002	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K. Countries	Foreign
1942	25,647,019	Nil	Nil
1941	40,832,002	19,004	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942	25,647,019	Nil	Nil
1941	40,832,002	8,541	10,468

† Includes Government issues to Jan. 6th, 1942, only. Above figures include all new capital in which permission to deal has been granted.

New York

FAR Eastern developments and renewed tax uncertainties occasioned a decline in both turnover and prices on Wall Street at the close of the previous week. Selective buying at the re-opening, however,

Continued on page 90, column 3

GOVERNMENT RETURNS

For the 10 days ended Jan. 10, 1942, total ordinary revenue was £102,046,000, against ordinary expenditure of £128,801,000, and issues to sinking funds of £357,714. Thus, including sinking fund allocations of £8,156,701, the deficit accrued since April 1st is £2,309,106,000 against £2,022,151,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to Jan. 1941	April 1 to Jan. 1942	11 days ended Jan. 10, 1942	10 days ended Jan. 10, 1941
Income Tax	756,000	230,952	379,048	43,873	52,143
Sur-tax	80,000	35,168	34,897	11,900	11,160
Estate, etc.	82,000	59,984	68,446	1,884	2,722
Duties	14,000	10,378	9,893	1,687	950
Stamps	210,000	47,036	191,651	3,263	12,080
N.D.C.	1,000	348	277	...	...
E.P.T.	...	...	...	...	...
Other Ind. Rev.	...	...	...	...	...
Total Ind. Rev.	1143,000	401,788	700,496	62,597	79,055
Customs	310,700	235,881	280,465	9,361	9,202
Excise	266,660	147,400	245,900	4,414	3,500
Total Customs & Excise	577,360	383,281	526,365	13,775	12,702
Motor Duties	39,000	20,000	21,742	6,852	8,912
P.O. (Net Receipts)	3,300	7,300	9,400	450	...
Crown Lands	1,100	840	710	...	...
Receipts from Sundry Loans	2,600	1,012	3,007	42	49
Miscell. Receipts	20,000	22,188	61,894	275	1,328
Total Ord. Rev.	1786,360	836,409	1,323,614	83,991	102,046
SELF-BALANCING P.O. & Broadcastg.	99,346	68,950	78,800	2,850	1,900
Total	1885,706	905,359	1,402,414	86,841	103,946

Expenditure	Estimate, 1941-42	April 1 to Jan. 1941	April 1 to Jan. 1942	11 days ended Jan. 10, 1942	10 days ended Jan. 10, 1941
Ordinary Expenditure	255,000	206,898	223,303	8,839	1,545
Int. and Man. of Nat. Debt	9,200	6,229	5,899	299	327
Payments to N. Ireland	7,800	6,768	7,155	2,347	2,347
Other Cons. Pnd. Serv.	272,000	219,895	236,357	11,485	4,219
Supply Services	44,349,57	26,306,35	33,820,6	1,309,81	4,282
Total Ord. Exp.	470,957	285,053	362,456	14,246	12,881
SELF-BALANCING P.O. & Broadcastg.	99,346	68,950	78,800	2,850	1,900
Total	480,303	293,948	370,336	14,531	13,071

Issues out of the Exchequer to meet payments (£ thousands)	April 1 to Jan. 1941	April 1 to Jan. 1942	11 days ended Jan. 10, 1942	10 days ended Jan. 10, 1941
Ordinary Expenditure	255,000	206,898	223,303	8,839
Int. and Man. of Nat. Debt	9,200	6,229	5,899	299
Payments to N. Ireland	7,800	6,768	7,155	2,347
Other Cons. Pnd. Serv.	272,000	219,895	236,357	11,485
Supply Services	44,349,57	26,306,35	33,820,6	1,309,81
Total Ord. Exp.	470,957	285,053	362,456	14,246
SELF-BALANCING P.O. & Broadcastg.	99,346	68,950	78,800	2,850
Total	480,303	293,948	370,336	14,531

After increasing Exchequer balances by £77,248 to £3,076,893, the other operations for the week (no longer shown separately) raised the gross National Debt by £27,240,640 to about £13,670 millions.

NET ISSUES (£ thousands)	150
P.O. & Telegraph	183
War Damage Act	7
Overseas Trade Guarantees	340

NET RECEIPTS (£ thousands)	9
Land Settlement	280
Tithe Act	289

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Jan. 9th and Jan. 16th. (Figures in brackets are par of exchange.)

United States	\$ (4.861) 4.021-034; mail transfers 4.021-034
Canada	\$ (4.861) 4.43-47; mail transfers 4.43-47
Switzerland	Francs (25.221) 17.30-40
Sweden	Krona (14.159) 16.85-95
Denmark	Krona (16.951) 17.15
Belgium	Francs (1761) 17.15
Netherlands	Guilder (10.36) 10.36
Portugal	Escudos (200) 200
Spain	Peseta (166.64) 166.64
Italy	Lira (1.36) 1.36

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25.221) 40.50 (Official rate); 46.55 (Voluntary rate). Turkey. Piastres (110) 620. Italy. 71.25 lire.

Finance

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
Jan. 11	845.0	Not available	...	...
Oct. 4	970.0	...	...	...
" 11	970.0	...	...	...
" 18	970.0	...	...	...
" 25	975.0	1558.9	241.8	3438.2
Nov. 1	975.0	Not available	...	...
" 8	975.0	...	...	...
" 15	975.0	...	...	...
" 22	975.0	...	...	...
" 29	975.0	1575.0	128.9	3428.1
Dec. 6	975.0	Not available	...	...
" 13	975.0	...	...	...
" 20	975.0	...	...	...
" 27	975.0	...	...	...
1942	2547.0	186.3	66.0	3610.8
Jan. 10 1942	975.0	Not available	...	...

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allocated	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
Jan. 10	65.0	134.7	65.0	20.2	36
Oct. 17	75.0	156.6	75.0	20.0	35
" 24	75.0	148.1	75.0	20.0	38
" 31	75.0	159.6	75.0	20.0	33
Nov. 7	75.0	168.3	75.0	19.1	25
" 14	75.0	163.5	75.0	20.0	27
" 21	75.0	158.2	75.0	20.0	33
" 28	75.0	174.6	75.0	20.1	23
Dec. 5	75.0	172.1	75.0	20.1	23
" 12	75.0	155.7	75.0	20.2	19
" 19	75.0	133.2	75.0	20.2	40
" 26	75.0	146.7	75.0	20.3	31
1942					
Jan. 2	75.0	157.8	75.0	20.1	30
" 9	75.0	161.6	75.0	20.2	27

On January 9th applications at £99 15s. per cent for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 27 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 1d. for bills to be paid for on Monday were accepted in full. 70 millions of Treasury bills are being offered on January 16th. For the week ending January 17th the banks will not be asked for Treasury deposits.

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

Week ended	N.S.C.	3% Bonds	2½% Bonds	War Bonds 1949-51
Dec. 2	4,872	3,075	10,871	12,388
" 9	4,805	4,250	10,908	13,191
" 16	4,245	3,662	9,281	14,184
" 23	3,041	1,935	6,748	4,328
" 30	2,740	1,678	4,028	3,417
Jan. 6	4,097	2,128	4,613	3,274
" 13	...	...	7,853	7,220
Totals to date	429,884	381,761	455,539	186,135

* 111 weeks. † 54 weeks. ‡ 14 weeks.

Interest free loans received by the Treasury up to Jan. 13th amounted to a total value of £43,377,330. Up to Dec. 31st, principal of Savings Certificates to the amount of £53,072,000 has been repaid.

Market Rates.—The following rates remained unchanged between Jan. 9th and Jan. 16th.

Egypt. Piastres (97½) 97½-4	India. Rupee (18d. per rupee) 17½-18½	Singapore. \$ (28d. per \$) 28-4	Belgian Congo. Francs (1761) 17.15	Chinese National 2½-3½	Bangkok. Baht (15½d. sellers only)
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Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States, 3 cent pm-par. Canada, 1 cent pm-par. Switzerland, 3 cent pm-par. Sweden, 3 cent pm-par. Dutch East Indies, 1½ cents pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Jan. 9th and Jan. 16th:—

BANK OF ENGLAND RETURNS

JANUARY 14, 1942 ISSUE DEPARTMENT

Notes Issued:		
In Circul.	743,714,397	Govt. Debt... 11,015,100
In Bank. Department...	36,527,178	Other Govt. Securities... 767,302,766
		Other Secs... 1,666,052
		Silver Coin... 16,082
		Amt. of Fid. Issue... 780,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)..... 241,575
	780,241,575	780,241,575

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	144,552,838
Rest.	3,335,831	Other Secs.	...
Public Deps.	6,664,138	Discounts & Advances	6,025,152
		Securities	24,311,082
Other Deps.	133,759,961	Notes	30,336,234
Other A cts.	53,415,779	Gold & Silver Coin	36,527,178
	187,175,740		312,459
	211,728,709		211,728,709

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

COMPARATIVE ANALYSIS (£ millions)

	1941	1942
	Jan. 15	Jan. 14
Issue Dept.:		
Notes in circulation	602.8	751.7
Notes in banking department	27.4	28.5
Government debt and securities	626.5	778.0
Other securities	3.5	2.0
Silver Coin	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2
Deposits:		
Public	14.8	11.2
Bankers'	119.2	219.9
Others	54.3	54.1
Total	188.3	285.2
Banking Dept. Secs.:		
Government	152.3	240.6
Discount, etc.	3.7	6.4
Other	22.0	27.2
Total	178.0	274.2
Banking depart. res.	28.2	28.8
" Proportion "	14.9	10.1

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £730 millions to £780 millions on December 3, 1941.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
January 8	23½	23½
" 9	23½	23½
" 12	23½	23½
" 13	23½	23½
" 14	23½	23½

Bank rate, 2% (changed from 3% October 28, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 4 months,

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week ended		Aggregate from Jan. 1 to	
	Jan. 11, 1941	Jan. 10, 1942	Jan. 11, 1941	Jan. 10, 1942
Working days	6	6	9	8
Birmingham	3,265	3,905	5,178	5,732
Bradford	2,518	1,766	3,847	3,248
Bristol	1,793	2,190	2,607	3,122
Hull	785	882	1,206	1,445
Leeds	1,058	1,117	2,474	2,105
Leicester	949	958	1,672	1,627
Liverpool	4,904	4,770	7,344	5,102
Manchester	11,614	12,314	20,716	20,099
Newcastle	1,705	1,816	2,567	2,554
Nottingham	489	586	954	1,070
Sheffield	665	1,481	6,651	1,874
Southampton	117	130	162	182
12 Towns	29,862	31,917	49,392	48,160
Dublin*	8,753	9,357	8,753	9,357

* Jan. 4, 1941, and Jan. 3, 1942.
† From Jan. 5, 1941.

OVERSEAS BANK RETURNS
RESERVE BANK OF INDIA
Million rupees

	Jan. 12, 1941		Dec. 19, 1941		Jan. 12, 1942	
	1941	1941	1941	1941	1942	1942
Assets	444	444	444	444	444	444
Gold coin & bullion	299	355	349	344	338	338
Rupee coin	596	575	532	472	516	516
Balances abroad	1,315	2,096	2,176	2,276	2,376	2,376
Sterling securities	496	415	415	415	415	415
Ind. Govt. rup. secs.	75	85	85	85	85	85
Investments	2,300	2,998	3,076	3,145	3,212	3,212
LIABILITIES	2,300	2,998	3,076	3,145	3,212	3,212
Notes in circ. India	178	211	211	211	214	214
Govts.	178	211	211	211	214	214
Banks	477	374	366	340	340	340
Reserve ratio	68.9%	76.8%	77.5%	78.2%	79.0%	79.0%

U.S. FEDERAL RESERVE BANKS

Million \$'s

	Jan. 9, 1941		Dec. 26, 1941		Jan. 13, 1942	
	1941	1941	1941	1941	1942	1942
12 U.S.F.R. BANKS	19,805	20,516	20,515	20,490		
Gold certifs. on hand and	20,138	20,754	20,743	20,800		
due from Treasury	324	224	214	296		
Total cash reserves	2,184	2,240	2,343	2,254		
Total U.S. Govt. secs.	2,195	2,255	2,260	2,268		
Total bills and secs.	23,196	24,571	24,338	24,191		
LIABILITIES						
F.R. notes in circ.	5,877	8,014	8,202	8,179		
Excess tur. bank res.	6,840	3,090	3,060	3,390		
Mr. bank res. dep.	14,284	12,497	12,447	12,717		
Govt. deposits	220	925	908	665		
Total deposits	16,244	14,905	14,777	14,756		
Total liabilities	23,196	24,571	24,338	24,191		
Reserve ratio	91.0%	90.6%	90.3%	90.7%		
BANKS AND TREASURY						
Monetary gold stock	22,034	22,747	22,750	22,742		
Treasury & bank currency	3,088	3,238	3,244	3,246		
LIABILITIES						
Money in circulation	8,628	11,023	11,224	11,109		
Treasury cash and dep.	2,423	3,118	3,103	2,883		

(Continued from page 88)

induced some small gains, and on Tuesday, despite mild profit taking, the market led by copper and rubber issues, developed a strong upward trend.

New York Prices

Total share dealings: Jan. 7, 630,000; Jan. 8, 530,000; Jan. 9, 650,000; Jan. 10, 290,000; Jan. 12, 490,000; Jan. 13, 730,000; Jan. 14, 610,000.

* Two-hour session.

STANDARD STATISTICS INDICES
(1935-36=100)

	1941		Dec. 24, 1941		Jan. 7, 1942	
	Low	High	Low	High	Low	High
347 Industrials	71.6	83.9	71.6	73.0	74.8	74.8
32 Rails	58.6(0)	71.7(a)	58.7	61.3	66.9	66.9
40 Utilities	61.0	80.1	61.0	65.2	67.4	67.4
419 Stocks	69.3	82.6	69.3	71.1	73.2	73.2
Av. yield*	8.29%	6.41%	8.29%	7.88%	7.66%	7.66%

* 50 Common Stocks. (a) Nov. 5. (b) Dec. 10.

DAILY AVERAGE OF 50 COMMON STOCKS

	Jan. 1	Jan. 2	Jan. 3	Jan. 5	Jan. 6	Jan. 7
Closed	89.2	89.9	91.2	90.6	90.6	90.0

1942 High: 91.2, January 5. Low: 89.2, Jan. 2

COMMODITY AND INDUSTRY NEWS

THE diamond sights which were to have been held in London early this week have been postponed by Government instruction. The Ministry of Supply has arranged for the distribution of turpentine, pine oil and rosin for approved uses, through its agents, the United Kingdom Naval Stores. At a meeting of the Rubber Control Board last Tuesday, the conservation of rubber supplies was discussed. Tin continues to be supplied by the Non-ferrous Metal Control at the provisional price of £275 per ton, delivered works, plus extras, if any. A deputation of the Metal Exchange met the Chancellor of the Exchequer and the Minister of Supply on January 14th.

Spinners' Overtime.—Considerable satisfaction has been expressed at the decision of the Government to place the cotton industry on the list of trades engaged on vital war work. During the last few weeks there has been delay in fixing up Government contracts in cloth owing to the shortage of yarn. The spinning section of the Lancashire cotton industry has agreed to work four hours a week overtime from January 6th until the end of March, in order to increase production. The extra four hours, which was agreed between employers and operatives, is expected to yield an increase in production of 8 to 9 per cent. Time and a half is to be paid for the overtime.

Milk Prices Adjustment.—The Ministry of Food has decided to grant a retrospective increase in milk prices for the months of April to September, 1941, at the rate of an extra halfpenny per gallon, in response to application by the Milk Marketing Board and the National Farmers' Union. When the Ministry of Food announced prices for the year from April 1st last, it undertook to review the prices during each summer and winter half-year. It agreed to make appropriate adjustments where the average increase in costs exceeded the average increase in returns, as compared with the same period of 1938-9.

Clothing Coupon Quiz No. 2.—A number of changes have taken place in clothes rationing since the first Clothing Coupon Quiz was published by the Board of Trade last September. Some coupon

ratings have been altered, additional articles have been rationed and new arrangements made in certain cases. The first edition is therefore now out of date. The second edition, published last Thursday at 2d. per copy, is on the same lines as the first. More information has been squeezed into the original 24 pages by reducing page margins. The clearness and legibility of the pamphlet is not, however, impaired.

Export and Import Control.—Under a Board of Trade Order (H.R. and O., 1942, No. 35), which came into force on January 11th, export licences will be required in the case of all goods consigned to the Straits Settlements and to the Malay States. An Order (S.R. and O., 1942, No. 40) has also been issued revoking all outstanding export licences for various Far Eastern destinations. The Order applies to all export licences with the exception of certain general licences held by the Crown Agents for the Colonies and a number of other official and semi-official organisations. The Open General Licence permitting importation without separate licence of essential oils from the British Empire and certain other sources, was revoked from January 15th. Separate licences are now required for goods despatched after January 15th and imported into this country after March 15th. Turpentine will also be subject to licence on importation from any country except Eire.

Crepe Rubber.—The manufacture of boots and shoes with crepe rubber soles and heels was prohibited from January 14th, unless the crepe was cut before that date. This ban is causing great anxiety among manufacturers; it is estimated that crepe is used for almost half the production of women's and children's footwear. Many manufacturers are believed to hold large stocks, which they accumulated in anticipation of a shortage.

Control of Paper.—The Minister of Supply has made a direction relaxing the provisions of the Control of Paper (No. 36) Order in various ways. Posters relating to auction sales are permitted, but may not exceed ten in number. Stockholders may distribute free a limited number of cir-

culars of lists of stocks and shares. Labels printed before August 16, 1940, or if the paper is made from waste paper or straw, before April 13, 1941, may be used. Hair sachets may be produced out of paper which was acquired and specially cut and prepared for the purpose before November 12, 1941.

Whisky Production Cut.—A further cut of 10 per cent. in the production of malt whisky will be imposed during the calendar year 1942. Licences to purchase Scottish barley sufficient to enable malt distillers to produce their quotas will be issued shortly. The quota will now be one-third of the output in the year ended September 30, 1939, less 10 per cent. It is announced that no grant of licences for the production of grain whisky will be made at present.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

	1927=100				
	Mar. 31, 1937	Aug. 30, 1939	Dec. 31, 1940	Dec. 31, 1941	Dec. 30, 1941
Cereals and meat	93.0	66.9	96.9	104.9	104.9
Other food	70.4	61.1	85.6	98.7	98.7
Textiles	74.2	54.3	88.5	94.4	94.4
Minerals	113.2	95.4	128.0	130.5	130.7
Miscellaneous	87.0	77.6	106.9	113.9	114.8
Complete Index	87.2	70.3	100.8	108.4	108.5

1913=100: 119.9, 96.8, 138.9, 149.1, 149.3
* Highest level reached during 1932-37 recovery.

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

	1935=100				
	Jan. 9, 1942	Jan. 9, 1942	Jan. 12, 1942	Jan. 13, 1942	Jan. 14, 1942
Crops	115.7	115.8	115.0	116.2	116.0
Raw materials	171.0	171.0	171.0	171.0	171.0
Complete Index	140.7	140.7	140.8	141.0	140.9

	1935=100				
	Mar. 31, 1937	Aug. 30, 1939	Jan. 12, 1942	Jan. 13, 1942	Jan. 14, 1942
Crops	147.9	92.2	105.7	115.3	115.7
Raw materials	207.3	122.9	167.1	171.0	171.0
Complete Index	176.1	106.4	132.9	140.4	140.7

* Highest level reached during 1932-37 recovery.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Allowance is made for net interest accrued, and for redemption for holders of debentures.														
Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Jan. 6, 1942	Price, Jan. 13, 1942	Yield, Jan. 13, 1942	Prices, Year 1942		Last two Dividends	Name of Security	Price, Jan. 6, 1942	Price, Jan. 13, 1942	Yield, Jan. 13, 1942
High	Low	High	Low					Jan. 1 to Jan. 13	Jan. 1 to Jan. 13					
British Funds														
82 1/2	76 1/2	83	82 1/2	Consols 2 1/2%	82 1/2	83	3 0 3	45/9	44/9	7 1/2	Iron, Coal and Steel	45/7 1/2	45/7 1/2	4 1/2 d.
113 1/2	112 1/2	113 1/2	111 1/2	Consols 4% (after 1957)	112 1/2	113	3 11 5	48/3	46/6	11 1/2	Balcanic & Wilcox £1	46/10 1/2	48/1 1/2	6 4 8
100	98 1/2	100 1/2	99 1/2	Conv. 2 1/2% 1943-45	100	100	2 0 0	28 1/4	27/9	17 1/2	Bolton Colliery Ord. £1	28 1/2	28 1/2	3 1 10
100	98 1/2	100 1/2	99 1/2	Conv. 2 1/2% 1943-45	100	100	2 0 0	21 1/2	20/7 1/2	5 1/2	Brown (John) Ord. 10/-	20/7 1/2	20/7 1/2	7 0 0
103 1/2	101 1/2	102 1/2	102 1/2	Conv. 3% 1948-53	102 1/2	102 1/2	2 13 6	20/8 1/2	19/-	10 1/2	Colvilles Ltd. £1	20/7 1/2	20/7 1/2	7 0 0
106 1/2	102 1/2	107 1/2	106 1/2	Conv. 3 1/2% (after 1961)	107 1/2	107 1/2	3 5 5	22/6	20/8 1/2	10 1/2	Deane Long. Ord. £1	22/6	22/6	5 12 0
108 1/2	104 1/2	109 1/2	108 1/2	Conv. 5% 1944-64	109 1/2	109 1/2	2 17 6	25/6	24/9	12 1/2	Guest Keen & Co. Ord. £1	25/6	25/6	5 12 0
95 1/2	91 1/2	95 1/2	94 1/2	Funding 2 1/2% 1956-61	94 1/2	95	2 16 7	46/6	45/10 1/2	12 1/2	Hadfields Ord. 10/-	45/10 1/2	45/10 1/2	2 8 6
100	97 1/2	100 1/2	99 1/2	Funding 3% 1959-69	99 1/2	100	2 19 7	35/0	34/3	6 1/2	Staveley Coal Ord. £1	34/3	34/3	2 17 6
116 1/2	111 1/2	116 1/2	114 1/2	Funding 4% 1960-90	114 1/2	115	2 19 0	23/7 1/2	23/3	2 1/2	Stewarts and Lloyds £1	23/7 1/2	23/7 1/2	5 8 0
101 1/2	100 1/2	101 1/2	100 1/2	Nat. Def. 2 1/2% 1944-48	100 1/2	101	2 18 0	17/6	16/6	6 1/2	Swan, Hunter Ord. £1	16/9	16/9	6 16 0
102 1/2	100 1/2	101 1/2	100 1/2	Nat. Def. 3% 1954-58	100 1/2	101	2 9 0	10/10 1/2	8/4	Nil	United Steel Ind. £1	10/10 1/2	10/10 1/2	5 14 0
100 1/2	99 1/2	100 1/2	99 1/2	War Bonds 2 1/2% 1945-47	100 1/2	100 1/2	2 18 6	36/11	36/10 1/2	6 1/2	Victors £1	36/11	36/11	5 17 0
100 1/2	99 1/2	100 1/2	99 1/2	War Bonds 2 1/2% 1945-47	100 1/2	100 1/2	2 18 6	36/11	36/10 1/2	6 1/2	Bradford Dyes Ord. £1	36/11	36/11	5 17 0
101 1/2	100 1/2	101 1/2	100 1/2	Savings Bonds 4%	114 1/2	114 1/2	2 18 9	36/5	36/5	5 1/2	British Celanese Ord. 10/-	36/5	36/5	5 2 6
101 1/2	100 1/2	101 1/2	100 1/2	Victory Bonds 4%	101 1/2	101 1/2	2 18 1	25/9	22/9	7 1/2	Coats, J. & P. Ord. £1	25/9	25/9	5 2 6
114 1/2	110 1/2	114 1/2	111 1/2	War Loan 3% aft. 1952	110 1/2	105 1/2	3 6 8	73/9	72/9	10 6	Courtaulds Ord. £1	73/9	73/9	5 17 0
106 1/2	102 1/2	106 1/2	104 1/2	War Loan 3 1/2% aft. 1952	104 1/2	96 1/2	3 2 2	73/9	72/9	10 6	Lanes, Cotton Corp. £1	73/9	73/9	5 17 0
96 1/2	89 1/2	96 1/2	94 1/2	Local Loans 3%	96	99	3 0 0	22/11	21/-	7 1/2	Calcutta Cable, ex. £1	22/11	22/11	4 13 3
99 1/2	93 1/2	100 1/2	101 1/2	Redemption 3% 1986-96	99	100	3 0 0	38/9	37/6	10 6	Crompton Corp. 'A' 5/-	38/9	38/9	4 14 0
102 1/2	100 1/2	101 1/2	101 1/2	Austria 3% 1933-53	101 1/2	101 1/2	3 8 10	78/4	78/4	20 6	English Electric Ord. £1	78/4	78/4	5 6 6
101 1/2	96 1/2	101 1/2	96 1/2	India 3 1/2%	101 1/2	101 1/2	4 5 6	36/3	34/6	5 1/2	General Electric Ord. £1	36/3	36/3	4 8 9
Dom. & Col. Govts.														
105 1/2	101 1/2	101 1/2	101 1/2	Australia 5% 1945-75	101 1/2	101 1/2	4 11 6	28/-	28/-	5 1/2	Gas and Electricity	28/-	28/-	4 6 0
106 1/2	100 1/2	101 1/2	100 1/2	New Zealand 5% 1946	103 1/2	103 1/2	3 13 8	14/3	12/7 1/2	4 1/2	City of London £1	14/3	14/3	4 6 0
111 1/2	107 1/2	109 1/2	108 1/2	Nigeria 5% 1955-65	109 1/2	109 1/2	29/9	29/9	29/9	4 1/2	Edinburgh & Coke Ord. £1	29/9	29/9	3 5 3
Corporation Stocks														
108 1/2	106 1/2	107 1/2	107 1/2	Birmingham 5% 1946-56	107 1/2	107 1/2	3 2 2	39/3	38/7 1/2	5 1/2	North-East Electric £1	39/3	39/3	4 14 0
93 1/2	84 1/2	95 1/2	93 1/2	L.C.C. 3%	94	95 1/2	3 2 10	40/3	39/4 1/2	3 1/2	Scottish Power Ord. £1	39/4 1/2	39/4 1/2	4 2 0
99 1/2	90 1/2	99 1/2	99 1/2	Liverpool 3% 1954-64	99	99	3 2 0	17/3	16/4 1/2	15 10	Yorkshire Electric £1	17/3	17/3	4 0 9
106 1/2	100 1/2	106 1/2	105 1/2	Midland 3 1/2% 1957-62	105	105	3 2 3	20/-	19/3	7 1/2	Motor and Aircraft	20/-	20/-	2 19 0
99 1/2	77 1/2	99 1/2	97 1/2	Airline 4 1/2% Stk. Hds.	99 1/2	98 1/2	4 11 5	11/4	10/6	6 1/2	Austin 'A' Ord. 5/-	11/4	11/4	7 4 6
48 1/2	31 1/2	50 1/2	48 1/2	Brasil 5% Funding 1914	49 1/2	50 1/2	5 0 0	14/9	13/6	11 1/2	U.S.A. Ord. £1	14/9	14/9	7 1 9
27 1/2	11 1/2	26 1/2	24 1/2	Chile 6% (1929)	25	26 1/2	5 18 0	25/6	24/3	11 1/2	Aviation Aerodrome £1	25/6	25/6	1 1 9
84 1/2	71 1/2	82 1/2	80 1/2	Equity Unified 4%	87	89	4 10 0	66/5	62/5	15 1/2	Fairey Aviation Ord. 10/-	66/5	66/5	15 8 6
42 1/2	9 1/2	13 1/2	7 1/2	Japan 5 1/2% 1930	11	10	4 3 4	33/-	32/-	21 1/2	Ford Motors Ord. £1	33/-	33/-	4 15 0
75 1/2	58 1/2	73 1/2	70 1/2	Portuguese 5%	73 1/2	72	4 3 4	33/-	32/-	21 1/2	Hawker Siddeley 5/-	33/-	33/-	4 10 6
45 1/2	27 1/2	33 1/2	33 1/2	Spanish 4%	33 1/2	33 1/2	12 2 6	90/104	88/104	20 20	Morris Motors 5/- Ord.	90/104	90/104	4 10 0
Foreign Governments														
108 1/2	106 1/2	107 1/2	107 1/2	Argentina 4 1/2% Stk. Hds.	107 1/2	107 1/2	4 11 5	11/4	10/6	6 1/2	Shipping	11/4	11/4	7 4 6
93 1/2	84 1/2	95 1/2	93 1/2	Brazil 5% Funding 1914	49 1/2	50 1/2	5 0 0	14/9	13/6	11 1/2	Furness, Withy Ord. £1	14/9	14/9	4 19 0
99 1/2	90 1/2	99 1/2	99 1/2	Chile 6% (1929)	25	26 1/2	5 18 0	25/6	24/3	11 1/2	R. O. P. Def. £1	25/6	25/6	5 12 0
106 1/2	100 1/2	106 1/2	105 1/2	Equity Unified 4%	87	89	4 10 0	66/5	62/5	15 1/2	Postal Mail Lines Ord. £1	66/5	66/5	4 0 0
99 1/2	77 1/2	99 1/2	97 1/2	Japan 5 1/2% 1930	11	10	4 3 4	33/-	32/-	21 1/2	Union Castle Ord. £1	33/-	33/-	5 0 0
48 1/2	31 1/2	50 1/2	48 1/2	Portuguese 5%	73 1/2	72	4 3 4	33/-	32/-	21 1/2	Tea and Rubber	73 1/2	73 1/2	11 16 0
27 1/2	11 1/2	26 1/2	24 1/2	Spanish 4%	33 1/2	33 1/2	12 2 6	90/104	88/104	20 20	Allied Sumatra Rbr. £1	90/104	90/104	7 0 0
84 1/2	71 1/2	82 1/2	80 1/2	Argentina 4 1/2% Stk. Hds.	107 1/2	107 1/2	4 11 5	11/4	10/6	6 1/2	Johari (Assam) Rbr. £1	30/-	30/-	6 13 3
75 1/2	58 1/2	73 1/2	70 1/2	Brazil 5% Funding 1914	49 1/2	50 1/2	5 0 0	14/9	13/6	11 1/2	London Asiatic Rbr. 2/-	2/-	1/10	10 13 3
45 1/2	27 1/2	33 1/2	33 1/2	Chile 6% (1929)	25	26 1/2	5 18 0	25/6	24/3	11 1/2	Rubber Ptns. Trust £1	19/4 1/2	20/-	10 0 0
16 1/2	15 1/2	1 1/2	1 1/2	Equity Unified 4%	87	89	4 10 0	66/5	62/5	15 1/2	United Serdang Rbr. 2/-	1/7 1/2	1/6	12 0 0
65 1/2	62 1/2	2 1/2	2 1/2	Japan 5 1/2% 1930	11	10	4 3 4	33/-	32/-	21 1/2	Oil	47/6	50/7 1/2	1 19 6
Oil														
69 1/2	67 1/2	74 1/2	74 1/2	Anglo-Turkish Ord. £1	53/9	53/9	5 11 9	53/9	53/9	5 11 9	Burnell Oil Ord. £1	53/9	53/9	5 11 9
37 1/2	34 1/2	6 1/2	6 1/2	Burmah Oil Ord. £1	53/9	53/9	5 11 9	53/9	53/9	5 11 9	Shell Transport Ord. £1	53/9	53/9	5 11 9
44 1/2	41 1/2	8 1/2	8 1/2	Shell Transport Ord. £1	53/9	53/9	5 11 9	53/9	53/9	5 11 9	Trinidad Leaseholds £1	69/4 1/2	70/7 1/2	3 10 0
27 1/2	26 1/2	3 1/2	3 1/2	Trinidad Leaseholds £1	69/4 1/2	70/7 1/2	3 10 0	69/4 1/2	70/7 1/2	3 10 0	Miscellaneous	48/9	52/6	2 17 0
75 1/2	72 1/2	7 1/2	7 1/2	Assoco. P. Cement Ord. £1	40/-	40/-	4 14 0	40/-	40/-	4 14 0	Burke (John) Ord. £1	36/3	36/3	3 6 0
7 1/2	6 1/2	5 1/2	5 1/2	Burke (John) Ord. £1	36/3	36/3	3 6 0	36/3	36/3	3 6 0	Boston Pure Oil Ord. 5/-	45/7 1/2	45/7 1/2	4 7 6
68 1/2	60 1/2	62 1/2	62 1/2	Boston Pure Oil Ord. 5/-	45/7 1/2	45/7 1/2	4 7 6	45/7 1/2	45/7 1/2	4 7 6	British Aluminium £1	85/-	85/-	3 8 6
53/9	51/6	6 1/2	6 1/2	British Aluminium £1	85/-	85/-	3 8 6	85/-	85/-	3 8 6	British Oxygen Ord. £1	67/6	67/6	4 8 9
53/9	51/6	6 1/2	6 1/2	British Oxygen Ord. £1	67/6	67/6	4 8 9	67/6	67/6	4 8 9	British Plaster Board 5/-	21/3	21/10 1/2	4 11 6
53/9	51/6	6 1/2	6 1/2	British Plaster Board 5/-	21/3	21/10 1/2	4 11 6	21/3	21/10 1/2	4 11 6	Cable & Wire. Hdg. Stk.	66 1/2	68 1/2	5 16 0
53/9	51/6	6 1/2	6 1/2	Cable & Wire. Hdg. Stk.	66 1/2	68 1/2	5 16 0	66 1/2	68 1/2	5 16 0	Carreras 'A' £1	110/-	112/6	3 6 0
53/9	51/6	6 1/2	6 1/2	Carreras 'A' £1	110/-	112/6	3 6 0	110/-	112/6	3 6 0	Dunlop Rubber Ord. £1	31/6	31/6	5 0 0
53/9	51/6	6 1/2	6 1/2	Dunlop Rubber Ord. £1	31/6	31/6	5 0 0	31/6	31/6	5 0 0	Eler & Mus. Ind. 10/-	15/-	25/9	5 0 0
53/9	51/6	6 1/2	6 1/2	Eler & Mus. Ind. 10/-	15/-	25/9	5 0 0	15/-	25/9	5 0 0	Harrisons & Cros. Def. £1	31/6	31/6	4 16 0
53/9	51/6	6 1/2	6 1/2	Harrisons & Cros. Def. £1	31/6	31/6	4 16 0	31/6	31/6	4 16 0	Imperial Chemical Ord. £1	33/3	33/3	4 16 0
53/9	51/6	6 1/2	6 1/2	Imperial Chemical Ord. £1	33/3	33/3	4 16 0	33/3	33/3	4 16 0	Imperial Tobacco Ord. £1	6 1/2	6 1/2	3 0 0
53/9	51/6	6 1/2	6 1/2	Imperial Tobacco Ord. £1	6 1/2	6 1/2	3 0 0	6 1/2	6 1/2	3 0 0	International Nickel n.p.	44 1/2	44 1/2	4 15 0
53/9	51/6	6 1/2	6 1/2	International Nickel n.p.	44 1/2	44 1/2	4 15 0	44 1/2	44 1/2	4 15 0	Lever & Unilever Ord. £1	29 1/4	31/3	3 3 0
53/9	51/6	6 1/2	6 1/2	Lever & Unilever Ord. £1	29 1/4	31/3	3 3 0	29 1/4	31/3	3 3 0	London Brick Ord. £1	37/6	50/-	4 0 0
53/9	51/6	6 1/2	6 1/2	London Brick Ord. £1	37/6	50/-	4 0 0	37/6	50/-	4 0 0	Marks & Spencer 'A' 5/-	91/3	92/6	4 4 0
53/9	51/6	6 1/2	6 1/2	Marks & Spencer 'A' 5/-	91/3	92/6	4 4 0	91/3	92/6	4 4 0	Pinchin Johnson Ord. 10/-	21/2	21/6	4 4 0
53/9	51/6	6 1/2	6 1/2	Pinchin Johnson Ord. 10/-	21/2	21/6	4 4 0	21/2	21/6	4 4 0	Spillers Ord. £1	61/3	62/6	4 16 0
53/9	51/6	6 1/2	6 1/2	Spillers Ord. £1	61/3	62/6	4 16 0	61/3	62/6	4 16 0	Tate and Lyle Ord. £1	60/7 1/2	60/7 1/2	4 11 6
53/9	51/6	6 1/2	6 1/2	Tate and Lyle Ord. £1	60/7 1/2	60/7 1/2	4 11 6	60/7 1/2	60/7 1/2	4 11 6	Triplex Safety Glass 10/-	30/7 1/2	31/6	3 3 0
53/9	51/6	6 1/2	6 1/2	Triplex Safety Glass 10/-	30/7 1/2	31/6	3 3 0	30						

ALEXANDERS DISCOUNT COMPANY, LIMITED.

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

Established 1810.

Telephone: Mansion House 8151 (3 lines).

Telegrams: "Alexanders, Stock-London."

CAPITAL (Authorised)		£1,800,000.
Subscribed	£1,800,000.	
£200,000 in £2 (fully-paid 6 per cent.) CUMULATIVE PREFERENCE SHARES.		
£1,600,000 in £2 ORDINARY SHARES (£1 paid).		
Paid-up, Preference Shares	£200,000.	
Paid-up, Ordinary Shares	£800,000	
Reserve Fund	£1,000,000	

DIRECTORS:

GEORGE CLEVERLY ALEXANDER. COLIN FREDERICK CAMPBELL (Chairman). ERIC GORE BROWN, D.S.O., O.B.E., A.D.C.
 ROBERT ALEXANDER. MARK DINELEY. FRANK NEWCOMB.
 SIR AUSTIN EDWARD HARRIS, K.B.E.

JOINT MANAGERS:

EDWARD JOHN BOWIE. ANTONY MACNAGHTEN.

ASSISTANT MANAGERS:

C. C. DAWKINS. E. P. B. BAGGALLAY.
 Secretary—P. C. TONG.

SEVENTY-FOURTH REPORT OF THE DIRECTORS.

To be submitted to the Shareholders at the ORDINARY GENERAL MEETING to be held at the Offices of the Company, 24, Lombard Street, in the City of London, on Wednesday, the 21st day of January, 1942, at Two o'clock in the Afternoon.

The Directors beg to submit to the Shareholders the statement of the affairs of the Company for the year ending 31st December, 1941. The Accounts, including the balance brought forward from last year, and after provision for bad and doubtful debts, taxation, and contingencies, show a gross profit of £598,582 6s. 3d. After deducting current expenses and interim dividend, there remains a balance of £280,186 12s. 7d.

Out of this sum the Directors have transferred £5,000 to the Staff Pension Fund and recommend the payment of a dividend on the Preference Shares at the rate of 6 per cent. per annum, and on the Ordinary Shares at the rate of 20 per cent. per annum for the final half year, making 17½ per cent. for the year, carrying forward to next account £169,186 12s. 7d.

Mr. Frank Newcomb has resigned from his position of Manager, which post he held for 32 years. The Directors have accepted his resignation with great regret and they wish to record their high appreciation of his most successful management during this long period of time. They are glad to be able to state that Mr. Newcomb is retaining his seat on the Board.

Mr. Edward J. Bowie and Mr. Antony Macnaghten, who have been in the service of the Company since 1912 and 1924 respectively, have been appointed Joint Managers.

The Members of the Board retiring by rotation are Sir Austin Edward Harris, K.B.E., and Mr. Mark Dineley, who, being eligible, offer themselves for re-election.

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

The following Resolution will be submitted to the Meeting for passing as a Special Resolution:—

"That existing Article 80 of the Company's Articles of Association be deleted and the following Article substituted therefor:—

"80. The Directors shall be paid for their services out of the funds of the Company an annual sum of £6,400. If and whenever the number of Directors is more than five each additional Director shall be paid for his services out of the funds of the Company at the rate of £1,200 per annum. In addition the Directors shall be entitled to receive such further remuneration as the Company may in General Meeting from time to time determine. This Article shall have effect as from 1st January, 1941."

The Dividends will be payable on and after 22nd inst.

24, LOMBARD STREET, LONDON, E.C.3.
 12th January, 1942.

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

Dr. Profit and Loss Account, for the Year ending 31st December, 1941.				Cr.			
£ s. d.		£ s. d.		£ s. d.		£ s. d.	
To Directors' Remuneration (Subject to approval of the Special Resolution to be submitted at the General Meeting.)		8,800 0 0		By Balance brought forward from 31st December, 1940		160,570 0 6	
To Current Expenses, including Salaries, Rent and Rates and all other charges		52,216 0 7		" Gross Profits for the year, after provision for bad and doubtful debts, Taxation and Contingencies, and £201,796 8s. 0d. Rebate brought forward from last year		438,012 5 9	
" Transferred to Staff Pension Fund		5,000 0 0		Less—Rebate of Interest on Bills, etc., not due at close of year		211,379 13 1	
" Balance appropriated as follows—						226,682 12 8	
Interim Dividend paid last July—							
Preference		6,000 0 0					
Ordinary		60,000 0 0					
Dividend for the final half-year—							
Preference		6,000 0 0					
Ordinary		80,000 0 0					
Carried forward		152,000 0 0					
		169,186 12 7					
		321,186 12 7					
		287,202 13 2					

Balance Sheet, 31st December, 1941.

£ s. d.		£ s. d.	
Authorized Capital, 900,000 Shares of £2 each		2,180,000 0 0	
Of which there have been issued—			
100,000 6% Cumulative Preference Shares, fully paid		200,000 0 0	
800,000 £2 Ordinary Shares, £1 paid		800,000 0 0	
with a reserve liability of £280,000			
Reserve Fund		1,000,000 0 0	
Loans, Debts, Contingency and other Accounts		1,000,000 0 0	
Bills Re-discounted		40,805,738 0 9	
(Of the above, liabilities to the amount of £10,026,820 18s. 0d. are secured on certain assets per contra.)		580,748 6 11	
Rebate on Bills Discounted		41,386,479 7 8	
Balance of Profit and Loss		211,379 13 1	
		255,186 12 7	
		248,858,045 13 4	

P. C. TONG, Secretary.

COLIN F. CAMPBELL, AUSTIN E. HARRIS, GEORGE C. ALEXANDER, Directors.

AUDITORS' REPORT.

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

LONDON, E.C.

9th January, 1942.

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Auditors.

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Mr Churchill's Return

THERE cannot be any doubt of the warmth and sincerity of the welcome that the Prime Minister received on his dramatic return from an historic visit. The British people have watched Mr Churchill's progress and listened to his speeches with affectionate pride. Future historians will discern a whole crop of symbols in this visit and its results; and though the shape of the new order of affairs is still vague and nebulous, the blindest or most cynical of contemporaries knows that he is in the presence of historical events. The Prime Minister is the master of those events; and no leader of a war government in British history, not Mr Lloyd George nor William Pitt nor Chatham nor even the first Churchill himself, was ever quite so sure of his place as Mr Winston Churchill.

But that does not mean that there is not plenty of dissatisfaction, or that it is confined to a malcontent minority.

There are a lot of serious difficulties to be faced and the rump Cabinet (for that is what it is without Mr Churchill) has not been making very noticeable progress in confronting them. At no time since May 1940 has there been so much criticism to be heard on every hand. It is not dangerous criticism, in the sense of endangering the stability of the Government or impairing the fundamental unity of the nation; it betokens an intensification, rather

than a slackening, in the will to victory; but it is of a breadth and strength such that a wise Prime Minister will pay the most careful attention to it.

The foremost subject of dissatisfaction is, naturally enough, the disasters that have overtaken British arms in the Far East. It is not that the judicial temper of the British people breaks under misfortune and if the story were merely one of a bold gamble that failed to come off, there would not be so much anger in men's voices as they discussed it. Mr Churchill himself has demonstrated that the worst disasters will be patiently borne if they are explained with candour. That is just what has been missing in this episode. There have been the misleading communiqués from Singapore. There has been equal disingenuousness in London. There has been the shameful treatment of Air Chief Marshal Sir Robert Brooke-Popham, who was allowed to slip into the rôle of a scapegoat because nobody in London had the moral courage to reveal that he had been protesting for months the inadequacy of the forces that were sent him. Mr Menzies has exposed that device, just as he has exposed the falsity of the view that it was only the needs of the Middle East that prevented proper reinforcements being sent to Malaya. "Service chiefs in London," he said, "took a more modest view of the requirements of air

defence in Malaya than those on the spot. . . . This was characteristic of the almost chronic underestimation of our enemies in which we had indulged ever since the war began." The Far Eastern milk is now well and truly spilt, and there is no use crying over it. But there is equally little use pretending that it is only hard luck that has lost all but one of the Malay States and is now threatening the supremely important nodal point of Singapore itself. The public will expect the brutal truth from Mr Churchill.

Another hope that has become an almost universal expectation against his return is that he will do something to increase the efficiency of the Government machine. This is a topic that has been aired so frequently that it requires no re-stating. There has, however, been an accumulation of fresh evidence. The peculiarly unsatisfactory "solution" of the problem of defending aerodromes is an almost perfect example of what happens when the word "decision" becomes synonymous with "compromise." The long dispute over who shall be supremely responsible for production is another example of what happens when the forceful figures are departmental heads, contestants not commanders. In spite of all that the Prime Minister has said against it at one time or another, it is difficult not to believe that Mr Lloyd George's version of the War Cabinet was more effective than Mr Churchill's. It is difficult not to believe that there are five or six men in public affairs in this country who, brought together in a real War Cabinet and given, each of them, powers of decision (not of "co-ordination," that blessed word) over the different fields of the war effort, could in short order straighten out some of the prevailing muddles, settle the disputes and inspire the whole framework of government with some of the energy and decisiveness that seem to have been dissipated since the summer of 1940. It is reported in some of the organs of the press that Mr Churchill, following that magnanimity which is one of his most endearing characteristics, will seek to "protect" his colleagues and refuse to allow any of them to be made scapegoats. But this would be to misconceive the necessity. Nobody (except perhaps a few ambitious politicians out of office) wants heads on a charger; but there is a demand that the best men should be put in a position to get on with the job. The Prime Minister's task is therefore twofold. First, to choose the best men, some of whom can be found in the Cabinet and some outside it. Second, to concentrate authority and responsibility, to put an end to compromises, to cease the "co-ordination" of irreconcilable policies, to make of his Government an organ of decision. Without any hostility, in no spirit of captious criticism, the Prime Minister is being asked to do this by every shade of opinion in the country.

European Federations

THE agreement signed last week by the Governments of Yugoslavia and Greece embodies proposals for co-operation closer than any previously envisaged in the various schemes for confederation in Eastern Europe. The terms of the treaty are more precise than the arrangements already agreed on between Poland and Czechoslovakia, and they fill in very fully one corner of the wide plan of a federated state stretching from the Baltic to the Aegean, outlined last November by the representatives at the International Labour Conference of Yugoslavia, Greece, Czechoslovakia and Poland. The new agreement proposes a union in which Greece and Yugoslavia will retain their sovereignty, but will meet together for political, economic and military action through three joint bodies—a Political, an Economic, and a Military Organ served by a Permanent Bureau. The tasks of these organs will be to secure a common foreign policy, a common foreign trade policy, together with a common plan for national economic policy and a Joint General Staff to plan the defences of the union. The two states look on

There is a third subject on which public opinion is dissatisfied. Mr Churchill has always held that for his Government to concern itself with anything not directly necessary for winning the war would be a dissipation of its energies, and he has given this as his reason for refusing to take more than a very much muted interest in the general subject which can be stated at its lowest as post-war reconstruction, at its highest as the regeneration of democracy. This is Mr Churchill's blind spot. Primarily, he is a strategist, a man of arms. Magnificently as he has caught the spirit of the British people, he has failed to appreciate the military necessity of an inspiring political programme. He is the man of 1940; without a change of heart on this point, he will be a little less than the man of 1942. If nothing else brought conviction, it is surely impossible to overlook the lesson of last summer, when hundreds of thousands of ordinary British men and women, from all parties and from all walks of life, showed themselves ready to work just as hard—some would say harder—for Soviet Russia as for democratic Britain. Why? Not—or not solely—because of Russia's magnificent resistance, for other countries, their own included, have magnificently resisted. Not out of any love for Communism, which they have never embraced. The basic lesson to be drawn is that if democracy is to conquer, it, like the Soviet system, must convince its own people, and others too, that it is on the march, that it has not finished what it has to say to mankind, that it is young and vigorous and awake. To create such a feeling would be worth to Mr Churchill—now, in 1942—divisions of soldiers and squadrons of aircraft. But as things stand, reconstruction has been put in charge of a Minister who would not be entrusted with anything really important. There is no authority behind the handful of committees. Time is wasted in endless quarrels over departmental jurisdiction and in elaborate studies of what ought to be details. So far from inviting the assistance of the people, officials are forbidden to join in discussions with gatherings of outside experts. The exclusive rights of the Civil Service are asserted, and advantage is not even being taken of the talent temporarily enrolled in the Service. This is not the way to kindle a fire; it is the way to discourage all those who have fire in their hearts. Perhaps the examples of Russia and America will have convinced the Prime Minister that, in ideas as well as on the field, attack is the only form of defence. If he is to be the instrument of leading the British people to a new age of greatness he must change the whole tone of the Government's attitude towards the reconstruction of democratic society. He should put it in the hands of a man forceful and respected enough to drive and insist and compel attention. The nation will not cease to retreat on foreign fronts until it resumes the advance at home.

their union as the nucleus of a wider federation to which other states "ruled by governments freely and legally constituted," will later adhere.

The two agreements—Polish-Czech or Yugoslav-Greek—represent a notable step forward in the process of consolidating the fluid national structures and anarchic political and economic conditions to the east of Germany. It should not be thought that these states had no political obstacles to overcome, and no hatchets to bury in making their gesture to the future. One of the stupider incidents of the inter-war years was the lasting hostility between Poles and Czechs. The Yugoslavs and the Greeks were divided over the question of Macedonia. Any agreement that reduces the amount of racial friction in Europe is by that fact alone a contribution to the building of a peaceful post-war system. A welcome sign that the drafters of the treaty have taken a realist approach can be seen in the provision that a joint commission shall be established to co-ordinate efforts towards "a reciprocal rapprochement of public opinion" in the two states. In

general, too, the provisions are much more concrete and more convincing than the fleeting arrangements established under the Balkan and Little Ententes, both of them ominous examples of the fragility of political frameworks to which no element of decision, power, or economic substance has been given.

The two treaties are therefore beyond question to be welcomed, but chiefly as an earnest of more that is to come. In their present form, it may be doubted whether they go far enough to fulfil the purpose for which they are designed. The motive behind the creation of an independent federated bloc from Baltic to Aegean, either in one or two different confederations, is fundamentally a security motive. The national states have seen that their divisions, their squabbles, their economic and military weakness, have made them the easy prey of a neighbouring Great Power. They are looking round for means to prevent the menace recurring. Very naturally, it is a defensive spirit that breathes through the recent treaty, with its "consultation at all times when vital exterior interests of the Union should be menaced," or its armed forces with a mission "to defend the European frontiers of the states of the Union." The problem is, given this defensive purposes, do the arrangements outlined go far enough? It is clear that they do not.

In the military sphere separate staffs are to continue with a representative over-all General Staff. This division must remain a source of weakness, for however well co-ordinated in strategy and armaments, the armed forces and the commands remain separate. At a crisis, it should be possible to secure a single supreme commander, but he would then be faced with problems of co-ordination, while his unified, hard-hitting opponent had already taken the field. If the Eastern bloc is to operate as an effective armed Power, it needs a single army, not merely the occasional and partial co-ordination of separate national armies.

Even so, it is doubtful whether, on a basis of national economics that are to be no more than co-ordinated, such a bloc would possess the industrial potential necessary in total war. This economic weakness would be equally operative in time of peace when the goal of economic policy is higher living standards. Some areas—Russia, for example—have natural resources rich and diversified enough to enable them to raise themselves by their own bootstraps. But the complete pooling of the industrial and mineral resources of the whole area from Poland to Greece would be required to support the heavy industry of a Great Power—and even then a very substantial and extended plan of development, imposing sacrifices on the consuming public in Five-Year Plan style, would be necessary. But though the Yugoslav-Greek treaty speaks of the elaboration of a common economic plan, there is clearly no intention of pooling wealth unconditionally.

In the political sphere, what can be done in a limited solution of this type to solve the weary old problem of Hungary and Bulgaria? Will they feel any loyalty to the

confederation which establishes the predominance of the states with which they have so recently and so selfishly been at war? Again, is it not obvious that the creation of a loose confederation of a strongly defensive type on Germany's eastern frontier may well rouse all the worst instincts of a future Germany, which may again combine a feeling of "humiliation" at encirclement with the certainty of being able to knock the encirclers out? So long as national states have their own Foreign Ministries, some of them will tend to have, from time to time, ambitious, wrong-headed, appeasing, timid Foreign Ministers and divergent foreign policies. An effective federation must have not merely a common army and a common industry, but a common foreign policy, decided by majority vote.

To write in this way is not to criticise the search for security, nor to despise the promise of better things that comes from the federal movement. It is simply to suggest that a weak federation will be a snare and a delusion, and that very much more needs to be done before the proposed federations can be regarded as strong. It is part of the new realism in international affairs to realise that diplomacy, like war, is a game of power, and that any weakness anywhere is a standing temptation. The interest of the Great Powers in Central European and Balkan federation is to create an area of strength rather than of weakness, and they will be well-advised to stand firm on the point that the degree of assistance and support they will give will be directly proportionate to the inherent strength of the federation. The Great Powers will have the right to insist, for their help will be needed. Politically, even a strong unitary bloc reaching from Warsaw to Athens would still seek diplomatic and military support from the Great Powers. Economically, its progress might well depend on the extent to which Lend-Lease principles are continued into the post-war period. America and Britain would certainly, Russia would probably, have no interest in being committed to a structure that was not internally strong. This is, of course, to pose to the statesmen of Eastern and South-Eastern Europe a problem of infinite difficulty. But the difficulties are not overcome by ignoring their existence. An alliance, even a permanent alliance, between weak sovereign states is not a strong and viable Great Power.

Nor is the creation of a new Great Power the end of wisdom and policy. It is perhaps a pre-requisite to any stable organisation of Europe that all should meet on approximately equal terms of power, and that there should be no tempting little morsels to attract the aggressor and obstruct the defenders of peace. But merely to even up the strength of the contending sovereignties does not by itself go very far towards solving the problem of peace. Any designs for Eastern Europe and the Balkans, any designs for Germany—indeed, any designs for the British Isles themselves—must be so drawn up that they will eventually fit into place in what the Atlantic Charter called "a wider and permanent system of general security."



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The House of Commons

A NEW House of Commons is being planned to replace the old bombed Chamber, and a much abler Commons than the present will be needed to fill it worthily. Most people now agree that the mediocrity of the Parliaments of the thirties played no small part in bringing about the perils of the early forties. An article which appeared in *The Economist* last August on the poor quality of Members of Parliament, and its causes, aroused a remarkable response, almost unanimously in agreement. Plainly, there is something wrong.

To say that the present House of Commons is unrepresentative may mean one of two things. It may mean that the numerical balance of the parties does not reflect the division of opinion in the electorate. That may well be true, since the present House was elected on what the Prime Minister of the day has since confessed to have been a falsified issue; but its truth could only be established by a General Election. In the other meaning of the word, the House is almost certainly unrepresentative. The great men of the country, the leaders of the different walks of life, are not, as in Victorian days, to be found on its benches. Some of them, indeed, are there, but more of the leaders of British life are not. The members of the House, in their personal capacities and irrespective of party, are not adequately representative of the best in the people. The MP does not get a tithe of the respect he used to get. The most successful Ministers of wartime have, by and large, been found outside Parliament. To find a remedy for this fatty degeneration of the Commons is vitally important.

There is no lack of advertised cures. Broadly, the would-be doctors fall into three classes: the defeatists, the "gadgets," and those who, like *The Economist*, hold that the simple solution is to make politics a *carrière ouverte aux talents*. The defeatists are like the Chinaman who burned down his house in order to roast his pig, or like that other well-known figure, by tradition a German, who threw away the baby with the bath water. They would cure the ills of Parliamentary government by bleeding Parliament of its rights and responsibilities. They would take government "out of politics," as the saying is, by looking for Ministers, as a permanent practice, anywhere but among politicians. They would pay the merest lip-service to the "talking shop" by finding safe Parliamentary seats for their choices. As "practical men" they demand "business men's government"; they forget that there never have been clearer examples of business men's governments than those set up by the Parliaments of 1931 and 1935. There is always room for Ministers with special talents or experience who are not normally in politics; but their membership of Parliament must be as real as their responsibility to Parliament. A constitution in which the Executive is separated from the Legislature is subject, at best, to deadlock, as so often in the United States, at worst, to dictatorship. The peculiar virtue of the English constitution is that it is at once vigorous and supple, strong and responsible. This arises from the close and subtle relationship between Cabinet and House of Commons, whereby each is in part responsible to the other, and in part its master. This basic principle could be infringed only at the greatest risk.

These "practical" men would do well to read, or re-read, Mr. Churchill's recent speech to the United States Congress. The Prime Minister made it plain that, first and last, he is a Member of Parliament. A lifetime at Parliament he is responsible; and upon Parliament he depends. The Parliamentary system is no ideal system. It is not suited to every country; but it has become English by experience and by growth. The remedy for its decline is not to make Parliament weak, but to make its membership strong. It is the rehabilitation of Parliamentarians, rather than the reform of Parliament, that is

wanted, so that their "talk" may be informed and pertinent again, and their choice of men and measures shrewd.

The "gadgets," with their fancy solutions, are just as far astray. There are, for example, the earnest advocates of "proportional representation." In practice this would almost certainly weaken both Government and Parliament; the parties would be multiplied into fluid factions; and the sniffling party groups would risk being matched by equally shifty politicians. There are the advocates, too, of what is called "functional representation," in place of the present representation by geographical constituencies. This would merely make bodies like the Federation of British Industries and the Trades Union Congress even stronger in the defence of their vested interests than they are at present. It is largely because so many Members are no more than mouthpieces for outside interests that Parliament is so poor. There are also those who say that representative institutions would be perfect if only there were no parties—and who forget that, if there were only one party, either the divergences of view would be transferred to its internal machinery, or else the party leader would become an irresponsible dictator.

Neither the Parliamentary system nor party politics is responsible for the present state of affairs. The existence of two or three cohesive parties, no fewer and no more, is essential for strong, stable and popular government. They are needed to frame policies and to organise support; to put the issues of government before the electors, for their decision; and, according to the electors' choice, to govern or to oppose. It is the present parties, not the party system, that are at fault. It is their choice, or rather the choice of their caucuses, that enrols the feeble and the old. It is the party organisers, not the Parliamentary system, who pick third-rate men of ample means or long service to misrepresent the electorate. It is true that democracy, if it is to survive, requires strong government, and that strong government implies party discipline. The duty of Members is to support the leaders they have chosen in policies they have approved. But it is carrying the argument for party discipline entirely too far when the party machines make a rubber stamp out of hack politicians and call it popular and representative government.

The remedy is simply to find ways and means of improving the quality of Members. The task is to bring into Parliament the "representative" men who lead by their virtues in other walks of life—where those walks themselves have not become blocked by the same weeds of money, snobbery and seniority that are strangling Parliament. The reasons why these men do not go into Parliament need no research or argument; they are well known. It is too hard for them to pass through the eye of the party needle; either they must buy their seats, or they must serve a lifetime in a trade union. Even when they are in, the Parliamentary career is unattractive to able men; either they work blindly at dull routine to put in their hours of service, or they make no progress towards office; and the financial rewards of full-time service are no compensation for the time they waste and the outside earnings they sacrifice.

There is a double need: to make the best men of the community, in every walk of life, want to be Members of Parliament; and to make it possible for them to be elected. The second half of the task is perhaps the easier, because the way has long ago been shown by the law and practice of elections. The State already pays some of the candidate's election costs, and the law already limits what he can spend out of his own pocket. The logical course would be to pursue both policies until they meet in the middle; for the State to pay all necessary expenses, and for the law to prohibit a candidate from spending a penny of his own. This would, of course, require a tightening up of the provisions against freak candidates. But this

would not present very great difficulties; it could be achieved by requiring every candidate to be nominated by a tenth of the electors.

The other half of the task is more complex. The financial objection to a political career could be got over by increasing the standard salary, and possibly making an allowance for expenses. But it is not every Member who is, or should be, dependent on his salary for his living. The great advantage of the House of Commons has always been that it combined a nucleus of full-time politicians with men who were leaders in other walks of life, and it would be ruinous to turn it into a purely professional assembly. The solution would seem to be to pay according to attendance at meetings either of the House or of its committees. The professional could then make a living, and the part-timer could combine two professions without subsidising either one by the other.

Even so, however, the able and busy man will not try to enter the House unless the work he would find to do there were interesting. At present it consumes a great deal of time, but most of it is deadly dull. The Select Committee on National Expenditure, and its sub-committees, provide an example of a way in which members could use

The Book Case

THE supporters of the claim of the book trade for more paper are like Midshipman Easy: they display too much zeal. Undoubtedly, they have a good case. In peacetime, the problem of publishers is to sell books; now it is to produce books at all. It is easy to understand the bewilderment of the publisher who, having conscientiously served the community for many years, as middleman for genius and handmaiden of progress, now finds himself subject to restrictions which cut his business down to a minimum. Printing and publishing have suffered severely since the war started from the shortage of paper and skilled labour, and from the requisitioning or bombing of printing and bookbinding works. The claim that the book trade is "an integral part of the mental and spiritual life of the nation" is incontestable—if for "the book trade" is read simply "books." Where the spokesmen of the trade err, publishers and authors, is in alleging that the wartime restrictions under which they labour are merely due to a Philistinism which despises books; their cause is not helped but hindered by acrimonious attacks on "the average Englishman's distrust of the intellect."

It is on these economic grounds that the latest claims for allocating scarce supplies of labour, plant, materials and fuel between various claimants; and, in that sense, simply because these resources are scarce, the book trade is "just another industry." Its spokesmen can claim, probably with good reason, that its requirements are not set high enough on the list of national priorities. They are entitled to suggest in addition, like the spokesmen of any other industry, that the economic decisions taken by the authorities may be mistaken. But they must nevertheless realise that more paper, more workmen, more machinery, or more petrol for books must mean less of these, or less shipping space, for other things. They should not ignore the hard fact that, in wartime, a course which is admittedly undesirable may still be inevitable.

It is on these economic grounds that the latest claims for a larger allocation of paper, the reservation of specialised labour, and an extra petrol ration for the delivery of books must be examined. Book publishers heartily dislike being compared with the producers of other commodities; but the comparison is a matter of fact, not of argument. Like other producers, they are suffering from the restrictions which wartime necessity imposes. The only question is whether they have a better case for relief, in terms of the supplies available, than their comrades in distress. Unfortunately, every commodity they use is one of which the nation finds itself particularly short. For instance, Mr. Stanley Unwin, who tends to speak for the trade, is asking for an extra 2,000 tons of paper a quarter; and he says

their special knowledge, acquire experience of administration, and influence policy, without interfering with the Cabinet's responsibility. If every Member were appointed to at least one such Committee, and as many more as he could find time and inclination to attend, the work of a Member of Parliament would compete in interest and in opportunity for service with that of any other profession.

These suggestions are not, of course, a code of Parliamentary reform. They are intended only to illustrate the thesis that an effort must be made to raise the personal calibre of Parliament if democratic government is to be reinvigorated. It is not the English Constitution that has been found wanting in the last ten or twenty years. The blame belongs to Englishmen who have taken no proper pride in their own English institutions, and have left Parliament to the jobbers and the hacks. This war has been dramatised as a struggle between democratic and totalitarian systems; and it is as important for England now, as it was for the United States eighty years ago, that "this nation, under God, shall have a new birth of freedom." And this will not be until both the best men and the best Ministers are to be found in Parliament.

that "even this small tonnage could be manufactured from home-produced material, so that no question of shipping space is involved." But it must be obvious that the only way of giving more paper to the book trade is to redistribute the present allocations of paper between all the various users of paper. Rightly, Mr. Unwin may claim that the use of paper by Government departments is less desirable than the use of paper for books; that does not make it any less necessary. If an extra 2,000 tons of home-produced paper is to go to the book trade, either 2,000 tons must be deducted from the rations of other users or another 2,000 tons must be imported. It is a question of simple arithmetic, and not primarily of cultural values. Books compete in their demand for paper, not only with Government departments, business houses, and with the newspaper and periodical press, but also with the war industries. Paper is used for charge cases and other munitions, and for food containers; and, although none of the "munitions" uses has the powerful claim, in the context of civilised society, that books have, most of them must unfortunately have a better claim in wartime.

There is one peculiar fact about books which tends to be overlooked in these discussions. Mr. Unwin himself recently admitted it in his "complaint" that people in this country beg, borrow or steal books, but do not buy them. Actually, it is a very fortunate thing that books have this capacity to be "consumed" by many more than one consumer. They are durable goods as well as consumption goods. One copy of a book read by ten different readers is equivalent to the production of ten copies of the same book if each copy is only read by one person; and one obvious easement of the present stringency would be to adopt every possible means of increasing what might be called "the velocity of circulation" of books. For each existing book to be read by more people may be only an interim and unsatisfactory solution; but it is a solution of the cultural and educational difficulty to which the authors and publishers themselves so earnestly draw attention. It would be only logical if those who base their arguments so strongly on the unique position of books in the life of the community were to adopt the slogan "Don't buy books, borrow them."

It is at this point, however, that the fact emerges that it is not so much a case for books that is being made as a case for the book trade. The publishers are, among business men, high-minded and conscientious people; but they are not in the business for their health. They must sell their wares—which is an additional reason for treating this question on strictly economic, rather than more abstruse, lines. And when all has been said about the

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lisingenuous way in which the case for more books has been put before the public, it is still probable that the core of the case itself is sound. Its spokesmen make three points in particular. First, they say that wartime conditions have increased the demand for books, just as it has done for tobacco and alcoholic liquor—in both of which cases the extra demand has been very largely satisfied. Secondly, they say that, because of this increased demand and the diminished supply, there is an actual shortage of books. Thirdly, they say, quoting the present Minister of Information, that “books are our best export.” At the least, these are plain reasons why every request for relief by the book trade should be examined carefully and sympathetically—bearing in mind always, however, that it may be physically impossible to do anything about even the most justifiable requests. To take only one or two examples: the fact that over 400 volumes of the 970 in the Everyman's Library—which Mr. Priestley declares has probably done more for education than some universities—cannot be supplied is unfortunate, though it does not prove that extra paper and extra labour could be found for their reprinting; it is also unfortunate that many of the set books for school examinations are not obtainable, though this again does not prove that close co-operation between examiners and publishers could not ease the stringency somewhat.

In a number of ways the book trade could probably strengthen its case and its position at one and the same time by more energetic measures of self-help. Publishers are asking the Government to discriminate in the distribution of paper between its different users; and they might possibly do more discriminating themselves in the allocation of their ration. The table opposite shows the decline which has taken place in different categories of books published since 1937. But the numbers given in this table are not numbers of books but numbers of “titles”; they give no indication of the way in which paper, in fact, is being distributed between one kind of publication and another. Obviously one “title” under the heading “fiction” will consume vastly more paper than one title under the heading “translations” or “editions de luxe.” In actual fact, such discrimination as has been exercised in the book trade since the outbreak of the war has been in favour of fiction and against educational books. Until publishers have reduced the more ephemeral and less worthy of their wares to an irreducible minimum, their

	1937	1938	1939	1940	1941
Total books published	17,137	16,219	14,904	11,053	7,581
New Editions and re-prints	5,810	5,307	4,495	3,530	2,326
Translations	434	365	305	168	131
Editions de luxe	71	117	38	32	38
Biography	789	855	689	444	356
Educational	1,337	1,341	1,350	658	340
Essays & belles-lettres	462	363	298	252	112
Fiction	5,097	4,687	4,222	3,791	2,342
Poetry and Drama	569	529	535	310	286
Politics, Political Economy and Questions of the day	633	683	704	351	556

Sources: Whitaker's Cumulative Book List and The Bookseller.

claim for more preferential treatment by the Government is to that extent weakened. Having done this, they could with more justification point out that the hungry sheep look up and are not fed. At present, there are complaints from the trade about certain new restrictions, involving severe limitations of the size of type and margins and weight of paper, “which will sadly limit the prestige of British books abroad.” No one will deny that the debasement of book production and fine printing is a pity from almost every point of view, but, in wartime, all luxuries must go. The art of producing fine books will not atrophy with non-use.

Nor, indeed, will the art of writing. It has already been pointed out in this article that the peculiarity of books is that they last. Too often the trade's case for more books turns out to be an argument for more new books. Now is surely the time for the nation to live primarily upon its capital stock of books, upon its classics and its libraries; and it is with the request for more paper to make up destroyed supplies of these that most sympathy must be felt. In the case of new books, the demand is most cogent when it is for export; and even then it can only carry weight if it is the Government's view that such exports are necessary for the prosecution of the war effort. War is hard times; books can and do make the bleak house less bleak. Every support should be given to every reasonable demand of the book trade which can be physically satisfied; no support at all can be given to special pleading which confuses the issue. With discrimination in their arguments, the publishers may win a great measure of support and some success; without discrimination, they merely stand in their own light.

NOTES OF THE WEEK

Malaya: No Change

Although General McArthur's forces are effectively resisting renewed Japanese attacks on their lines in Luzon and the situation in Borneo and the Celebes has deteriorated, the real centre of the battle is still Malaya, and here, with Japanese armies encroaching daily upon the outer defences of Singapore, the crisis has come. The fighting is developing ominously along the west coast of the state of Johore, where the British are beginning to pay for their folly in abandoning Penang inadequately “scorched” to the enemy. Japanese guerillas, taking advantage of the shallow waters and swampy coastline, and using their own barges and a number of light craft taken from the harbours of Penang, are landing by night and establishing pockets of activity behind the main British line. If this infiltration should develop unchecked, the position in the centre of the British line round Gemas would be rendered untenable and the Japanese already claim the cutting off of British forces behind Maur. Such a setback would be doubly disastrous, for the Australian forces' resistance at Gemas and Maur has been singularly successful—in contrast to the long chronicle of unmitigated defeat. With the ring closing in on Singapore, the British defences must presumably be improving. The lines of communication are being reduced to almost nil and reinforcements—in men and materials—mainland can be saved. The question is now whether Singapore is a Hongkong or a Tobruk. Meanwhile to the north the Japanese, aided by Siamese forces, have launched new attacks across the Burmese frontiers. Tavoy, a port

on the Indian Ocean at the mouth of the Tavoy river, has fallen and Siamese troops are active further north at Myawaddi, about 150 miles due east of Rangoon. Burma has been reinforced, it is true, but the treachery of U Saw cannot but give rise to uncomfortable questionings about the reliability of the administration and of the population. The trouble is not that the people generally prefer Japanese to British overlordship; it is that nothing has been done to weld them into any community of interests, with the British raj.

The Fall of Mozhaik

The German rearguard action at Mozhaik is at an end. On January 19th the Russians completed the recapture of the town and the Germans are withdrawing towards Vyazma on the road to Smolensk. The crucial stage in the winter campaign is likely to open now. The resistance at Mozhaik was clearly a delaying action to enable the Germans to consolidate defensive positions further west, pre-secured the outposts and their assault on the main line must begin. There is news of great activity the length of the front from the Valdai Hills to Kharkov; heavy artillery is being brought up and it may be that the Russians are planning their first offensive on a grand scale. Some observers claim that with the fall of Mozhaik Hitler's “winter line” is already pierced. But since no one has any exact information on the whereabouts of this winter line, or indeed about its

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nature, depth and extent, it is safer to assume that “the road to Smolensk” is no more open than was “the road to Moscow” in July and that the Russians have weeks of tough fighting ahead. The climax of the Russian winter is approaching with frosts below 50 degrees night after night. The Germans are making no secret of the appalling sufferings of the men at the front, and Russian successes are being used—it is impossible to say with what effect—to spur the German people on to greater effort and greater sacrifice. For an almost brutal frankness in reporting hardships and dangers, the German official reports are unique of their kind—a fact that is oddly at variance with the current belief in the German people's inability to face reverses. The explanation lies, perhaps, in the *Sturm und Drang* atmosphere of the whole Nazi experiment. The men on whom Hitler relies to sustain morale at the front and to discipline civilian morale at home have been trained in a tough school. They are ideologically prepared in a way in which only the Bolsheviks were towards the end of the last war. It is an interesting sidelight on their mentality that the Russians are reported to be making very little use of prisoners for political indoctrination. Eight years of totalitarianism have produced the fanatic on the one hand and the intellectually numbed on the other. The former type shepherds and bullies the latter—it may be even through the inferno of a Russian winter.

Hitler's Generals

The death of Field Marshal von Reichenau—from a stroke while returning from the front—must be a serious embarrassment to Hitler, coming as it does so soon after the dismissal of von Brauchitsch and the resulting shake-up in the German High Command. It is reported that von Reichenau was on his way back to Berlin to take over supreme command under Hitler. He was one of the first generals in the pre-Hitler *Reichswehr* to see the possibilities in the Nazi movement, and since his adherence to the Nazi cause his career has been one of steady advancement. He fought brilliantly in Poland and Flanders and was responsible for the capture of Kiev, Poltava and Kharkov. It is thus extremely unlikely that his recall was connected with dismissal or disgrace. Since von Brauchitsch went, all the chief commands in Russia have been in a somewhat fluid state. Von Leeb in the Leningrad sector is safe, for he has his entrenched positions and is fighting a defensive campaign. But von Bock is reported sick after failing before Moscow; von Rundstedt failed before Rostov, and Guderian, the tank expert, has “congestion of the lungs.” If von Reichenau was intended for supreme command under Hitler, who will the Führer fall back on now? It is against this background of military failure and dismissal that the general's fit of apoplexy must be read rather than in a Phillips Oppenheim atmosphere of murder, suicide and fierce internecine feuds. The whole conception of an Army and a Party divided against each other is unlikely in the light of Germany's recent history. Hitler has destroyed the hegemony of the German Army as completely as he has destroyed the old hegemony of the Prussian State. After the extreme *Gleichschaltung* of the last eight years, Army and Party stand and fall together. If inspired reports, probably of Axis provenance, endeavour to give the illusion of division, it is for reasons best known to Goebbels himself. The only important division to which the reports are relevant is a division in *Allied* opinion over the question of “peace with the generals.”

Westminster Calling

Not unnaturally, Mr Churchill found when he was away that the people of the United States and Canada would welcome the chance to hear his most important speeches to the House of Commons. Too often the Prime Minister is set the wearisome task of broadcasting in the evening a speech he has delivered earlier in the day in Parliament. He proposed on Tuesday that, in certain cases, a record should be made of the earlier version, which could then be broadcast at home and overseas at the most appropriate hours. His suggestion was that a start should be made experimentally, with his statement in the three-days debate on the war situation; and he made it plain that it would be for the House to decide, separately in every instance, whether a record should be made and how it should be used. The mechanical advantages of this proposal are so

large and so obvious that the Press and the public were somewhat surprised when, in deference to Parliament's doubt about it, Mr Churchill withdrew his motion. But the peculiar privileges of Parliament and the rights of Parliamentary minorities are the pediments of the arch which, as he has only recently admitted, is the main support of Mr Churchill himself. The main objection of Members was that, by this procedure, too much weight would be given to the views of the Government and too little to those of its critics—as tends to happen already, for lack of space or time, in the Press and on the wireless. This objection applies especially to the forthcoming war debate, which will be, and should be, a highly critical and controversial occasion. Parliament is, first and foremost, a debating chamber, not a rostrum; the Government's responsibility to the people is to their representatives in Parliament. Mr Churchill himself admitted that broadcasting would not be appropriate “during a period of party government”; and it must be admitted that, although Mr Churchill now leads a National Government with national backing, the stuff of Parliament is still the questioning, the criticism, the free debate and unfettered argument of party days.

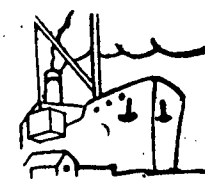
Indian Front Line

It is Mr Churchill's view, voiced on his return to the House of Commons, that “the raising of far-reaching Indian constitutional issues at a time when the enemy was near the gates of India” would be disadvantageous. Undoubtedly, this is no time for reconstruction or experiments—though it is perhaps unfortunate that the Prime Minister's first and eagerly awaited statement on the Indian problem should have had to be a *non possumus*. On the other hand, the “far-reaching issues” are already raised; there are no sleeping dogs to let lie. It was a moderate member of Congress, Mr Rajagopalachari, reputedly the unsuccessful advocate of participation in wartime government by coalitions at the recent meeting of the Working Committee, who said a week ago:—

Declare India and Burma free and the battle line will be there automatically. If Britain must keep India and Burma as dependencies, then a price must be paid, namely peace at any price with Japan.

In Burma, U Saw, the ex-Prime Minister, who was arrested last week, apparently carried this attitude to its logical extreme—and beyond. When he was refused Dominion Status in London, he turned to Tokyo. It would be scare-mongering to suggest that Indian Nationalism is also on the point of becoming a fifth column; Congress itself has only recently spoken strongly against Japanese aggression. It would be irresponsible, too, to pretend that India or Burma could be declared “free” at this moment, in any sense that would satisfy the Nationalist politicians. But there is food for more than thought in Mr Rajagopalachari's further remark that “there is no alternative for wise statesmanship and correct strategy but to make the people of the land responsible for their own defence.” In Malaya a grave omission was the exclusion of the Malays and Chinese from responsibility for the safety of the community; and there

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are signs of the same trouble in Burma. In India, it is true, a great army has been raised, and Indian troops have fought magnificently in two continents. But it is upon their exclusion from political responsibility that the Indian politicians have taken their stand. It may be argued that, to a point, they have chosen to be excluded; but it is precisely because the enemy is near the gates of India that no effort should be spared to find a way out of the deadlock.

* * *

Self-Determination

In more places than India, the entry of Japan and America into the war has had a double and opposed effect. On the one hand, it has increased solidarity and the support for the war; on the other, it has emphasised the determination of the opposition to oppose. Even neutral Eire, where the circumstances are quite different from the rest of the Empire, is a case in point; the determination of the Irish Government to remain neutral has been matched by the increased support of individual Irishmen for Britain. South Africa is another. Adopting the same line as Congress in India, that is, that the prelude to policy should be complete independence, Dr Malan moved in the Union Parliament that a "Christian Nationalist" Republic should be set up, and was beaten by 90 votes to 48. Forty-eight votes is a large fraction of the South African Parliament, and it was augmented when General Smuts' motion, approving the declaration of war against Japan, Hungary, Rumania, Bulgaria and Finland, approving the continuance of South Africa's membership of the Commonwealth of Nations and disapproving the raising of fundamental constitutional issues in wartime, was carried by 81 votes to 56—a majority of 25. At the beginning of every session, the Opposition divides the Union Parliament on the major issue of the war—until now on the question of neutrality. On the outbreak of war in September, 1939, the Government's majority was 13; in January, 1940, it was 22; in August, 1940, it was 17; now it is 25. This increase does not start to measure the increase in South African support, in deed and word, for the war; but the Independents are a very real factor, here as elsewhere in the Empire. For the future of the Government, these figures—and the recent arrests of South African policemen for subversive acts—are portents, and symbols of problems to be solved.

* * *

Canadian Conscription

It is reported without any detail that the Canadian Cabinet has decided to hold a referendum of the Canadian people to decide whether or not conscription should be introduced. There is obviously a plain anomaly in the fact that, while Britain and the United States both have conscription for military service, Canada has not. On the other hand, it is important to remember that the Dominion both in terms of manpower and of war output, is contributing by voluntary means a proportion of its resources which compares favourably with the contribution of any other partner in the Grand Alliance. Conscription is a difficulty in Canada, not because there is any greater reluctance there than in any other particular nation to take a full part in the war effort, but because there are special reasons in the history of Canadian politics which make conscription a controversial issue. The National Resources Mobilisation Act of June, 1940, was a limited measure of conscription; it covered all manpower and all property, with the exception that no man could be sent outside the Dominion for military duties except with his consent. Canada is a federal country; and among the French minority of the Dominion

there exists a reluctance, usual among minorities, to be compulsorily driven by majority decisions. Conscription broke the Canadian Liberal Party in 1917; and the opposition to conscription is still strongest among French Canadian Liberals. Until now, there has been little pressing need to apply compulsion to military service. Voluntary enlistments in the army total something like 250,000; and some 10,000 are in uniform under the National Resources Mobilisation Act. But more drastic measures are probably necessary now. Canada's army now consists of six divisions; and the problem is whether the Dominion can support a large overseas army out of this formation without complete conscription. It is, of course, possible for the Government to use its compulsory powers under the existing Act more stringently; but the fact remains that, with the area of the war vastly extended now and in the near future, more men will be needed for service overseas. It is presumably for these reasons if, after long and difficult discussion, the Cabinet has decided to appeal to the electorate directly for a mandate to use the willingness of Canadian manpower in the most effective way. It is doubtful whether this step could do anything but strengthen the powers of the King Government. The pitfall which confronts any government of Canada at the present time is not the accusation of acting too drastically, but the suspicion of failure to mobilise the nation's resources in the most apt and most rapid way possible.

* * *

A Grave Blunder

Mr Benjamin Greene is a Quaker; he was once a member of the Labour party; and is reported to have had some connection later with another political group. He was interested in German refugees, but was an appeaser and supported the Chamberlain policy at Munich. In May, 1940, he was detained under Regulation 18B and here an almost unbelievable story begins. In an affidavit by the then Home Secretary, charges were embodied that Mr Greene had communicated since the outbreak of war with people in Germany, with helping men whom he believed to be German agents to evade arrest, and desiring the establishment of a Nazi regime in Britain with the help of German armed forces. Under the weight of these tremendous accusations, sworn to by a Secretary of State, Mr Greene has been in prison for nineteen months and would probably be there still but for the detection of a careless mistake made in 1940 by the Home Secretary. What happened was this: two forms had to be served by the Home Secretary, one for Mr Greene's detention and another for his information. In the first form the Home Secretary quoted one part of 18B and specified hostile association, but in the second he cited another part—conduct prejudicial to the safety of the State. This did not make much difference, but in an application for Habeas Corpus it was emphasised by counsel, and Mr Justice Humphreys suggested another inquiry by the advisory committee. Mr Greene's solicitor demanded the name of the man with whom Mr Greene, according to the Home Secretary, had conspired. He was a man named K— and the solicitor found, interviewed him and obtained from him a statement that there was no truth in the charges. Someone must have gone to the police with a basinful of lies; a Home Secretary had swallowed them and regurgitated the mixture as an affidavit. By worrying the Home Office with this statement, the solicitor first secured Mr Greene's release and then obtained an official withdrawal of the three chief allegations against him. The significant things in this episode are (1) that, if the former Home Secretary had not carelessly confused conduct prejudicial with hostile association, Mr Greene would probably be in prison to-day; (2) that, if Mr Greene had not applied for Habeas Corpus, the carelessness and inaccuracy of the Home Secretary would not have been made public; (3) that if the decision to hold or release had lain with an independent tribunal the worthlessness of the evidence concerning K— would have been exposed not in the November debate in the House of Commons, the must give each case his personal attention and not leave it to departmental routine. To what extent did the former Home Secretary give this case his personal attention before the arrest? Who saw the informer? Did the Home Secretary see the witness, question him and assess his credibility? If he conned himself to documents, by whom had they been prepared? Was it somebody in the

Home Office or someone associated with the police? Are there others still in prison who have not enjoyed Mr Greene's luck, but are nevertheless as innocent as he? The case against an independent tribunal—a case which *The Economist* has hitherto accepted—rests on the assertion that as much care is taken behind the scenes to see that justice is done as could be taken in a court of law.

* * *

Argentina Decides

At the end of the first week's deliberations, the Foreign Ministers of the twenty-one nations represented at the Rio Conference succeeded in reaching a decision on the main issue. On the ill-important question of whether the American continent as a whole should sever diplomatic, commercial and financial relations with the Axis powers, Argentina, and possibly Chile, had hesitated to adopt a pre-belligerent attitude. A definite decision on the issue, which was formalised as a motion for severing relations, introduced by Mexico, Venezuela and Colombia, was required by the week-end. If Argentina had opposed the motion it appears she would have had to do so in isolation. The Acting President, Senor Ramon Castillo, had let it be known that he was willing to impose certain controls on financial dealings and communications with the Axis powers and possibly to permit the use of the navy for convoy duties. But he apparently remained unwilling to commit Argentina to co-operate with her neighbours in the anti-Axis front: No doubt Axis circles were too shrewd to interpret a possible abstention as a diplomatic victory. Nationalism, as opposed to national socialism, is sufficiently well developed in Argentina to prohibit concurrence in United States leadership except under duress. This has been injudiciously supplied by the Axis powers. The threat to declare war against nations supporting the motion could in itself carry little weight. The Axis declares, or rather wages, war when conditions are favourable. If forced into declaring war by the motion of the Rio Conference, there is ground for believing that the occasion will not be of Axis chosing. An agreeable by-product of the Conference is the reported settlement of the Ecuador-Peru frontier dispute.

* * *

The Rights of Women

The question whether women may enter the consular and diplomatic services must await the end of the war. Mr Eden has told a women's deputation that nothing can be done now because recruitment has been suspended and will not be resumed until peacetime. Obviously, no public service should be confined to men, or to any other section of the community; women should be admitted where suitable. But those who sponsor the admission of women retain the old feminist habit of lop-sided thinking—possibly because they are mostly women MPs who tend, quite irrationally, to be treated as representatives of women instead of as representative, like every other MP, of their respective constituencies. It is not as women that women have a right to enter the consular and diplomatic services but, like every other candidate, as potentially good consuls and diplomats. The national interest requires the further emancipation of women, not because women consuls and diplomats—or MPs or higher civil servants—are specially needed, but because it is desirable that the field of choice should be widened as much as possible, and undesirable that any class of citizen should be excluded by irrelevant considerations. The women's spokesmen tend to stand too much upon their rights as women and too little on their rights as citizens; and in their understandable assaults on the attitude that relegates women exclusively to the home, they are in some danger of going to the other extreme and suggesting that it is a higher mission to be a consul or a diplomat than it is to be a wife and mother, which is just as false doctrine.

* * *

The New Army

It has been a national misfortune that the ATS was allowed to fall so low in the public's, and its own, esteem as it had done until recently. Even now, too much attention is being paid, by those who are very properly trying to restore the high status that this essential service ought to have, to points which are really distractions and mostly irrelevant. The people who so frequently and so vociferously deny charges of immorality in the ATS, for instance,

might remember that the adage *qui s'excuse, s'accuse* has deep roots in popular psychology. It is accepted by all sensible people that the ATS are no more immoral than the women of the nation from whom they are drawn, and that the disciplined life of the Army almost certainly makes them less so. The defenders of the ATS would do well to look less towards the scurrilous gossips outside the Army and more towards the women's working and living conditions within. Most of all, the tone of any force is set by its conditions. When Mr Bevin and Captain Margesson inform anxious questioners in the House that energetic steps are being taken to improve conditions in the ATS, they are not oversteating the truth. Adequate standards of accommodation have been laid down and are being increasingly applied. What is too little allowed for, however, is the recent obstructive attitude of men officers, in cases where women and men are working and living in close proximity, which impedes the translation of these standards into actual practice. The higher command of the Army is conscious of the need for more and more women in the Army. Officers of lower rank and NCO's are often not so convinced; some of them still resent the intrusion, and some are still bewildered by it; others are not exactly eager to be released by the women for more active service; few are ready to put themselves out to secure the material conditions for the women that are laid down and which, in very many cases now, can only be secured through them; and a small number are outspokenly hostile to the whole business. In a number of units, the women officers themselves, who vary very much in quality, could do more than they are doing to press the claims, under Army Orders, of their troops. But the solution really lies in the hands of the Secretary of State for War and the generals. All that is needed is a firm instruction through commanders to all officers, restating categorically that the most rapid recruitment of women is in the interests of the nation and the exigencies of the Service, and making it plain that any opposition or obstruction, active or passive, to the relevant orders and instructions is a grave offence against discipline.

The Middlemen

The new Price Controlled Goods (Restriction of Resale) Order, issued by the Board of Trade, seeks to outlaw yet one more species of racketeer. In the past, it has been possible for goods, whose wholesale price and profit margins were controlled, to change hands any number of times, with a consequent increase in the cost to the consumer. In future, unless a special licence is secured, the middleman may buy goods only from an importer or from the manufacturer who has in fact manufactured the goods. Thus, the intermediary is, in fact, debarred from selling the goods except by retail, and only one middleman's margin can be added to the wholesale price. It is still possible, of course, for goods to change hands any number of times, but the price is not to be raised to the public. This measure was obviously necessary to protect the public against evasion of price control. The only doubt is whether it goes far enough. Its efficacy will depend entirely on whether the grant of special licences is sufficiently strictly supervised. The problem could be solved more effectively by an extension in the control of retail prices themselves, though the obvious difficulty here is the heterogeneous nature of many goods retailed by the same name. Outside the black market, profiteering in food has largely been eliminated. In the sale of furniture, household goods of all sorts, wines and spirits and flowers, it has scarcely been checked. In the case of luxury goods,

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of course, there is no material deprivation, only a threat to the general price level; but, luxuries or necessities, it is not tolerable that it should still be possible for individuals to feather their nests because the country is at war.

Concentration of Schools

The amalgamation of Haileybury College and the Imperial Service College, coming on top of last year's Public and Other Schools (War Conditions) Act, which authorised the alienation of endowments, is further evidence of the growing financial difficulties of the public schools. Like civilian industry, these schools have found themselves over-capitalised on account of their restricted turnover; but, unlike industry, their difficulties are not due to the war, though they have certainly been accentuated by it. They are the long-term result of a falling birth-rate and lower incomes. In these circumstances, the only long-term solution for the public schools—in the absence of any far-reaching reconstruction of education in this country—is to attract more children by considerably reducing fees, as well as by lowering costs by amalgamation. Unfortunately, the amalgamation made for Haileybury and the Imperial Service College fix the fees for the joint school at the higher level. At present, according to Paton's List of Schools, the fees at Haileybury for boys of non-Service families are £150 a year and £109 a year for sons of clergymen—there are, of course, a number of scholarships up to £100 a year—and for the Imperial Service College they are £115 for direct descendants of Service officers and £135 for others. After the amalgamation, the fees will be the Haileybury ones, though boys at present at the Imperial Service College will continue to pay their present charges, and its endowments will be used, with the consent of the Board of Education, to found a limited number of bursaries for sons of regular officers and Civil servants. Thus the scheme aims at restricting entrance to the new school to the same class of boys and at the same price, ignoring the fact both that the children of this class are slowly becoming fewer and that the ability to pay fees on this scale is diminishing rapidly. In these respects, an amalgamation such as this helps neither the wider cause of educational reform nor, in the long run, the public schools themselves.

Southern Rhodesia and the African

It was reported last week that Mr J. H. Smit, Minister of Finance and Commerce in the Southern Rhodesian Government, had resigned, because, according to the cabled information, the Government was becoming too Left Wing. Party labels certainly have different meanings overseas—for instance, a so-called "Labour Party" was formed last summer in Northern Rhodesia, which is restricted in membership to Europeans and aims at the withdrawal of the official policy that native interests are paramount. But it is difficult to see how the most extreme dissident from Sir Godfrey Huggins's policy could accuse him of Left-mindedness. In a country like Southern Rhodesia or South Africa, where a minority of white settlers rule over many times their number of coloured people, the political description—Right or Left—can only have a useful meaning when it refers to the policy of the Government towards the natives. Judged by this standard, the policy of Sir Godfrey Huggins is undoubtedly Right Wing, though he himself appears to believe quite honestly that he is taking a Centre attitude. Thus, in the debate on the Land Apportionment Bill last June, he said that it would appeal to moderate opinion, that it would not please those who believed the African was created to work for them at a small wage or those "living abroad" who thought there were no differences between black and white. Sir Godfrey Huggins has declared himself a believer in "parallel development"—in not contaminated by the African, until such time as the counterpart. Expressed in economic terms, this means restricting native farming to reserves; fixing one price for native-grown maize and another, higher, one for maize grown by Europeans; and in urban and industrial districts, where segregation is impossible, keeping the native, as the employee of the white man, in a state of permanent inferiority. In certain respects, it is true, the native under Southern Rhodesian rule is better off than his fellow in the neighbouring British colonies. In recent years, the Govern-

ment of Sir Godfrey Huggins has addressed itself energetically to the provision of social services for the natives and to teaching them better methods of agriculture. But the spirit behind its native policy is far behind that followed in the British colonies. Sir Godfrey Huggins must travel a long way further to the Left before his aim of amalgamating the two Rhodesias and Nyasaland can be achieved.

The Blockade Again

There is strong pressure on the Government from many quarters to relax the blockade in favour of Greece. Powerful emotional arguments can, of course, be brought forward to support the demand that food be sent. The Greeks are facing starvation. Their physical sufferings in this respect are greater than those of any other European nation. Their claim upon Allied support is perhaps greater too, for they fought the good fight throughout a whole winter, and today thousands of Greek merchant sailors are carrying on the struggle on the high seas, bringing food to the Allies—but not to their own countrymen. The British Government has already done a certain amount to relieve the distress. Food supplies, in part financed by British and American charity, have been shipped from Turkey to Greece. Now, however, it is a question of using Allied food stocks and Allied shipping directly to feed the people in German-occupied Greece. It is essential that the British public should realise that if, as is likely, the decision to relax the blockade is taken, the step represents a complete break with the principles of economic warfare so far adhered to in this war, that the arguments are emotional, not rational, and that the relaxation will create a most dangerous precedent. The principle is after all obvious. It is that an occupying Power is responsible for the feeding of the country it occupies. No one in his senses can, at this stage of the war, accept the view that the British blockade, not the German occupation, is responsible for the famine in Greece. It is equally fantastic to suppose that the Germans could not feed Greece if they would. Only recently an Italian foodship was seized by the Germans in the Piræus itself; Greek labourers working on German public works are given adequate food; and the total provisioning of Greece with grain would require a monthly outlay of only one-seventieth of Germany's known reserves. The Germans are merely trying out a hideously cruel form of blackmail, which, if successful, could be equally well adapted to Norway, the Low Countries, or France. One would have thought that all this ground had been fully covered and the principles established a year ago, when Mr Hoover had his schemes for feeding Europe. But some people apparently will never learn.

Moscrop v LPTB

An important case affecting trade union rights came before the House of Lords recently. One of the terms of the settlement of the London bus strike in 1937 was that, in appeals by an employee of London Transport in disciplinary matters, the employee could be accompanied or represented by an official of the Transport and General Workers' Union. The union would not, however, allow their official to appear for anyone who was not one of its members. Mr Moscrop, a bus driver, left that particular union at the end of 1937, and became a member of the new National Passenger Workers' Union in 1938. In 1939, he was reported for failing to pick up a passenger at a certain point, his plea being that it would have been dangerous to stop there. He was cautioned, and his first appeal was dismissed. He then abandoned his appeal to the disciplinary board, because the LPTB would not allow him to be represented by an official of his—the National Passenger Workers'—union, and accordingly brought an action challenging this refusal. His claim rested upon section 6(1) of the Trade Disputes and Trade Unions Act, which makes it illegal for a public authority to impose any condition upon its employees whereby some, whether members of a trade union or not, are placed at a disadvantage compared with others. In the Divisional Court, Mr Justice Morton held that the agreement come to with the Transport Union did not impose a condition within the meaning of this section of the Trade Disputes Act; but the Court of Appeal decided in favour of Mr Moscrop. The House of Lords, however, allowed Lord Maugham said that Mr Moscrop was not contending for any rights for himself; he was merely contending for equality compared with members of the Transport Union

and was seeking to obtain it, by a declaration that a particular clause of the 1937 agreement between that union and LPTB was void. Lord Maugham could not, however, agree that section 6(1) of the Trade Disputes Act made the agreement void. In his view, it prohibited the imposition of a condition of a prescribed kind by a public authority on its employees; it did not prohibit employees, or a trade union on their behalf, if it were strong enough, from imposing conditions on the authority. The agreement with the Transport Union conferred a privilege on members of that union, but it left the rights of non-members exactly as they were, and there was no question of conferring certain rights on one class of employees and lesser rights on another. Moreover, on the wider issue of Mr Moscrop's action, Lord Maugham could not agree that it was rightly brought. The plaintiff was claiming no private right, but was seeking to deprive others of a right which did not interfere with his own; nor had he suffered special damage from the alleged breach of section 6(1) of the Trade Disputes Act. He could not, therefore, sue "without joining the Attorney-General."

Commanders

General Wavell has gone to the Netherlands Indies to take up his South-West Pacific command. General Sir Alan Hartley replaces him as Commander-in-Chief, India; and General Auchinleck, commander in the Middle East, takes over Iraq and Iran from General Wavell's former extended command. These changes are thoroughly reasonable. On the fighting flanks of India, the two most successful British Generals of the war, Generals Wavell and Auchinleck, are in charge. But the problem of the joints and hinges remains. No sooner had General Wavell moved east than the Japanese moved west, cutting across Burma. India is unattacked, but remains the pivot of Middle and Far Eastern defence, the source of manpower and the source of materials. It is necessary to demarcate the zones of command, but it is even more needful to co-ordinate the measures of the commanders; and Imperial defence in the east will stand or fall by the concerted skill with which British, Australian, New Zealand, Indian, Chinese or American forces are brought to bear at all the threatened points in sufficient numbers—and with sufficient air and sea support.

Shorter Notes

The diplomatic reshuffle made necessary by Sir Stafford Cripps' departure from Moscow has a very satisfactory appearance. Sir Alexander Clark Kerr, an excellent ambassador to China, who maintained Britain's fundamentally friendly relations even through such awkward times as the closing of the Burma Road, takes to Moscow a great reputation, together with inside knowledge of the Chinese situation. The despatch to Chungking of Sir Horace Seymour, Under-Secretary of State superintending the Far Eastern Section, is an earnest of the importance Britain attaches to its latest ally.

The Archbishop of Canterbury has announced his resignation from the Primacy on the ground that he must make way for a younger man to meet the "great tasks of reconstruction" that lie ahead. Much speculation will be roused over the question of his successor, but to a large body of opinion, Christian and secular, the Archbishop of York, pre-eminent in the Episcopate for his energetic and practical work on the problems of reconstruction, would be an excellent choice.

Last year 915 persons were killed and 2,883 were seriously injured by accidents at coalmines, compared with 923 and 3,237 respectively in 1940.

In answer to a question in the House of Commons, the Prime Minister said that since the beginning of the war there have been 47 uncontested and 26 contested by-elections, which, with the exception of that for Cambridge University, have not changed the numerical strength of the

different parties since September, 1939. (At the by-election for Cambridge University in February, 1940, Dr A. V. Hill, Independent Conservative, was returned in the place of the late Sir John Withers, Unionist.)

The following table gives the number of civilian casualties in air raids since September, 1940:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Total Sept.-Dec., 1940.....	21,669	30,556	52,225
1941:—			
January.....	1,550	2,021	3,571
February.....	793	1,068	1,861
March.....	4,298	4,794	9,092
April.....	6,131	6,900	13,031
May.....	5,520	5,207	10,727
June.....	406	461	867
July.....	501	447	948
August.....	169	136	305
September.....	217	269	486
October.....	262	361	623
November.....	89	155	244
December.....	34	55	89
Totals to date.....	41,639	52,430	94,069

Of those killed in December, 13 were men, 14 were women and 7 were children under 16.

Important evidence of the growing scope of the United Kingdom Commercial Corporation, and of the leading role played by British constructional engineering in Turkey, is provided by the conclusion of fresh contracts with the Turkish Ministry of Public Works last week. The UKCC is to build a jetty and carry out other improvement on the harbour of Alexandretta and to complete work on the jetty at Mersina.

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STATEMENT OF ACCOUNTS, 31st December, 1941.

LIABILITIES	
Capital paid up.....	£4,160,042
Reserve Fund.....	3,600,000
Current, Deposit and other accounts (including Profit and Loss Account).....	158,152,405
Liability for Acceptances, Endorsements, etc.....	9,610,530
	£175,522,977
ASSETS	
Cash in hand and at Bank of England.....	£17,621,389
Balances with, and cheques in course of collection on other British Banks.....	4,388,068
Money at call and short notice.....	5,478,000
Balances with Banks abroad.....	41,772
Treasury Bills.....	7,660,000
Treasury Deposit Receipts.....	28,000,000
Bills Discounted.....	167,029
Investments.....	59,108,585
Advances to Customers and other accounts.....	37,585,780
Bank Premises.....	2,866,824
Liability of Customers for Acceptances, Endorsements, etc.....	9,610,530
	£175,522,977

LONDON DISTRICT HEAD OFFICE: 68 LOMBARD STREET, E.C.3
HEAD OFFICE: WATER STREET, LIVERPOOL, 2

AMERICAN SURVEY

Congress and the War

(By a Correspondent)

THE United States is at war; her position as a Pacific power is at stake; her long immunity from danger at home, based on geographical isolation and on the weakness of her neighbours, is in danger. And all of the lower and one-third of the upper house of Congress will be elected on the first Tuesday after the first Monday in November of this year, whether the Axis star is waning or waxing, whether the ABCD powers are still battling in retreat or carrying the fight to the enemy. Nearly five hundred politicians will have their careers at stake; men who have made a really first-hand study of what the American public thinks it needs will face another testing-time more serious than any Gallup poll. And since members of the Congress of the United States are men, not angels, the temptation to see the national needs, the national dangers, in terms not incompatible with the local political necessities of Buncombe County will assail the candidates. No doubt, at this moment, patriotic zeal, patriotic anger and respect for a suddenly awakened public opinion are helping the men who must run in November to forget the imminence of the ordeal; but as the state of war becomes familiar, as genuine grounds for criticism of the Administration develop, as the public memory grows blurred, many politicians will turn again to the business of mending their fences.

Congress and Foreign Policy

There are in the American political situation some possibilities of danger. In Britain, the Government in office was forced by events to take over the foreign policy of the Opposition. This made for national unity; and the stupid refusal of the Labour Party to see the necessity of conscription made it easier for the Chamberlainites to sleep without too many nightmare recollections of what was said between Munich and Prague by the politicians who had slumbered on the nicest seats that money could buy. But there is no such easy balm for the majority of the American opposition party. They may now be silenced by the event. A few of the more obstinate may hint or openly state that it is not the fault of Hitler or Admiral Yamamoto, but of "that man in the White House." But if Mr Roosevelt was right, how right he was and how wrong they were. And if he was not right, what courage it will need to tell the old old story of the God-given immunity of the United States to a people first stunned and then infuriated by the news from Pearl Harbour. For, since 1939 and before 1939, the majority of the Republican party in both Houses of Congress has opposed Mr Roosevelt's foreign policy, has helped powerfully to create the illusion that there was no danger, no crisis, and has done so with an effectiveness that no number of blundering Bundists or Coughlinite conspirators could have remotely approached. Not all Republicans have been equally blind. In Congress, men like Senator Austin and Representative Wadsworth have not put party considerations or parochial interests before the general welfare; but it is a just verdict to say that either the Republican party has had no foreign policy at all or it has had a policy which, for blindness, need concede no superiority to that of the majority of the British Press and Parliament in the days of "peace in our time."

It is true that, outside Congress, Republican opinion has not been so pugilist as on Capitol Hill. The way in which the candidacy of Mr Wendell Willkie was forced on the party in the summer of 1940, the courageous line taken by such young Republican leaders as Governor Stassen of Minnesota; the rôle of such great Republican papers as the *New York Herald Tribune*, absolve the party as a whole from the charge of unintentionally aiding the enemies of the Republic. It is not, however, the Republican party as a whole that will be tested, and therefore tempted, in November, but the Republican Senators

and Congressmen. And most of those Senators and Congressmen have good reason for wishing that the electors should not think back, but look forward. They must keep off the great issues or give general support to the President—and run on local issues, capitalising local discontent, promising general panaceas. The President, like Mr Churchill, can only give blood, sweat and tears. Candidates for office with no direct administrative responsibility, elected to a body that is designed to control (in the French sense), not to support, the executive, will be tempted to modify general acceptance of the grim truth with nice little concessions, not very important, not very dangerous taken separately, but amounting in the aggregate to at least a hand-brake put on the American motor engine.

It would be false to make this danger a mere matter of party politics. There is a large Democratic majority in each house. Yet Congress refused to follow the lead of the leader of the dominant party in the matter of the fortification of Guam, in the pre-war amendment of the Neutrality Act, and only by one vote kept in being the United States conscript army which is now in numbers, training and organisation so far behind what is required for total war. Just as it should never be forgotten that the present House of Commons is the house of "peace in our time," so the record of this Congress should equally not be forgotten. It is a better record, because Mr Roosevelt is a great leader, with far more foresight than Mr Chamberlain and with more prestige as an electoral wonder-worker than any President has had since Andrew Jackson. But, despite that leadership, enough representatives timid enough or silly enough to destroy the national defence were nearly found.

Confusing the Issue

Already there are signs that the obvious necessities of the times can be hidden from congressional eyes. To vote-getters, the war seems a heaven-sent opportunity to do something for the American farmer. That inflation is a military as well as an economic danger, that bogus price control is giving aid and comfort to the enemy, is probably seen more clearly in any part of the United States than on Capitol Hill. Yet even from that slight eminence the attempt to make of one of Mr Roosevelt's servants, the Secretary of Agriculture, the censor of another, the Price Controller, may seem odd. Of course, as the President is reported to have said, that does not matter, since he can dismiss either or both of them. And the President may veto the Bill; but a dead bad Bill is no substitute for an unenacted good one.

Danger, the pressure of public opinion, the discovery that there really is a war on, and that the American people want to get on with it, will do a lot to educate Congress. And the President, who has not always been the most tactful of leaders, the most magnanimous of victors, can do a great deal to make the public realise that politics, like business as usual, is a luxury to be eschewed at the White House as well as at the Capitol. But war cannot fail to make the President more than ever a quasi-dictator. All dictators, even democratic dictators, limited by law as to the duration and extent of their powers, benefit by informed and authoritative criticism. The Senate, at least, is well organised to be a forum and a censor. Its war-time choice is clear: it can either invigorate and invigilate, or interests. But to carry out its duty, the big and little interests. But to carry out its duty, the Senate will have to forget its resentment at its eclipse by the President. And some Senators will have to live down what they were saying only a few weeks ago. On December 13th, with the United States already at war, the *Nation* published a

communication from a leading Republican Senator rebuking Mr. Wendell Willkie and setting forth the doctrine that the duty of an opposition is to oppose in a startlingly candid form. "Whoever may be right on the question of foreign policy, it is obvious that a party kills itself and removes any excuse for its existence when it adopts the principles of its opponents. If any credit for this war ever goes to anyone, which I doubt, it will go to Franklin D. Roosevelt, and not to Wendell L. Willkie." The author of this dictum was a leading aspirant for the Republican nomination in 1940; his father was the first civilian Governor-General of the Philippines, Secretary of War, and the only man in American history to be both President and Chief Justice. If Senator Taft could write in this way on the very eve of the great assault on America, should we be too harsh on politicians who have had less intellectual and social advantages? Fortunately for Senator Taft and for the Senate of which he is a very useful member, he is not a candidate this year. He will not have to explain, or explain away, his blindness. But others are less fortunate. They will in the next few months have, as President Eliot of Harvard once said of the elder Henry Cabot Lodge, ample opportunities for future service. If American public opinion continues to be critical without being too harsh, these opportunities will be taken.

American Notes

The Production Chief

The terms of the Executive Order appointing Mr Donald Nelson as chairman of the War Production Board make it clear that his powers will be very broad. As well as "exercising general direction" over the procurement and production programme, he is to "determine the policies, plans, procedures and methods of the several federal departments, establishments and agencies in respect to war procurement and production, including purchasing, contracting, specifications and construction; and including conversion, requisitioning, plant expansion and the financing thereof; and issue such directives in respect thereof as he may deem necessary or appropriate." This would appear to be wide enough, and if anything has been omitted it does not leap to the eye. The Office of Production Management is to be disbanded and its functions merged with those of the new WPB. Mr W. L. Batt is to take charge of its most important division—that of requirements and materials—and there are to be other divisions for planning, production, purchasing, labour (under Mr. Sidney Hillman) and civilian supply, under Mr Leon Henderson, who also remains as Price Administrator. Mr Knudsen, Director-General of the OPM, has been appointed Director of Production in the War Department, and it may be that he will feel happier there than as chief of the OPM. Nobody has ever questioned his abilities as a production engineer; it was in the wider spheres of programmes and planning that he met with criticism. An indication that the existing methods of the War Department have not been abandoned is given by the fact that it has been necessary to raise Mr Knudsen to the rank of Lieutenant-General.

Atlantic versus Pacific

It is only natural that the United States should be tempted to place supreme emphasis on the Pacific hostilities. Japan has long been regarded as America's traditional and predestined enemy. It is in the Pacific that America has felt the most violent impact and suffered her greatest humiliations of the war. The west coast states have for years been obsessed by the Japanese menace, and have felt a sense of grievance that it was not properly appreciated along the eastern seaboard. The Allies' reverses, in the Pacific, which coincide with a flood of stories that Germany was being crushed in Russia, have led to a number of expressions of disagreement with Col Knox's view that Hitler's destruction must come before anything else. Anxiety lest the Pacific be neglected has been reinforced by reports that Australia, the Netherlands and China have made vigorous representations to this effect. Former Isolationists have been quick to exploit this state of feeling. The Hearst press insists that the Pacific war must be considered the most important because of its "threat to western civilisation" and that everything should be concentrated on it. General Hugh Johnson, another former Isolationist, has taken the same line. Both General Johnson and Mr Hearst have been critical of Mr Churchill for stressing the import-

ance of Europe at the expense of the Pacific. Lend-Lease has also been a target for criticism by former Isolationists. Lack of air power in the Pacific has been blamed on the supply of equipment to Britain and Russia, and the rubber shortage has been similarly attributed. The *Chicago Tribune* has been prominent in putting forward these arguments. It is interesting that former isolationists have apparently been able to transpose their former views into a war setting by continuing to play down the European aspect of the struggle, while former interventionists like Col Knox are unanimous in stressing the critical importance of the European theatre. There is undoubtedly a danger that the United States may be led to take too narrow a view of its rôle in the conflict, and that the threat of Japanese raids on the west coast may immobilize forces that might better be employed elsewhere. The emphasis which the President continues to lay on the world-wide character of the struggle suggests that he is conscious of this, and will devote his unparalleled gifts to seeing that the American people maintain a clear perspective on the relative importance of the different fronts.

Labour Peace?

Nothing perhaps represents a graver potential threat to the American production programme, and even more to the national unity, than the prospect of continued labour troubles. It is, therefore, all to the good that the truce of the last few weeks should be used to build up as solid a structure of harmony as possible before the inevitable disagreements recur. The names and powers of the President's National War Labour Board have now been announced. It consists of twelve members, two each from the AFL and the CIO, four employers and four representatives of the Government. These four are the chairman, Mr W. H. Davis, chairman of the previous National Defence Mediation Board, now disbanded, and three highly respected figures from the academic world. The new Board will have much wider powers than the old; in particular, it will not have to wait for an invitation before intervening in a dispute, and its findings will have the binding character of arbitral awards. It is also proposed to recruit a panel of mediators to assist in composing disputes, and names as eminent as those of Mr Wendell Willkie, former Chief Justice Hughes, Mr Al Smith and Mr James Farley have been mentioned in this connection.

The new Board will have to face two main problems. The first will arise from the fact that applications for a "closed shop" were not ruled out by the conclusions of the Labour-Management Conference from which the Board sprang. Such applications are, by their nature, susceptible of mediation or arbitration only with great difficulty. If they are pressed in large numbers, the Board will have a rough passage. The second problem is the continued rift in the labour movement between the AFL and the CIO. An attempt to compose this quarrel has come from a most unexpected quarter. Mr John L. Lewis himself, in letters to the presidents of both organisations, has suggested a merger, and it had been reported that, with the assistance of Mr Dan Tobin, the teamsters' leader and a power in the AFL, he had worked out a complete compromise plan. Unfortunately, there is more than a little suspicion that Mr Lewis's plan is more concerned with his personal rehabilitation than with labour peace. Having led the CIO out of the AFL nearly a decade ago, he has within the past year lost control of the CIO, chiefly because of his anti-Roosevelt views on home and foreign policy. His new suggestion has met with a very cool reception from Mr Philip Murray, his former lieutenant and successor as president of the CIO. However, there is no doubt that the rank and file of labour, and even more the union workers, desire reunion. A recent Gallup poll showed only 9 per cent of "leaders" in either federation, and only 25 per cent of AFL members and 19 per cent of CIO members opposed to fusion. There are certainly few things that would contribute more to industrial harmony.

Expansion in Engineering

The rate of increase in the output of munitions will depend, in no small measure, on the capacity of the engineering industry to produce plant and equipment, especially tools. True, the curtailment in the manufacture of civilian goods, such as motor cars and refrigerators, will now free

for war work a large proportion of existing plant and machinery. Again, output can be speeded up by the more intensive use of available machinery. According to the census of production taken in 1937, there were then 956,000 workers employed in the manufacture of machinery, excluding transport equipment. The industry has been expanded rapidly last year; the total value of machinery produced in 1941 was estimated by the *Domestic Commerce Weekly* at the record level of \$11 billions, which exceeds the previous peak by \$4 billions. Machine tool makers in the narrower sense are only one branch; they employed 47,266 workers in 1937 in 292 establishments; while complete data for 1941 are not yet available, the number of workers at 79 plants, which employ about two-thirds of the workers in the industry, was 69,000 last September. The rapid expansion of the industry last year is reflected in the sharp rise in the value of its output, from \$423 millions in 1940 to \$823 millions in 1941. But if it is to supply the tools required for the defence programme, its output will have to be increased still further. At present, efforts are being made by the industry to increase the number of workers on the second and third shifts. This source offers considerable scope, for an analysis of the position of 79 important plants last September showed that only 24.9 per cent of the industry's labour force was then engaged in the second shift and 7.5 per cent in the third.

British and American Taxation

Reference was made in a previous "American Survey" (November 15, 1941, page 596) to the difficulty of comparing the burden of taxation in different countries. The table attached to this Note has been compiled in an attempt to make the comparison on as fair and accurate a basis as possible. Care has been taken to ensure that the figures for the two countries in respect of each item are strictly comparable—that is, that they include the same things and exclude the same things. The only fair method of comparison is as a proportion of the national income. Figures of taxation and expenditure per head have, how-

	United States			United Kingdom		
	1938-39	1940-41	1941-42	1938-39	1940-41	1941-42
Net National Income (millions)	\$67,546 ⁽¹⁾	\$82,000 ⁽¹⁾	\$96,000*	£4,500 ⁽¹⁾	£5,800 ⁽¹⁾	£6,200*
Government Revenue (millions)						
National	6,156	8,268	12,859 ⁽¹⁾	1,046	1,587	2,080*
State and local	8,777	9,471	10,000*	204	220*	230*
Total	14,933	17,739	22,859	1,250	1,807	2,310
As % of Nat. Inc.	22.1	21.6	24.1	27.8	31.2	37.3
Government Expenditure (millions)						
National	9,142	13,282	32,581	1,187	3,190 ⁽¹⁾	3,950*
State and local	10,508	10,000*	11,000*	204*	220*	230*
Total	19,650	23,282	43,581	1,391	3,410	4,180*
Of this, defence or war	1,206	6,255	26,000	395	2,440	3,130*
As % of Nat. Inc.	20.1	28.4	45.9	30.9	58.8	67.7
Total	29.1	7.6	27.4	8.7	42.1	45.50
Per Head—						
Income	\$522	\$616	\$709	\$454	\$487	\$521
Revenue	115	136	171	126	152	194
Expenditure	152	175	326	140	287 ⁽¹⁾	352 ⁽¹⁾
Total	267	311	497	266	439	546
Defence or war	9	47	194	40	206 ⁽¹⁾	263 ⁽¹⁾

General Notes.—Government Revenue and Expenditure includes, for both countries, such things as social insurance contributions, compulsory war damage contributions, etc., but excludes self-balancing revenue and expenditure, such as Post Office. State and local figures are entered after deducting contributions to or from central funds. Conversions have been done at the average rate of exchange prevailing for the period; * denotes that the figure is approximate.

Notes.—(1) Average of two calendar years concerned. (2) Estimated from official figure of £4,415 millions for calendar year 1938. (3) Estimated from official figure of £4,500 millions in nine months April-December, 1940 (i.e., annual rate of £5,000 millions). (4) Latest available estimate. (5) Includes only estimated expenditure in the United Kingdom. Figures of total expenditure (all approximate) would be—

	National only	National and Local	War Expenditure
	£mm.	£mm.	% of Per head (\$)
1940-41	3,970	4,190	55.5
1941-42	4,820	5,050	64.5

ever, also been given; but they should be used with caution. No attempt has been made in the table to calculate the figures for the year 1942-43 given in Mr Roosevelt's Budget message of January 7th. But if the estimates of

revenue and expenditure are realised and the net national income, as suggested in the article in *The Economist* last week, rises to \$110 billions, tax revenue will amount to about 33½ per cent of net national income, total expenditure to about 66½ per cent and war expenditure to about 51 per cent. These percentages, it will be noticed, lie close to those for the United Kingdom in 1941-42.

Metal Price Policy

Following protracted negotiations with the producing companies, the Price Administrator agreed last week to raise the price ceiling on lead from 5.85 to 6.50 cents per lb. This move follows an increase by 1 cent to 8.25 cents per lb. in the zinc price in October last. Simultaneously, a metal premium scheme has been announced, which will come into force on February 2nd for a period of 30 months, and will raise the prices to be paid by the Government for all copper, lead and zinc produced by domestic mines in excess of the 1941 output. For copper the premium is 5 cents and for lead and zinc 2.75 cents per lb. The reason for the higher copper premium seems to be connected with two facts. On the one hand, the copper price has not been raised since September, 1940, when it was only slightly above the pre-war level. On the other, there are a number of disused United States copper mines which could hardly produce at less than 17 cents per lb. The increase in the lead price ceiling confirms that the rise in the zinc price last October was no exception, but represented a departure from the Government's policy, pursued since September, 1940, of keeping metal prices unchanged despite increased production costs. Naturally, copper producers are putting forward demands that their basic price, too, should be raised as their production costs have increased to the same extent as those for lead and zinc. So far, however, no negotiations towards this end have been initiated, and the high premium for additional production of copper makes it doubtful whether any increase is intended. At the same time, the new premium scheme shows that the Government is as unwilling as in the past to stimulate production by general price increases. United States metal production last year was very near its peak, and the tonnages which can be produced in excess of the 1941 output should be expected in tens of thousands rather than in hundreds of thousands of tons, although the premiums are high enough to bring virtually all of the disused high cost mines into production. This policy of controlling prices by ceilings, which have at least a slight relation to average production costs and of stimulating production by premiums, will save the country enormous sums. In the last war, when the Government stimulated a maximum production effort by leaving prices largely to themselves, copper advanced above 27 cents per lb. on the average of 1916 and 1917, zinc was quoted at over 13 cents in 1915 and nearly 13 cents in 1916, while lead averaged nearly 8.80 cents in 1917.

Shorter Notes

As a first instalment of his victory programme, the President has asked Congress to appropriate a further sum of over \$28 billions for defence. A sum of \$12,525,872,474 is asked for the Army, \$9,041,373,090 of it for the Air Corps and \$15,961,945,021 for the Navy. It is also asked that up to \$4 billions of the joint total should be made transferable under the lend-lease programme. Other appropriations asked for are \$7 millions for the inter-American highway, nearly \$6 millions for counter-espionage work.

Some figures on the rubber position have been released by Mr Jesse Jones, the Federal Loan Administrator and Secretary of Commerce. The normal pre-war consumption of the United States was about 600,000 tons a year, and the country could "get along with" 450,000 tons a year. There is about 600,000 tons of raw rubber on hand and enough used rubber to produce 600,000 tons of reclaimed rubber. Existing plants will be producing at the rate of 90,000 tons a year by the end of 1942, and plans are being laid to increase this figure to 400,000 tons a year—a more than threefold increase on the plans of a few weeks ago, themselves an expansion on what was previously envisaged. Imports of about 50,000 tons a year from sources other than the Far East are envisaged.

THE WORLD OVERSEAS

Latin America and the Axis

(From Our Buenos Aires Correspondent)

December 14th

JAPAN'S attack on the Pacific outposts of the United States opened a new phase in the relations of the peoples of Latin America with the world at war. In signing Article XV of the Havana Declaration, their Governments, together with that of the United States, had undertaken to regard "any attempt on the part of a non-American State against the integrity or inviolability of the territory, the sovereignty or the political independence of an American State" as "an act of aggression against the states signing this declaration." During a week of unwonted diplomatic activity in all capitals south of the Rio Grande, official interpretations of this undertaking have ranged from declarations of war against Japan—and later against Germany and Italy—by Central American and Caribbean Republics to Argentina's precisely worded decrees, according to the United States non-belligerent status, while maintaining her own neutrality towards Great Britain, Germany, Italy and Japan.

Apart from the declarations of war by Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama, which are now explicitly allies of the United States, the measures taken by Latin America differ in form rather than in principle. Argentina, Brazil, Bolivia, Chile, Mexico, Uruguay and Venezuela have accepted the principle of regarding the United States as non-belligerent—this move has been called the lowest common denominator of continental solidarity, but it is no less significant on that account. Waiving as between the affected parties the regulations of international law governing relations between neutral and belligerent, it offers among other advantages the use of ports and territorial waters unhampered by considerations of neutrality. The principle was first mooted last June in simultaneous Notes sent by Uruguay to all other American Governments; this expressly referred to Article XV of the Havana Declaration and invited examination of defence problems which would arise "should any American country be involved in war with nations of other continents." The Uruguayan suggestion that such an American country should be accorded non-belligerent status was warmly received by most Governments, notably those of Brazil and Mexico; but the Argentine Government replied that it "considered unnecessary the ratification of the clear and precise agreements in force" (referring to the Havana Declaration). It is recalled that in June, 1917, the Uruguayan Government decreed that no American country, which in defence of its rights found itself at war with nations of other continents, would be treated as a belligerent. In view of the general adoption of this attitude towards the United States after the outbreak of hostilities in the Pacific, it is interesting to note that Uruguay's energetic Foreign Minister, Dr Guani, has not only extended it to those other American republics which have declared war on the Axis, but has also broadened its application to extra-continental nations fighting on the side of the United States.

The republics in the proximity of the Canal Zone have fully recognised their strategic importance. Colombia and Mexico have severed diplomatic relations with the Axis Powers. Colombia is mobilising, and Venezuela's President, General Medina, has declared that all the necessary steps will be taken to protect his country's valuable petroleum supplies, while the Central American and Caribbean republics already at war are organising a defence bloc. Mexican armament factories have been placed at the disposal of the United States, and sweeping measures providing for the use of Mexican ports and territory by the United States armed forces are reported to be imminent. An important aspect of Mexico's co-operation is the aban-

donment of internal political dissensions in the interests of a united front against Axis aggression. President Camacho's appointment of the former President, General Cárdenas, as commander-in-chief of the armed forces has proved exceedingly popular. With the closing of the political ranks, from extreme Left to extreme Right, with few exceptions, it seems likely that President Camacho will achieve a degree of national unity unheard of in recent times.

The Magellan Straits

The question of fortifying the Magellan Straits has been the subject of consultations between Argentina, Brazil and Chile. In Buenos Aires, it is pointed out that this channel, almost a thousand miles long, which by virtue of treaty provisions has never been fortified, offers Japan the only practicable access from the Pacific to the Atlantic and is close to Argentina's Patagonian petroleum wells. In its sparsely populated and almost undefended neighbourhood, German residents predominate. Argentina's fleet has already intensified its patrol of southern waters, and Argentine military and naval missions have just arrived in Washington to obtain equipment, up to a reported value of US\$70 millions, under Lend-Lease. In the discussion of Chile's defences, attention has been called to her undefended Easter Island where von Spee's squadron refuelled in 1914 before Coronel. Chile has called up naval reserves and is showing great interest in the protection of the Magellan Straits. Her long and vulnerable Pacific coast line is perhaps the reason why the Foreign Minister, Dr Juan B. Rossetti, is among the most ardent advocates of an early Pan-American Congress to discuss continental defence.

Brazil's Foreign Minister, Dr Aranha, when in Buenos Aires on his way to Chile in November, declared in a press interview that Brazil would unconditionally stand by any American nation attacked by an extra-continental Power. When asked whether his visits to Argentina and Chile indicated a revival of an ABC understanding, he replied that the Panama and Havana agreements had been signed by every nation of the continent, most of whom had signed bilateral treaties of all kinds; he therefore saw no reason to reduce the American alphabet to three letters. Referring to the air and naval bases under construction in the north of

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Brazil, he declared that these would be unhesitatingly placed at the disposal of any American country, if continental defence so required. Subsequent events have proved that President Vargas, Brazil's "strong man," fully supports his Minister's advocacy of a united American front against aggression. Two days after the Japanese attack on Pearl Harbour, he struck a heavy blow at the important German interests operating in Brazil by blocking all funds of non-American belligerents (assurances of sympathetic treatment for British interests were given). A few days later, the suspension of the Condor and LATI air services from South America to Europe was announced, owing to the refusal of the Standard Oil Company of Brazil to supply fuel in spite of contractual obligations to do so. These services, operating from Santiago via Buenos Aires, Rio de Janeiro and Dakar to Rome and Berlin, were the last remaining Axis-owned lines in the Western Hemisphere. With their demise, a notorious traffic in "diplomatic" passengers will cease, while the Axis-controlled countries will be deprived of a direct air mail service to South America. The United States Pan-Air system, which covers all Latin American countries, has arranged to take over the routes in Brazil abandoned by the Condor services.

Safeguarding Resources

Peru, which of all the Latin American republics has been the most susceptible to Japanese trade and cultural influences, and where there is a Japanese community of 22,000, has assured the United States of "all possible support." Measures already taken include the blocking of Japanese funds (a move also made by Argentina and Uruguay). Ecuador, where eight months ago Japanese petroleum engineers were required to establish residence in Quito, the capital, has now taken further measures to prevent sabotage. The Pacific seaboard from northern Chile to the Panama Canal is a vital link between the copper, nitrate, tin and tungsten resources of Chile, Bolivia and Peru and the arsenals of the United States. The Bolivian Government, which was already engaged in suppressing local Nazi activities, has now declared its readiness to undertake the armed protection of the country's mines. Paraguay, where there is a powerful German community, is demonstratively anti-Axis and immediately sided with her neighbours in expressions of solidarity with the United States.

The economic basis of continental defence has been laid in a succession of "Reciprocal Trade Treaties" concluded by the United States with Argentina, Brazil, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Haiti, Nicaragua and Venezuela. Negotiations are now in progress for similar treaties between the United States and Chile, Mexico and Uruguay, and numerous bilateral trade agreements have been arranged between the Latin American countries. Interest now centres on the conference to be held next month at Rio de Janeiro, where the Uruguayan Government has announced its intention of raising the whole question of the treatment to be accorded to Powers aiding the Axis and those siding with the United States, particularly in regard to the application of maritime neutrality laws. In an article condemning the Japanese aggression, which it claims to be "in harmony with the nocturnal devastation of the peaceful cities of Belgium, Holland and Denmark," *La Prensa* of Buenos Aires comments on the forthcoming conference as follows: "The Lima assembly laid the foundations of solidarity, that of Panama assured and co-ordinated neutrality, that of Havana established the rights and obligations arising therefrom; the next must organise a united defence. That will be its principal mission."



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Portugal's Budget Estimates

[FROM OUR LISBON CORRESPONDENT]

January 1st

AN admirable exposition of Portugal's financial equilibrium precedes the estimates published on January 1st by the Minister of Finance. Estimated receipts are calculated to yield some £790,000 more than in 1941, while expenditure is put at £840,000 higher. The comparative table of receipts, in thousand contos (a conto is approximately £10), reads as follows:—

	1941	1942
Direct taxation in general . . .	751.5	757.9
Indirect taxation	720.5	748.0
Industrial taxation	94.0	105.5
Yield of sundry services	131.8	145.9
Domínio privado	142.6	147.8
Yield on capital	11.7	12.2
Recoveries and replacements . .	135.9	133.7
Receipts	65.9	81.9
	2,053.9	2,132.9

The actual sums allocated to the various Ministries are not stated, but a table showing the increase, or decrease, in thousand contos, is published. The main items are:—

General charges	+ 23.0	Foreign Affairs	+ 1.5
Finance	+ 1.4	Public Works	+ 6.1
Interior	+ 4.0	Education	+ 9.4
Justice	+ 1.5	Economy	+ 1.2
War	+ 8.4	Colonies	- 1.0
Marine	+ 2.7		

These are the net final estimates for increased outlay, after taking into account certain receipts which are not embodied in the budgetary estimates, and the result is that the actual expenditure authorised will be increased not by £840,000, but by £530,200.

Extraordinary expenditure is put at 723,000 contos for 1942, against 740,000 contos in 1941; it is noted that over 60 per cent of this sum has gone on items of national defence.

Rising prices and higher circulation of money marked 1941, neither the State nor banking credit being responsible for the latter. A greater internal purchasing power, arising out of the extraordinary value of sundry products, together with an inability to expend the proceeds owing to the decline in imports, provides the explanation. Emphasis is laid on the fact that it is the first duty of the State not to aggravate this situation by an excess of expenditure. It calls for measures bearing on both public credit and on taxation, and the placing of a 3½ per cent consolidation loan and the proposed tax on wartime profits indicate the line to be followed. The latter measure is still under discussion. Public opinion is well content with the figures and the straightforward explanations which accompany them, though some people grumble at the presentation of a surplus rather than a reduction in direct taxation.

Measures Against Profiteering

Though Portugal has suffered less than any country in Europe from wartime restrictions, prices have risen in many lines. There are goods of which the supply may have temporarily fallen below current market needs; there has been some disorganisation in the means of rapid distribution; and there has been a little hoarding by would-be profiteers—all of them factors tending to increase living costs, especially those of the working classes, whose margin is necessarily small. Prompt official action has, however, done much to scotch the evil. Enforced publicity for what the Government deems warrantable prices, wholesale and retail, backed by widespread and summary prosecutions of large numbers of proved offenders, has effectively checked further abuses. In a country of some six million inhabitants, largely peasant stock, measures of this sort, if conscientiously carried out, are likely to be successful. Coupled with the enforcement of decrees controlling exports, they have certainly restored popular confidence which looked like being shaken a few months ago by exaggerated rumours about shipments to Spain. Some small-scale smuggling there may be, but it is now obvious that the amounts involved are so small that their effect on Portugal's general economy is virtually nil.

German Europe

German Manpower

A TENDENCY to use German statistics uncritically should be guarded against. Some results of the German census taken in May, 1939, have been published during 1940 and 1941. According to this, Greater Germany's population amounted to 79.4 millions in the Old Reich, Austria and the Sudetenland (not including the 150,000 inhabitants of Memel); at the beginning of 1941, the population of Greater Germany plus the incorporated territories in the East and West amounted to roughly 92 millions, but, according to former estimates, the German-speaking population of the incorporated territories numbered only 4.1 millions. In May, 1939, the census recorded in the total of 79.4 millions 39.8 millions gainfully employed persons, or *Erwerbspersonen*; and if partially employed pensioners are added the total is 41 millions. The total of gainfully employed persons in agriculture amounted to 10.9 millions, or roughly 27 per cent. This figure of about 40 million workers should not, of course, be compared with employment statistics in Allied countries—for example, with the numbers of persons insured against unemployment in Great Britain. The term *Erwerbspersonen* in Germany is a collective term for employers, independent artisans, independent farmers, family helpers, civil servants, members of the professions, salaried personnel and wage earners. Thus the total cannot be compared with the total of industrial and agricultural workers in other countries, but only with what, in the British census, is called "persons gainfully occupied"—and even there there are some discrepancies. The detailed figures of the German census have not been published yet. But in the grand total of 41 millions gainfully employed persons (including part-time pensioners); there were probably about 24.5 million workers in the usual English definition of insured workers; this was the figure published in May, 1939, for the total number of workers insured under sickness insurance.

For agriculture, detailed figures were published in June, 1941:—

	(thousands)
Independent owners	2,371
Family helpers	6,200
Administrative personnel	214
Workers	2,130
Total	10,915

The family helpers, a peculiar feature of peasant farming, are mainly the wives and daughters of the peasants, who would not be included as workers in the statistics of other countries, but who comprised 76 per cent of this total. Apart from agriculture, then, there were roughly 30 million gainfully employed persons—in the German definition. No details of their distribution have been published. But, according to former censuses, at least 10 per cent or even 12 per cent were employers, independent artisans and small shopkeepers; another 3 per cent were family helpers, again mainly wives and daughters of independent artisans, who are not counted in other countries. The remainder were civil servants, probably in May, 1939, about 2 millions, workers in industry and commerce, and well over a million domestic servants; by inference, the census figures for May, 1939, suggest that the total number of soldiers was some 1.3 millions—who were not included among the gainfully employed persons.

In May, 1939, then, on this basis, the German labour force probably numbered roughly 24.5 millions, and only this figure is comparable with the number of gainfully employed workers in other countries. It is, of course, true that the large numbers of independent artisans and family helpers were a considerable labour reserve; and it is quite possible, in spite of the demands of the forces, that the total number of workers now employed in the enlarged Greater Germany is not much smaller than in May, 1939; 1.5 to 2 million women and old-age pensioners may have been brought in and the number of foreign workers must be 4 millions. But the point is that a colossal process of transfer and re-training has been necessary, independent artisans have been changed into wage-earners by closing down independent shops and so on. The labour force employed at present in Germany is very different in composition, mobility and

efficiency from that employed in May, 1939, and no estimates of present production can be made simply by comparing mere numbers.

Labour Front.—The German Labour Front, the compulsory organisation for German workers, has developed into a big business concern. It combines 42 building societies which own 63,000 flats. The organisation controls a number of rapidly growing insurance companies with subsidiaries in Hungary, Belgium and Holland. The total value of 8.5 million life insurance policies amounted to Rm. 4,500 millions. This means that one-third of the total number of German policies are with the companies owned by the German Labour Front. The *Bank der Deutschen Arbeit* has grown into the fourth biggest German bank; in 1940 it reported total assets of Rm. 2,000 millions.

Cinemas.—Before the war the total number of cinemas in Germany was 6,700. After the incorporation of territories in the east and west, this number increased to roughly 8,000. Shortly before the war only one-third of the total seating capacity was used. Since 1939, however, cinema attendance has considerably increased; the total number of tickets sold in 1940 is estimated at 840 millions against only 396 millions in 1938-9. It seems that, during 1940, newsreels were the greatest attraction; at least, that is the official explanation of the increased attendance. The production of feature films is inadequate at the moment; the German and Italian film industries have to supply practically the whole continent.

Letter to the Editor

Insurance Competition—Lloyd's

TO THE EDITOR OF THE ECONOMIST

SIR,—Your correspondent says that individual underwriters, being less concerned with considerations of goodwill, need not be so generous in settling claims as the companies. I ask his attention for the following points:—

(1) If underwriters were less generous in their settlements than their competitors could they within fifty years have built up from nothing their present very large fire and accident connection? In particular, could they through two years of war have maintained their American accounts? If the American public has continued, as it has continued for twenty-eight months of wartime, to insure at Lloyd's in the London market at rates which are often the same that they can get from insurance companies, then there must be some very good reasons for sticking to Lloyd's; and one of those good reasons is the excellent service that underwriters give in the generous settlement of claims.

(2) Has your correspondent much personal experience of collecting claims at Lloyd's or is he accepting hearsay statements without knowing both sides?

(3) The greater part of my life I have been a broker doing business with companies and underwriters, and I have had a hand in collecting thousands of claims, non-marine and marine, from both sides of the market. I can remember only two non-marine claims at Lloyd's in which the policyholder, in my opinion, was treated ungenerously. I can remember hundreds in which the treatment was extremely generous. I have no complaint whatever against companies in this respect, but I do recall two fire claims in which underwriters and companies were independently interested, in which underwriters behaved more reasonably than companies. I obtrude my own experience only because I imagine it is wider than your correspondent's.

(4) Companies draw their income from thousands of agents and direct clients. The loss of any one of them is *per se* of little moment. Underwriters get all their business from a comparatively small number of brokers. Does your correspondent really think that an underwriter sets less store on the goodwill of one of, say, fifty brokers than a company places on the goodwill of one agent out of ten thousand?—Yours, etc.,

INSURANCE BROKER.

THE BUSINESS WORLD

Profits, Prejudice and Production

FEW things in the field of economic statistics are more difficult than the accurate reporting of industrial profits. The very word "profit" is a term of art, the implications of which are very different to the accountant, the economist, the tax-inspector, and the shareholder. For the accountant, it means a balance which satisfies the requirements of the Companies Act of 1929. For the economist, it means a residue of income after making all provision for maintaining capital intact—usually a very different thing. The tax-inspector's definition is often further from the economist's even than the accountant's, while the shareholder—almost as powerless as the economist in these matters—reads with dumb gratitude, dismay or indifference, the profits figures which his directors "after making suitable provision for all foreseeable contingencies" have thought fit to disclose.

No two companies' profits are, therefore, strictly comparable, on the published figures alone. Yet it is these figures, with their irregular accounting dates and periods, delayed several months before publication, which must be aggregated and assimilated if any account of total industrial profits is to be drawn up. The result is bound to be imperfect. The most that can be looked for, in its preparation, is consistency of treatment of the material, such as it is—and some is very good, and much of it improving. This, *The Economist* has striven to do for more than thirty years, pressing meanwhile for improvements in the reporting of profits by companies. There is, in some quarters, however, a deep-rooted suspicion of all profits figures. Profits are a roughish thing—they vary with the length of the accountant's foot. Directors make their allocations to hidden reserves; they treat taxation charges arbitrarily, making no attempt to observe a standard practice in this and many other items, like depreciation. Even EPT standards, for the most part, are not disclosed to shareholders. In the absence of facts of this sort, it is hardly

surprising that industrial workers should greet "with a roar of laughter," the self-evident proposition that, under a régime of 100 per cent EPT, the profit motive in industry has disappeared.

The shortcomings of the available profits figures can be admitted, without destroying the very strong evidence (reiterated in these quarterly articles since the early months of the war) that industrial earnings as a whole have not been inflated in war-time, and that industrial shareholders, as a whole, are receiving considerably smaller net dividend warrants. EPT at high rates is, of course, prone to produce extravagance, and even inefficiency—but income-tax inspectors have rigid ideas about allowable expenses. And industrial shareholders, now reduced to the level of *rentiers* at best, and risk-bearers at worst, will share none of the gusty mirth of the ranks of labour in the present situation. All the available figures point to the effectiveness of the control over profits. The best general test is perhaps *The Economist* index of profits. With all its statistical defects—and these are readily conceded—the index has shown a steady downward trend throughout 1940 and 1941. The latest figure of 100.8 for the fourth quarter of 1941 shows that the general level of industrial earning power, after taking account of EPT and increased standard income-tax, has been reduced to somewhere near the average level of the twelve months ended June, 1936. As Table I below shows, profits under war-time control have been considerably lower than profits in the rearmament period.

A qualification—though it imparts delay rather than distortion to the results—must be mentioned regarding the 1941 figures. Last year, we received 2,041 company reports, compared with 2,270 reports in 1940, and 2,342 in 1939. For obvious reasons, the time lag between the earning of profits and their publication is tending to increase. The rough mean peace-time interval of six months has prob-

TABLE I.
The Economist PROFITS INDEX
July, 1935-June, 1936=100

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1938.....	128.7	131.7	131.6	130.3
1939.....	127.1	122.9	121.8	119.6
1940.....	119.6	120.5	115.4	114.2
1941.....	112.3	105.1	101.9	100.8

* For method of calculation, and earlier figures, see *The Economist*, March 1, 1941, and January 14, 1939.

PROFITS BY INDUSTRIAL GROUPS—YEAR 1941

Group	No. of Cos.	Total Profits		Net Profits	
		Previous Year	Latest Year	Previous Year	Latest Year
Breweries and Distillers.....	110	31,662,886	33,118,711	16,975,546	15,403,982
Canals and Docks.....	6	2,503,610	3,087,537	390,921	360,432
Electric Lighting, etc.....	17	10,368,874	11,104,966	4,426,335	4,164,753
Financial, Land and Investment.....	176	25,026,182	24,559,135	12,662,606	10,742,068
Gas.....	17	2,890,681	2,719,914	874,793	634,757
Hotels and Restaurants.....	19	2,125,448	2,195,049	1,126,880	1,066,198
Coal, Iron and Steel.....	133	36,280,585	35,495,501	18,776,175	15,327,291
Motor, Cycle and Aviation.....	45	13,971,368	13,339,066	5,619,214	4,337,761
Oil.....	14	20,378,784	22,094,408	11,054,838	8,829,149
Rubber.....	333	7,971,784	12,087,270	3,938,433	4,463,833
Shipping.....	31	13,474,214	15,269,501	3,164,048	4,647,317
Shops and Stores.....	68	26,191,175	26,200,476	12,210,638	9,697,080
Tea.....	81	3,800,512	3,541,153	1,160,689	956,732
Telegraphs and Telephones.....	11	7,864,626	9,893,203	2,457,228	3,179,871
Textiles.....	75	17,632,438	18,539,091	9,365,234	8,185,942
Tramway and Omnibus.....	20	7,682,418	8,954,531	3,200,812	3,338,521
Trusts.....	185	15,981,439	15,276,575	7,373,095	6,411,374
Waterworks.....	16	2,304,711	2,365,407	905,106	852,838
Building Materials.....	53	7,530,319	7,216,501	4,079,445	3,315,048
Food, Confectionery & Drink.....	70	13,071,602	12,941,253	7,459,025	6,611,436
Electrical Equipment.....	33	11,351,088	11,818,569	6,283,632	5,743,341
Newspapers, Printing, etc.....	63	9,059,226	9,146,541	4,982,613	4,231,964
Tobacco.....	12	21,573,953	19,786,080	19,365,577	17,401,548
Warehouse and Trading.....	24	2,900,882	2,400,128	1,614,431	1,433,084
Other Companies.....	429	65,175,776	68,278,174	39,153,762	34,274,237
Total Year 1941.....	2041	378,774,581	391,428,740	198,619,076	175,650,587

TABLE II.—PROFITS OF YEAR AND QUARTER

	Profits of 1941 Companies			Profits of Fourth Quarter, 1941, Companies		
	Previous Financial Year	Latest Financial Year	Gross Profits derived from Net Profits†	Previous Financial Year	Latest Financial Year	Gross Profits derived from Net Profits†
Total Profits*	£000's 378,775	£000's 391,429	£000's 198,619	£000's 92,795	£000's 96,439	£000's 6,109
Depreciation	180,156	31,947†	167,147	51,121	8,277†	5,846
Deb. interest	16,685	21,553	236,408	41,674	38,542	47,771
Other Charges‡	198,619	175,650	175,650	42,311	55,339	11,985
Net Profits	198,619	175,650	175,650	41,674	38,542	47,771
Ord. dividends	107,068	154,798	107,068	18,720	25,860	7,837
Added to free res.	26,271	26,271	26,271	7,837	7,837	7,837

* After depreciation where not separately stated. † Where separately stated.
‡ Including taxation. § i.e., after adding back tax charges deducted in striking net profits.

TABLE III.—DISTRIBUTION OF PROFITS AND RETURN ON CAPITAL

	Proportion of Gross Profits %			Rates of Payment (Gross) (Based on Gross Profits)			
	Prof. Div.	Ord. Div.	To Free Reserves	Deb.	Prof.	Earned on Ord.	Paid on Ord.
1st Quarter 1940.....	17.5	71.6	10.9	4.2	5.5	15.1	13.1
2nd Quarter.....	20.3	65.0	14.7	4.8	6.2	12.3	10.0
3rd Quarter.....	29.4	55.9	14.7	4.9	6.9	12.2	9.6
4th Quarter.....	23.6	61.4	15.0	4.8	5.8	12.1	9.8
Whole Year.....	21.6	65.1	13.4	4.6	6.1	12.2	10.9
1st Quarter 1941.....	17.7	73.1	9.2	4.5	6.1	16.3	14.5
2nd Quarter.....	23.4	65.9	10.7	4.6	6.8	10.6	9.0
3rd Quarter.....	25.7	65.0	9.3	4.5	6.9	12.1	10.6
4th Quarter.....	29.5	54.1	16.4	4.6	6.4	10.9	8.4
Whole Year.....	23.4	65.5	11.1	4.5	6.0	12.4	10.8

ably been extended by between one and two months. But though this has reduced the number of reports received in 1941, it has distributed them much more equally among the four quarters, and has thus tended to smooth out a distortion to which the peacetime figures were subject.

Table II, at the foot of page 110, compares the profits of the 1941 companies with their previous years' earnings, and also gives the corresponding figures for fourth quarter companies. These figures are similar in pattern to those discussed in these quarterly articles over the past two years. The 1941 companies, after providing for EPT, the bulk of their depreciation, and some part of their standard income-tax, showed an increase in total disclosed profits of rather over 3 per cent, to £391.4 millions. Their net profits, after meeting a substantial part of their taxation charge (though not the whole) fell by more than 10 per cent to £175.7 millions. The corresponding movements for fourth quarter companies were a rise in total profits of approximately 4, and a fall in net profits of nearly 8, per cent.

It may be argued (though the facts are not available for proof) that such figures are contrived to give an appearance of reduced profits at present by setting aside undue hidden allocations to depreciation and other reserves. Even if this were so, however, it would be quite wrong to suppose that such hidden reserves would represent a tax-free postponement of dividends from present to future. Any excessive allocations to depreciation or contingency reserves—"excessive," that is, in relation to the strictly defined allowances permitted by the income-tax rules—are written-back to profits before EPT and income-tax are assessed. Such provisions may, of course, be made in some cases, and the considerations prompting them may conceivably have a deleterious effect on war production. But they are not "costless" from the taxation standpoint, and the greater probability is rather that, under the present taxation régime, many companies must be in some difficulty to provide satisfactorily for the future, and at the same time to satisfy the reasonable expectations of their shareholders.

Table II shows the equivalent gross profits derived from net profits, as shown in annual reports, by the necessary, and laborious, adjustment for income-tax, where this is deducted from reported profits. These figures form the basis of the distribution and dividend record set out in Table III. There has not been much change in distribution policy between 1940 and 1941. In each year, ordinary shareholders received slightly less than two-thirds of the profits available for dividends, before charging income-tax. Preference shareholders received a somewhat higher proportion of the total, and also a higher average rate of payment. But, for ordinary shares, available gross earnings were reduced from 13.2 per cent to 12.4 per cent, and the average rate of payment from 10.9 per cent to 10.6 per cent. In terms of net returns, after income-tax, there can be no question that the equity shareholder last year was appreciably poorer than in 1940.

The final table shows (reported) total and net profits by industrial groups for 1941. Although several of these groups show an increase in total profits, it is significant that the two typical armament groups—coal, iron and steel, and motor-cycle and aviation—reveal a fall. It is a less satisfactory reflection on the development of our war effort that the main consumption groups—breweries and distilleries, shops and stores, and food, confectionery and drink—show such conspicuous stability. It may, however, be doubted if their total profits will be so well maintained in the current year. Nor can rubber shareholders, who enjoyed an appreciable increase in net profits last year, expect anything but unrelieved hardship during 1942. The increased net profits of shipping and telegraph companies last year represented not so much high earnings due to war, as depressed earnings in the standard EPT years. Such results, however, are exceptional, as is the rate of increase in total profits of such groups as textiles and miscellaneous companies.

The figures cited in this article point conclusively to the effective control of profits and dividends by the wartime financial machinery. They are not in themselves conclusive evidence of the equitable distribution of wartime sacrifice between the main participants in the national income. That proof must wait until the next Budget White Paper, which, it may be hoped, will bring up to date the estimates first introduced last year. If, in the meantime, these figures help to allay the suspicion that war is a good thing for industrial companies and their shareholders, they should tend to increase war production. That end, and not the pursuit of sectional interests, is still the vital aim.

MIDLAND BANK

LIMITED

Chairman :
THE RIGHT HON. R. MCKENNA

Deputy Chairman :
S. CHRISTOPHERSON

Chief General Manager :
HERBERT A. ASTBURY

STATEMENT OF ACCOUNTS

December 31, 1941

LIABILITIES		£
Capital paid up	...	15,158,621
Reserve Fund	...	12,410,609
Current, Deposit and other Accounts	...	687,206,091
Acceptances and Confirmed Credits	...	4,886,593
Engagements	...	9,815,130

ASSETS

Coin, Notes and Balances with Bank of England	...	75,553,266
Balances with, and Cheques on other Banks	...	30,257,946
Money at Call & Short Notice	...	22,214,419
Bills Discounted (British Treasury Bills £30,196,989)	...	33,461,839
Treasury Deposit Receipts	...	159,000,000
Investments	...	206,146,013
Advances & other Accounts	...	169,812,486
Liabilities of Customers for Acceptances, etc.	...	14,701,723
Bank Premises	...	9,089,436
Shares in Yorkshire Penny Bank Ltd.	...	937,500
Shares in Affiliations:		
Belfast Banking Co. Ltd.		
The Clydesdale Bank Ltd.		
North of Scotland Bank Ltd.	...	8,302,416
Midland Bank Executor and Trustee Co. Ltd.	...	

Head Office :
POULTRY, LONDON, E.C.2

Finance and Banking

Loans in Demand

The market has found itself hard put to it this week to satisfy its loan requirements. Although the £70 millions of Treasury bills tendered for last week were under-allocated to the extent of £5 millions, and the banks have this week had to make no Treasury deposit payments, the drain on bank cash has been persistent and heavy. The main factors in this movement have been the transfer of tax moneys to Government accounts and the recovery in subscriptions to Government issues, including the new Tax Reserve Certificates. The position has been further tightened by continued repayment of Government debt at the Bank of England and by the fact that clearing banks have this week begun their January making up. As a result the banks have been very diffident buyers of bills, and, on occasion, the market has had to have recourse to the Bank of England agent, who has been ready to buy the shorter-dated bills—ranging up to end-of-March maturities—in order to allow the market to take up the new bills for which it tendered last week. Judging by the Bank return, which shows a reduction of £2,375,000 in Government securities, these special purchases must, in the main, have been made for public departments and not for account of the Bank. Apart from the lack of any appreciable outlet for bills with the clearing banks the market has found the supply of non-clearing bank money dwindling appreciably. As a result, some borrowers have found it necessary to go to their clearing banks for bond money. The Bank return reflects this more stringent position in a reduction of £7,689,000 in bankers' deposits. The counterpart to this movement is to be found in an increase of £8,358,000 in public deposits, restoring these to the more normal level of £15,022,000. The return of notes from holiday and year-end circulation continues, a reduction of £3,026,000 in the active circulation taking place in the week to Wednesday last.

The Discount Market's Year

The results of the three discount companies for 1941 show that the market has just emerged from a satisfactory and prosperous year. The changes in the main balance-sheet items over the year and a comparison of the profits with those for 1940 are given in the following table:

	In £000's	Union Discount	National Discount	Alexanders	Total
Bills and Short Bonds.....	End 1940	46,460	32,059	25,509	104,028
	1941	54,101	36,234	24,104	114,439
Investments.....	1940	19,439	18,564	13,637	51,640
	1941	21,919	15,165	18,220	55,304
Net Profits*.....	1940	342	267	167	776
	1941	375	277	166	818

* Before deducting income tax on distributed profits.

It will be seen that, on the basis of a capital structure which has remained unchanged over the year, the scale of operations has expanded appreciably and that net profits have responded appropriately. The combined bill and bond portfolio of the three companies has risen by 9 per cent. Their aggregate net profits, shown before deduction of tax on the dividends, were 5.4 per cent higher than those shown for 1940. The nature of the discount companies' operations can no longer be ascertained with precision, now that it has become the general practice to combine the bill portfolio and the holding of short-dated bonds in one balance-sheet item. The precise moment at which an investment becomes eligible for hobnobbing with the bills seems to vary somewhat with the idiosyncracies of the various firms of accountants who audit the discount companies' accounts. But it will not be far from the truth to suggest that as a general rule the line between investments and short-dated

bonds appears to be passed when there are three years to go to the nearest maturity date. Thus Conversion 2's and, with a little stretch, Conversion 5's would qualify, though the latter with their 1944-64 dates must, in these uncertain days, jostle rather uncomfortably with the three months Treasury bills which are their balance-sheet companions. It should be noted that this balance-sheet classification carries no weight with the clearing banks in their judgment of collateral for money market loans. To them the bills eligible as collateral for 1 per cent money must have less than six months to run. Any other security, however it may be treated in the borrowers' balance-sheets, only ranks for 1½ per cent loans. This, however, does not at present disturb the discount houses unduly. As far as may be judged from the experience of the clearing banks, it is only a negligible proportion of the discount market's bonds which is normally financed by loans from these institutions. It is only when money is in short supply that recourse has to be made to this comparatively expensive accommodation. Normally the bulk of the discount market's short and medium bonds is financed with non-clearing bank money which is generally available at 1 per cent and, on occasion, may be borrowed "overnight" at ½ per cent. If this is borne in mind, and if it is realised that even at current prices the yield on the bonds held by the market ranges between 2 and 2½ per cent, the explanation of the increase in discount market profits last year is self evident.

The True Bill Holding

Any attempt at segregating the bills from the bonds with which they are combined in the discount companies' balance-sheets must, for the outsider, be largely a matter of guesswork. The only public clue to the problem is that provided by the evidence on the volume of Treasury bills issued to the discount market syndicate and outstanding at the end of the year. That figure was around £300,000,000 at the end of 1941. The clearing banks—whose year-end figures are as yet incomplete—are likely to show a bill holding of about £165,000,000 at the close of the year, leaving some £135,000,000 as the total of bills held by non-clearing banks supplied by the discount market (including the substantial sales made to the official buyer in the closing days of the year) and the portfolio of the market itself. In the light of these indications, the aggregate holding of bills and short bonds of the three companies alone, namely, £114,439,000, must include a proportion of bonds which at least challenges comparison with that of bills.

United Kingdom Gold and Dollar Resources

The December issue of the Federal Reserve Bulletin contains a detailed commentary on the evidence on gold and dollar resources of the United Kingdom placed before a committee of the House of Representatives by the United States Treasury in connection with the hearings under the second Lend-Lease Appropriation Bill. The main relevant figures were given in *The Economist* of November 22, 1941, but the detailed evidence includes some highly interesting additional information. The estimates of United Kingdom gold and dollar resources on September 1st last provide the first official intimation of the amount of dollars

tied up in trusts in the United States held for British beneficiaries. Of direct and miscellaneous investments of \$785 millions on September 1, 1941, a sum of \$290 millions was represented by such trust holdings which "are established under United States law, and hence may be unavailable to the British Government." To compel the trustees concerned to hand over the funds would involve the enactment of legislation in the United States, the constitutionality of which would be so doubtful that it would certainly be appealed to the Supreme Court.

Coupon Banking Accounts

Lord Wardington, in his address to shareholders of Lloyds Bank, has given the first authoritative account of the new rôle the banks will be called upon to play in the operation of the clothes rationing scheme. It will be readily understood that the scheme, involving as it does the issue of some 3,000 million coupons a year, and their peregrinations, in several intermediate stages, from the buying public to the manufacturer, presents formidable problems of organisation and handling. But for the utilisation of the banks in solving these problems, a vast new department of the Board of Trade would have had to be created and staffed by a considerable personnel. By the scheme which has been evolved, the banks have undertaken to open coupon accounts for every trader affected by the Consumer Rationing Order. The coupons will first reach the banks from the retailers and will be credited to coupon accounts opened in the names of these firms. At that moment the coupons will cease to be currency and will become credit transferable by certified transfer orders as between retailers, wholesalers and ultimately manufacturers, in whose names coupon accounts will also have been opened. That credit will be cancelled as the coupons reach their ultimate destination, while the supply will be fed by purchases in the shops. It will be the banks' responsibility to ensure that the outstanding volume of coupon credit is, in effect, no greater than that indicated by the coupon currency put into circulation by purchases at the shops. This means, in the first place, some method of counting and checking; secondly, as Lord Wardington pointed out, "no overdrawn" on coupon accounts. It may be assumed that the banks will receive a modest remuneration for operating these accounts.

Erlangers' Acceptances

Interesting evidence not merely of the survival, but the vigour of the domestic acceptance credit is provided by Erlangers' balance sheet for December 31st last. The feature of the balance-sheet comparison covering the year 1941 is the increase of acceptances from £2,222,733 to £2,687,282. The rise in this total is explained as being "almost entirely due to an increased demand for facilities on the part of the company's clients in the United Kingdom, practically all of whom are now engaged on work essential to the war effort." These figures may well appear minute in the scale set by the clearing banks' totals of loans and advances, but their trend is none the less a significant indication that the acceptance houses are bringing their own specialised contribution to the task of financing war industry.

Investment

A Reduced Tempo

There has been little change in stock market conditions. The principal sections to improve have again been trustee securities and leading debentures just outside that class. In the past few days, however, the accent has moved from the junior stocks, within these categories, to long-dated or irredeemable Government stocks and similar first-class municipal securities. This seems to be solid investment buying, which is the more satisfactory in that it corresponds with a period when a heavy influx of taxes is being used, in an exceptional degree, to pay off debt, and so results in a temporary reduction in the amount of money available. Elsewhere, there have been occasional spurts in speculative counters, especially South American bonds, but these have been of little importance, and, on the whole, both industrials and other sections of equities have

tended to sag. There has, indeed, been a considerable reverse in oil shares. The explanation of this state of affairs lies largely in the seasonal character of tax collection, but it owes something to the course of the war. In the Far East it is impossible to detect any favourable factor, which is likely to be of importance in the immediate or early future. The market and the investor had, perhaps, resigned themselves to that some time back, and there are even those who are making preparations to take up Malayan tin and rubber shares when they feel that the bottom has been reached. What is, possibly, of more immediate importance is the fact that, both in Russia and in Libya, the conflict has reached a critical stage. So far the course of events has been sufficiently favourable to the Allies, but the tempo of the advance has slackened in both theatres. If Rommel can be thrown out of North Africa, and, even more, if

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RESERVE FUND - £3,000,000

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H. R. H. CHALMERS, General Manager.

★ Branches and Agencies at over 220 points in New Zealand and at Melbourne, Victoria; Sydney, New South Wales; Suva, Fiji; Apia, Samoa.

Authorised Capital £7,031,250

Paid-up Capital £6,328,125

Reserve Fund and Undivided Profits, 1941 £3,967,500

Aggregate Assets at 31st March, 1941 £10,295,625

★ Issues Drafts and Letters of Credit.

★ Makes Telegraphic Transfers.

★ Negotiates and Collects Bills of Exchange.

London Office: 1 QUEEN VICTORIA STREET, E.C.4
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ISSUED AND FULLY PAID-UP - £20,000,000
RESERVE FUNDS: STERLING - £5,500,000
HONGKONG CURRENCY - £10,000,000
RESERVE LIABILITY OF PROPRIETORS - £20,000,000

Head Office, HONGKONG,

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LONDON OFFICE, 9, Gracechurch Street, E.C.3.

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REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,000,000

ASSETS EXCEED - £74,000,000

CLAIMS PAID EXCEED - £133,000,000

(1940 Accounts)

January 24, 1942

Leningrad and the Crimea can be definitely freed, and the position west of Moscow consolidated before the spring, then the outlook is excellent. But if Germany succeeds in holding on at all or any of these points, it is far from clear how valuable the gains, so far made, will really prove to be. So, at least, the market argues, and, in the existing temper of the country, there is perhaps nothing so likely to benefit the stock market as good news of a more definite character from one or both of these fronts. There is some evidence that it may be coming from the Russian. It is a fairly safe guess that news of this sort would more than outweigh further adverse developments in the Pacific.

Conflicting Trends

Important as seasonal and military factors are in determining the course of business from week to week, there are more fundamental underlying causes of the investor's uncertainty, to which reference has been made in *The Economist* more than once. It is possible that the surplus of incomes, individual and corporate, available for investment is actually declining. Such a surplus nevertheless exists and a large part of it must be in the hands of trustees, companies and others who find themselves virtually compelled to put it into gilt-edged securities, other than those now on tap. But the net amount so placed appears to be very moderate, and it is a fact that there are considerable sales of these stocks. The proceeds are used for a large variety of purposes, but some of them go into equities. These purchases appear to be dictated as much by fear of what may happen to the level of interest rates or the value of money, or both, as by hopes that, at some distant date, industrial concerns will be relieved from some of their present burdens and shareholders will again be allowed to receive a larger reward. It is to be hoped that these expectations will, in a reasonable degree, be realised, but it is greatly to be regretted that month follows month and nothing is done to lessen the danger of a potential inflation. This point has been the main theme of more than one of the leading bankers in their recent annual statements. The need for a real wages policy has been urged in *The Economist* on several occasions, but nothing is done. To buy equities in the hope of escaping the full consequences of a possible inflation, caused by swollen payrolls, may be an act of faith, but it is the only course open to the investor who favours action. It is the conflict between this view and that of the investor, who is concerned mainly with a fixed cash income, which is responsible for the very moderate changes in a very wide range of prices at a time when the near future is extremely uncertain. There can be little doubt that, if the inflation bogey were laid, fixed interest stocks would assume the lead in a more definite manner, given the acute uncertainty as to what level of industrial profits will be permitted for a number of years to come.

Viscose Valuation Clue

The figures on British dollar assets given in the Federal Reserve Bulletin are commented on in a Finance Note on page 113. But they also contain one point of considerable investment interest. This appears to have particular reference to the value of the Viscose Corporation, Government and Courtaulds. It will be recalled that the earlier figures, given in some detail in an article in *The Economist* of November 22, 1941, showed a book value of USA of some 785 million dollars on September 1, 1941. The new evidence also gives realised values, and while the realised value has fallen only by \$115 millions, as is known, the only large operations involved are the Williamson Tobacco Corporation. It has always been stated to be realised on a sale of the underlying assets, and it is not easy to see how, the sum having once been fixed, there could be any difference between the original and the final figure. In the absence of any other information, the evidence suggests strongly that the whole of the difference of \$35 millions arises from the fact that the Viscose holding was disposed of for much less than the valuation placed

upon it. If this argument is sound, the lapse of time since the Viscose contract was implemented makes it uncertain that \$35 millions represents the whole difference. It is substantially less than the figure advanced by Courtaulds in their statement of June last, and the fact that the total realised fall is notably below the gross receipts on the Brown and Williamson loan and the Viscose sale suggests that some part of the funds may have been transferred prior to the date of the earlier figure quoted in evidence. The correct inference to be drawn from these figures is not very clear, but they are the first hint of what the original valuation may have been.

War Damage in Malaya

Representatives of Malayan enterprises have now formed a committee to look after their interests in the matter of war damage. As with so many other aspects of Malayan activities, this question had not been seriously tackled until too late for a fully fledged scheme to be in operation when invasion commenced, but it is far from clear that, had the Government been less tardy, most of the damage would have been covered. When a whole country is invaded, it is evident that a mere spreading of the burden of war damage may leave the individual burden very heavy if the damage done is, in fact, extensive, and it is all Lombard Street to a China orange—at their pre-war values—that outside assistance will be expected. Indeed, when every allowance is made for any shortcomings of the local Government and of the trading and productive interests, there remains a case in equity for a general pooling of all damage among the Allies. Consideration of the war damage scheme in operation in this country suggests, however, that its objects are less to give compensation at once to all those who suffer damage than to provide a means of financing such reconstruction as is necessary for the continued prosecution of the war. In Malaya, that need can scarcely be said to exist, since virtually the whole area is now beyond our control. There can be no question of payment of compensation now, and this appears to be realised by the committee. It is very doubtful whether any valid conclusion can be reached at this early stage as to the nature or extent of the damage, and until that is known it is not profitable to discuss a method of dealing with it. This lack of certainty is extremely unfortunate for shareholders and others concerned, but they are no worse off than many others. They can in all probability look forward to some measure of compensation or reparation, or both, but they can scarcely hope for a cut-and-dried scheme in the near future.

Montreal Committee's Programme

The executive committee, representing British holders of the Montreal stocks, has opened its campaign with a letter to holders in which it sets out three claims—the right to be consulted, the right to oppose an arbitrary and unilateral alteration of the terms of the contract under which the loans were made, and the right to be heard and treated separately from other bondholders. British holders have not been consulted. The British Insurance Association, which alone was approached by the Canadian committee, is interested in less than 10 per cent of the total British holding of sterling stocks, and the offers made show a complete disregard for the terms of the prospectuses under which the money was raised. (In this connection, it may be pointed out that in not in dollars, the service of them costs Montreal 8 per cent tember, 1939) Whether the claim to separate—not necessarily different—treatment is granted or not, the committee's grounds for objecting to the suggested terms stand. They are, substantially, those already set out in *The Economist*, but they warrant restatement. The committee is ready for any compromise which arises reasonably from a permanent change in the position of the borrower, and to which he has not contributed deliberately or carelessly. What they are not prepared to accept is that a debtor, who pass the burden on to a creditor, who has a valid contract and who, moreover, lent money, for the most part, for productive expenditure. There have been far too many cases, over the past decade or so, of defaults in which the will to pay was more conspicuously absent than the power to

January 24, 1942

so, but the defaulters have not been British. There can be very little doubt of Montreal's ability to meet the bill in full, and it would be a poor augury for the future if the premier city of the oldest Dominion were to be the first to extend this unwholesome practice to the Empire.

BAT Investments

The full accounts of British-American Tobacco for the year to September 30th last provide no information relating to profits which was not contained in the preliminary statement discussed in last week's *Economist*. The most striking feature of the balance-sheet is the jump in the excess of liquid assets over current liabilities, excluding inter-company items, from £4,354,064 to £8,228,231. The decline in stocks from £5,143,665 to £4,842,554 is moderate, although it is probable that the reduction in volume has been greater. A sum of £3,053,125 against nil has been invested in British Government securities, and cash holdings are up from £3,391,920 to £5,653,790. All classes of creditors have risen only by some £2,500,000 to £12,230,628, and debtors are up by some £1,800,000, but the balance is achieved by a reduction of some £5,000,000 in investments in subsidiary companies. These large changes are, presumably, a reflection of the pledging of the Brown and Williamson Tobacco Company's investments, and of the receipt by BAT of £6,250,000 from that concern. The £1 ordinary stock, at 82s. 6d., ex dividend, yields £3 10s. 8d. per cent, tax free.

Tobacco Results

Results of two tobacco holding companies, *Tobacco Securities Trust*, which is itself controlled by BAT, and *United Tobacco Companies (South)* indicate that, in both cases, net earnings were approximately maintained last year. In the case of *Tobacco Securities Trust*, which also carries on the business of an investment trust, the preliminary statement for the year to October 31st gives net profits of £432,216, against £498,910. As in recent years, the ordinary capital received 16 per cent and the deferred capital 4.5714 per cent, both less tax at 7s. 5d. Earned rates are virtually unchanged at 16.1 per cent on the

ordinary capital and 5.0 per cent on the deferred capital. Gross income of *United Tobacco Companies (South)*, in the year to September 30th, is reduced from £1,100,336 to £1,067,225, mainly on account of a fall of some £23,400 in income from subsidiaries. The bonus on ordinary and deferred capital is reduced from 7½ to 6½ per cent, making a total of 36½ against 37½ per cent, free of South African income-tax. Equity earnings amount only to 36.1 against 36.7 per cent, but the fact that the payment is under-earned is due solely to the allocation of £35,000 for creation of an Employees' Pension Fund. Before this provision, equity earnings stand at 36.7 per cent. The carry forward is reduced from £452,805 to £444,304, after inclusion of £5,773 reserve for depreciation of investments written back. The balance-sheet shows a rise in stocks from £1,919,222 to £2,258,343 an increase which may well reflect a price rise only. Cash holdings are down from £507,317 to £342,593, and investments of £106,967 have been liquidated. The liabilities side of the account shows creditors, including taxation, some £225,000 higher at £837,884. The results of both companies display an ability to maintain distributable profits despite higher costs and taxation. The 10s. ordinary shares of *United Tobacco*, at 87s. 6d., yield £4 3s. 10d. per cent, free of South African income-tax. The £1 ordinary stock of *Tobacco Securities*, at 62s. 6d., yields £5 4s. 8d. per cent, less tax at 7s. 5d.

Motor Transport Results

Full accounts of *Tilling and British Automobile Traction* for 1941 show a rise in gross income from £628,198 to £694,963. Taxation is almost doubled at £106,216, but there is an increase in the amount of equity earnings from £547,837 to £561,974. Ordinary shareholders receive 6½ against 7 per cent tax free, equivalent to a rise in the rate less tax from 12.2 to 13 per cent. The rate of equity earnings amounts to 7.1 against 7.9 per cent tax free, equivalent to 14.2 against 13.7 per cent less tax. As in the previous year, £50,000 is transferred to general reserve, so that the carry forward is reduced from £158,347 to £150,321. The only significant change in the balance sheet is the repayment of a loan to an associated company of £25,000.

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BANKERS

ARMY AND AIR FORCE AGENTS.

One Hundred and Fifteenth Statement of Assets and Liabilities — 31st December, 1941.

Dr.	LIABILITIES.	£	s.	d.	Cr.	£	s.	d.
To Capital authorised and issued	1,060,000	0	0		By Coin, Bank Notes and Balance at Bank of England	6,546,790	16	5
To Reserve Fund	850,000	0	0		By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	2,160,396	9	9
To Current, Deposit and other Accounts (including provision for Contingencies)	52,592,238	1	1		By Money at Call and at Short Notice	4,866,200	0	0
To Acceptances and Engagements on account of Customers	3,965,024	5	7		By Bills Discounted	1,165,354	10	3
					By Treasury Deposit receipts	9,500,000	0	0
					By Investments:—			
					British Government Securities	£18,521,687	13	5
					Other Securities	930,086	8	6
					Subsidiary Companies	19,451,774	1	11
					By Advances to Customers and other Accounts	10,071,722	2	9
					By Liabilities of Customers for Acceptances and Engagements as per contra	3,965,024	5	7
					By Bank Premises (at cost, less amts. written off)			
					Freehold	£620,000	0	0
					Leasehold	120,000	0	0
						740,000	0	0
						£58,467,262	6	8

£58,467,262 6 8

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

KEMP, CHATTERIS, NICHOLS, SENDELL & CO.,
JACKSON, PILEY & CO.,
15th January, 1942. Chartered Accountants.

ERIC GORE BROWNE,
IAN LEITCH MELVILLE,
15th January, 1942. Directors.

QUINTIN BROWN, Accountant.

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

67, LOMBARD STREET, LONDON, E.C.3.
CHILD & CO., 1, Fleet Street, London, E.C.4, and Marygold House, Carfax, Oxford.
HOLT & CO., Kirkland House, Whitehall, London S.W.1.

January 24, 1942

Cash holdings are up from £206,170 to £310,077. *National Omnibus and Transport*, which, like *Tilling and BAT*, is a holding company controlled by *Thomas Tilling*, suffered a fall in income from dividends from £182,223 to £163,625—approximately the level of 1939—due solely to the incidence of taxation, presumably EPT, on the profits of the three operating companies. Provision for income tax is up from £65,000 to £73,000, leaving equity earnings reduced from £99,136 to £72,538. Ordinary shareholders receive 5½ against 7 per cent, tax free, being a reduction from 12.2 to 11 per cent, less tax, and the rate of cover is down from 7.9 to 5.8 per cent, tax free, equivalent to 11.6 against 13.7 per cent, less tax. General reserve receives £5,489 against £10,000, and the carry forward is reduced from £31,958 to £30,257. The balance-sheet shows investments in associated companies unchanged at £1,615,597, while the temporary deposit from an associated company is increased from £110,000 to £150,000. General reserve stands at £114,511, and cash holdings are nearly £25,000 higher at £259,941. In the absence of publication of the accounts of the operating companies, or even of consolidated balance sheets, it is impossible to explain the discrepancy in the fortunes of the two intermediate holding companies. It may be assumed that the two companies controlled by *Tilling and BAT* enjoyed both more favourable operating conditions and a more favourable EPT standard than those controlled by *National Omnibus and Transport*. In both cases, allowing for the difficulties of wartime business, the results appear to be satisfactory.

Venesta Dividends

Full accounts to June 30th last of Venesta, the important manufacturers of plywood and chests, show a decline in gross income from £428,506 to £344,194, which is still some £85,000 higher than earnings in 1938-9. Since bad debts, due to the loss of the company's subsidiaries in the Baltic countries and German occupied territory, were fully liquidated in the previous year, it is possible to restore ordinary dividends to the 10 per cent declared in the three years 1936-8. In the interval, ordinary capital has received only one interim payment of 4 per cent, in 1938-39. Equity earnings amount to £170,791 against the previous year's debit of £373,468. The ordinary payment is covered by an earned rate of 66.3 per cent and general reserve receives £120,000 against a draft of £350,000. The total of the reserve fund is raised from £100,000 to £220,000, while the carry forward stands at £82,141 against £75,292. The setback to total income is no doubt due both to the loss of foreign markets and to the shortage of raw materials. The balance sheet shows, however, an encouraging increase in stocks from £534,281 to £769,030. Debtors and creditors are both substantially higher, and the surplus of liquid assets over current liabilities has risen from £755,540 to £916,404. Investments in subsidiaries are still valued at £259,752, a figure which, as the auditors point out, cannot be checked in view of recent developments in the Baltic. Possibly, its value is less hypothetical since Russia became

an ally. Taxation reserve shows a reduction from £46,114 to £12,253, and here the auditors express an inability to vouch for its adequacy. Since profits are shown after tax, except tax on dividends, the investor is, moreover, unable to judge for himself on this question. The £1 ordinary shares, at 25s. ex dividend, yield £8 per cent, less tax at 9s. 9½d.

Liebig's Extract of Meat

The latest accounts of Liebig's Extract, for the year to August 31, 1941, disclose no figure for profits before taxation and, consequently, show no sum comparable with the gross total of £983,467, including an unspecified transfer from contingencies, earned in the previous year. Profits, after provision for income tax and EPT and for reserves against subsidiaries and exchange, amount to £317,697 against £332,165. Expenses are up from £84,573 to £91,574 and equity earnings are consequently reduced from £182,192 to £165,323. The tax free rate of earnings is down from 9.1 to 8.3 per cent, rates which are, however, equivalent to an improvement in less tax earnings from 15.8 to 16.6 per cent. A cut in the total tax free payment on ordinary shares from 10 to 8 per cent, equivalent to 16 against 17.3 per cent less tax, permits a rise in the carry forward from £191,327 to £196,650 against a draft of £17,808 in the previous year. The balance sheet shows substantial reduction in livestock and produce from £1,178,326 to £781,144 and in British Government securities from £499,253 to £249,885. Advances to subsidiary companies have almost doubled at £1,466,716, while cash holdings are up from £215,516 to £669,455. Among liabilities, creditors and provisions, no doubt including taxation, are up from £652,099 to £1,232,673, while the reserve fund is unchanged at £1,000,000. It is clear that the company's total revenue rose substantially last year. The directors indicate that sales, including those on military and Government account, reached record levels. Unfortunately, production on this increased scale took place under conditions of increasing cost. The depletion of stock has most probably been made good since the date of the balance sheet. It is likely that the recent outbreak of war in the Pacific will so add to shipping difficulties as to complicate imports from Argentina, and that restrictions of raw material supplies will prove the main difficulty in the current year. The £5 ordinary shares, at £15 ex dividend, yield £2 13s. 4d. per cent tax free.

Apex (Trinidad)

In a note on page 82 of *The Economist* of January 17th, it was stated that the yield on Apex (Trinidad) shares at 29s. was £5 3s. 5d. This was correct, but it should have been made clear that tax was deducted at 6s. in the £ only, so that the return is equivalent to £7 4s. 10d. with tax at the full rate.

Industry and Trade

Strengthening the Regional Boards

A corollary to the need for transforming the Production Executive into an effective Production General Staff, suggested in *The Economist* of January 17th, is the desirability of strengthening the regional boards of the Production Executive. A multiplicity of competing departments cannot achieve real unity among their subordinate local officers, lack the executive power vested in them during the last war, and they are circumscribed from above and often concerned. As a result, they cannot exercise the requisite degree of control over the factories in their regions. Moreover, the weakness spreads beyond departmental boundaries. When departmental officers meet the representatives of employers and trade unions as members of a regional board, they lack a definite plan to the test of which all suggestions must be brought. This partly explains why schemes put forward by the Production Executive have come to such uneven fruition in different parts of the country. One example of this state of affairs is the variation in the

efficiency of the capacity exchanges. Another is the comparatively slow progress hitherto made with the setting up of joint production committees. In factories where they exist, these committees have proved of value as channels for suggestions from the workers, and also as a means of explaining to them the causes of inevitable hitches and delays. They have thus contributed to the maintenance of morale and often to an increase in output per man. Unfortunately, there is reason to believe that the trade unions frequently look upon them with disfavour as the trade-marked merchandise of the shop stewards' movement, and employers, too, sometimes discourage their establishment. It is understood that proposals for joint production committees have even been obstructed by regional boards. The weaknesses of the boards can only be cured by strengthening their authority and their technical staffs—rationing of technical ability may be necessary—but effective decentralisation can only be achieved if the boards are made the agents of a strong Production General Staff with a definite policy and executive power at present lacking in the Production Executive.

January 24, 1942

Official Intelligence

While a partial and selective statistical blackout has been necessary in order to prevent the enemy from securing information that would assist him, the almost complete ban on statistics is rendering difficult the task of discovering and criticising weaknesses in the war effort on the home front. There is no excuse, however, for the lack of information concerning the tentacles of the vast administrative machinery set up by the Government to draw Britain's resources into the war effort. Lack of knowledge about the existing activities and whereabouts of the innumerable agencies and branches set up by the Government often renders it very difficult for the small manufacturer, for example, to establish the contacts he requires. Altogether a good deal of time is being lost by the public in attempts to trace the departments or officials of the various Ministries. The Ministry of Labour has been among the first to lift the ban from its activities by issuing a booklet with full details of its functions and departments. The Ministry of Supply, too, has published a directory setting out particulars of its organisation in the North Midland Area. Again, the Ministry of Information has compiled a *Regional Bulletin of Information*, showing where inquiries can be made on a number of subjects. The improvements in the official intelligence in certain areas throws into relief its absence in others.

Production of Hematite Ore

Hematite iron ore is the raw material for one of the most important ingredients in the special steels required for the production of war equipment. While in the past this country has been able to draw substantial tonnages of this material from overseas, it now has to rely much more on its own supplies, which are mined in Cumberland. Unfortunately, there is reason to believe that the rate of domestic output is unsatisfactory and that not enough is being done to expand it. Conflicting explanations are put forward, one of which is that a number of working places have been exhausted or are nearing exhaustion. Three of the leading public companies directly or indirectly interested in the mining of hematite iron ore are Millom and Askam Hematite Iron, Barrow Hematite Steel and United Steel Companies. The chairmen of the two first mentioned concerns pointed out in their latest addresses to shareholders that development work was not neglected. Sir Andrew Lewis, chairman of Millom and Askam, said that a big boring programme was being conducted "with a view to increasing our iron ore reserves and the possible development of iron ore tonnages in this time of national need." Similarly, the Hon. Robert James, chairman of Barrow Hematite, pointed out that "we continue to explore for further ore deposits, in which we have not been altogether unsuccessful." There is no published evidence of the activities of United Steel Companies. In spite of the seemingly encouraging statements of the chairmen of two of the leading concerns in-

terested in the exploitation of hematite iron ore deposits, it appears that, taking development as a whole, the position is far from satisfactory, especially as the prospective shortage was not entirely unforeseen. In view of the vital importance of hematite, this state of affairs calls for an investigation and drastic remedies.

Retail Trade in November

The average daily value of retail sales last November, published by the *Board of Trade Journal*, shows a reduction of 1.2 per cent from the returns for the corresponding month of 1940. In October, sales were 12.1 per cent smaller in value than a year earlier. The accompanying table shows that sales of food showed no departure from the previous trend. On the other hand, the fall in the turnover of other merchandise, compared with the previous year's figures,

PERCENTAGE CHANGES IN RETAIL SALES FROM PRECEDING YEAR			
		Food and Perishables	Other Merchandise
1940 October		- 5.2	+20.9
November		- 0.3	+ 1.3
December		+ 0.8	- 6.7
1941 January		+ 5.8	- 8.8
February		+ 3.5	+ 1.8
March		- 2.1	- 2.1
April		+ 0.9	+ 2.9
May		- 4.3	- 2.4
June		- 3.1	+ 6.8
July		- 6.7	-15.9
August		- 1.9	-10.8
September		- 0.8	- 8.2
October		+ 0.2	-23.5
November		- 0.4	- 2.3

was considerably smaller in November than in the four preceding months. There was a reduction in the sales of all the items listed, with the significant exceptions of household piece goods, and furnishing and fancy goods, many of which, though in reduced supply, are not yet rationed on a *per capita* basis. An analysis of sales on a geographical basis, given on page 131, shows that the improvement of trade in London over last year's level has continued, and that turnover elsewhere was again smaller, except in Scotland.

Cotton Trade Difficulties

The cotton industry has suffered many vicissitudes since the outbreak of war. The supply of cotton yarn and manufactures has continued to decline month after month, and the industry now finds itself falling 15 to 20 per cent short of the output of yarn required for essential purposes. The Cotton Board has this week issued a *communiqué* in which it explains how this position has arisen. The main cause is the shortage of labour, which arose as a result of the changes in the demand for the industry's products not being fore-



DISTRICT BANK

LIMITED

Established 1829

HEAD OFFICE:
Spring Gardens, MANCHESTER, 2

PRINCIPAL LONDON OFFICE:
75 Cornhill, E.C.3

PRINCIPAL LIVERPOOL OFFICE:
3 Water Street

Subscribed Capital £10,560,428 Paid-up Capital £2,976,428
Reserve Fund - £2,976,428 Deposits - £131,102,436
Total Assets - £140,763,892
31st December, 1941

EVERY BANKING FACILITY

forms. Probably well over £1,000 millions was derived from the Exchange Equalisation Account and other public departments at negligible net cost. A further £1,200 millions or more was raised from Treasury deposits by banks and Treasury bills placed with the market, at a rate slightly over 1 per cent. The remainder came from the public, either as individuals or through institutions, at an average of about 2½ per cent., by subscription to the various Government issues.

FINANCIAL AND MONETARY MANAGEMENT

On the face of the figures, then, the covering of the budget deficit in the manner described has been a great achievement in combined financial and monetary management. It is far superior to anything we have known hitherto, and in no small degree is due to the better understanding of the function of floating debt and short-term issues as a necessary part of the monetary system.

Anyone whose memory is long enough must have been struck by the differences between the internal financial measures adopted in the two great wars. Most evident for us, as shareholders in a bank, is the more extensive and more active official control over financial operations; the capital market is rigidly reserved for Government borrowings and in few other approved issues; foreign exchange transactions are regulated in the utmost detail; the Government itself provides direct finance for a large volume of essential war production and lays down the general lines the banks should follow in making advances to their customers.

MORE DEFINITE POLICY

Added to this is a more definite and explicit monetary policy. Here, as in the controls just mentioned, the closest co-operation has come to be maintained as a matter of course between the Treasury and the Bank of England and between the central bank and the commercial banks. The task of financing "total war" requires a standard of executive action not easily attained by men brought up in the rightly precautionary methods of the civil service; but the qualities of understanding and judgment, so well represented in that service, have been brought with conspicuous success into close and constant alliance with the inventiveness and adaptability which have become characteristic of the central bank. Our own part is largely a technical one; but whenever difficulties have arisen in carrying out directions—difficulties which sometimes call even for modifying the directions themselves—our representations have always been received at the Bank of England and in the Government departments concerned with unfailing attention and resourcefulness.

All this, however, is only part of a highly creditable record. Not only has the war so far been financed at an average rate of less than 2 per cent., but the trend of rates has been downward—a striking contrast with experience in the last war. The downward movement has been confined to those securities which are taken up mostly by financial and other institutions; the small individual saver is lending to the Government on terms no less favourable to him now than at the beginning of the war. The distinction, however, is fully justified by its psychological value in encouraging maximum personal savings.

INFLUENCE OF CONTROL METHODS

Then again, while we must not overlook the influence of other measures of control, the methods adopted for financing the war have helped to minimise inflation. Indeed notwithstanding the growth in the volume of money and the upward course of prices, it may properly be concluded that there has been little inflation so far, the rise in prices being attributable to non-monetary causes which it would have been almost impossible to offset by monetary means. In any event the rise in the cost of living index number to date has been much less marked than in the corresponding period of the last war, notwithstanding the incidence of the purchase tax.

The experience gained in the past ten years in currency policy has contributed materially to this advance, which has carried us a long way on the road from a supposedly self-regulating system to one of continuous management. We have only to look at the results in order to see how great has been the improvement upon the methods practised in the last war. Although this time again a huge creation of national debt has been inevitable, the proportion of Government expenditure which has been covered in that way is smaller, and the current rate of change falling on the Exchequer

vastly reduced. Moreover, the instrument of taxation has been used more with the conscious purpose of diverting to the Government a large part of the purchasing power which, if left in private hands, might be used to bid against the Government for limited supplies of goods and services. Another means towards the same end has been the device of "compulsory saving," which defers purchasing power until a time after the war when it may perform a valuable economic and social function.

POST-WAR PERILS

So far, then, the record is satisfactory; but we must not forget that there may be many post-war perils ahead of us. Last time the worst excesses of overspending, inflation, speculation and capital expansion came not during, but shortly after, the war, with disastrous consequences that are still remembered. The risk of a similar catastrophe after this war may be all the greater in that restrictions have been more severe. Accordingly there should be no hasty abandonment of necessary controls of finance, particularly of the capital market and of foreign exchange transactions. The natural predisposition to get rid of all restrictions as soon as the war is over must be resisted. We must profit by experience in using to the full the essential driving force of individual enterprise in the post-war conditions the general shape of which experience may help us to foresee. If we are wise in our perception of the proper limits within which freedom and control should respectively operate, a financial system can be evolved which will be a powerful factor in the creation and maintenance of national well-being.

BENGAL-NAGPUR RAILWAY COMPANY, LIMITED

The 83rd ordinary general meeting of the Bengal-Nagpur Railway Company, Limited, was held on the 15th instant in London. Sir Charles Stewart-Wilson, K.C.I.E., deputy-chairman, in the course of his speech, said: Our gross earnings have reached a record in the history of the railway and exceed last year's receipts by over 107 lakhs. This, however, is not altogether a matter for congratulation as the savings are largely the result of enforced reductions in special replacements and renewals which will have to be made up later.

Our share of surplus profits amounts to Rs.13,33,747. Negotiations are in active progress in India regarding our liability to Excess Profits Tax there. Till this important matter is settled, about 10½ lakhs of our surplus profits have to be retained in India to meet possible demands. In this country I am glad to say that the Indian Revenue Authorities have agreed to 6 per cent. profits standard under Section 27 (2) of the Finance Act, 1940.

Mr Duncan, our agent and general manager, and our staff, both European and Indian C.I.E. in India and in London, have all done excellent work under very unusual difficulties. I feel sure that you will wish me to convey your thanks to them.

The report was unanimously adopted.

BRITISH RUBBER ESTATES OF JAVA LIMITED

The annual general meeting of the British Rubber Estates of Java, Limited, was held, on the 20th instant, in London, Mr T. Taylor presiding in the absence of the chairman of the company, Mr James Davenport.

The following are extracts from the statement of the chairman which was circulated with the report and accounts and take as read:—

Trading last financial year was more satisfactory than for the previous one, a result reflected in the 5 per cent. dividend—paid technically as an interim in order to get it out of the way, though clearly there will be no final.

The year's earnings are distributed. They are roughly as follows: To the NEI Government, £47,729; to the British Government, £23,000; to members, £17,974.

In fact the profits of industry go primarily to the Exchequer and the proprietors have only a secondary interest. It seems impossible for companies such as ours to create sufficient reserves for future contingencies.

The report and accounts were unanimously adopted.

LLOYDS BANK LIMITED

PROFITS PERMIT MAINTENANCE OF DIVIDEND

GROWTH OF LIQUIDITY

COMPARISON WITH LAST WAR PERIOD

FIRMER CONTROL NOW EVIDENT

LORD WARDINGTON'S STATEMENT

The annual general meeting of Lloyds Bank Limited will be held, on 30th instant, at 71, Lombard Street, London, E.C.

The address of the chairman of the bank, the Rt. Hon. Lord Wardington, which would normally have been delivered at the annual general meeting was, as last year, posted to the shareholders with the annual report and balance sheet on January 22nd in order to shorten the business of the meeting.

In his address, Lord Wardington stated: My Lords, Ladies and Gentlemen, there are a great many subjects which a bank chairman might be tempted to discuss in these present difficult times. In looking to the future we may all agree, as no doubt we do, with the general principles laid down in the famous Atlantic Charter, but the business of a banker is concerned primarily with the practical application of principles and the effect which they may have on his daily work. Any working out in detail of general principles is not possible at the present time, as we cannot see what will be the prevailing conditions at the end of the war, or to what extent we may be able to count on the co-operation of other countries, or to what degree they may be content to waive some of their individual sovereign rights for the common good of all.

In all questions concerning currency and exchange control, the right of access to raw materials, self-sufficiency ambitions, fiscal policy—in all these and many other matters there must be a ready and loyal recognition of the necessity for some international agreement and control, and of the fact that we shall all be neighbours, independent if you will, but all interdependent and incapable of taking individual action without some repercussion on the fortunes of others. It is easy to generalise, but this is outside a banker's duty, and as it is not possible with our present knowledge to dogmatise about the practical application of general principles, I propose to confine myself to facts about our own bank's position. I may, however, express a hope that before any precise scheme or schemes are officially announced, those who will be concerned to a greater or less extent in putting them into force may be brought into consultation as to the necessary machinery for so doing.

CHANGES ON DIRECTORATE

During the year we have appointed as directors Lord Teviot and Air Commodore Harald Peake, and, in addition, our two chief general managers, Mr R. A. Wilson and Mr Sydney Parkes. We feel that we have been very fortunate to obtain the services of these experienced gentlemen, as it will be realised that in war time it is not always easy to find available those individuals whom we would like to see on our board. I would like to say a special word in connection with the last two. We have on previous occasions sometimes elected a chief general manager on his retirement, but only once before a chief general manager whilst still in active service. In present circumstances we have found it particularly useful to have at our immediate disposal two such experienced bankers when questions of importance are apt to arise which require a quick decision.

The directors who are temporarily absent from their bank duties in His Majesty's Forces or on account of special work on behalf of the Government are Viscount Bearstead, MC, Captain C. E. Benson, DSO, and the Hon. R. H. Brand, CMC, DCL. The Hon. W. L. Runciman, AFC, is making a world tour in the interests of civil aviation.

NEW JOINT GENERAL MANAGERS

We have appointed Mr E. Whitley-Jones, Mr A. H. Ensor and Mr W. R. Bown as joint general managers, to take the place of Mr W. G. Johns, who, we regret to say, died last March, and Mr G. D. Gold, who retired last year.

Within the last few days we have heard with great regret the news of the death of Mr R. K. Blair. He became a member of our board in 1929 as a representative of our affiliated bank, the National Bank of Scotland. He was at the time of his death the chairman of the Scottish Bank, and I should like to express our great sympathy with his colleagues in that institution, who I know will miss him very much both on personal and professional grounds. These feelings we in Lloyds Bank share to the fullest extent.

THE STAFF

In regard to our staff generally, you will be interested to learn that 4,010 are serving with His Majesty's Forces or on full-time Civil Defence. They are constantly in our thoughts while engaged in their dangerous duties in all parts of the world, and we pray for their safe return. We know they are performing their duties with credit, and many occupy positions of considerable responsibility.

Several have been decorated or mentioned in despatches for courage and resourcefulness in action against the enemy. Unhappily, 55 have been killed, eight others have died on service, while 17 are reported as missing and 62 are prisoners of war. Our deepest sympathy goes out to all their friends and relations who have suffered so much anxiety and sorrow on their account. The absence from these causes of so many necessarily imposes added burdens on those who have been carrying on the work of the bank, often under difficult conditions and under similar dangers to those which confront their comrades actually under arms. I can speak most highly of their work, which has enabled the bank to play its essential part in the life of the nation. It must also be remembered that they have been often called upon to undertake entirely new duties, to some of which I will refer later, and, further, that these are quite apart from the sacrifices made by so many in their fire-watching and similar activities.

I have had the privilege of inspecting on more than one occasion the ARP fire-fighting and first-aid parties in the Lombard Street building, and was much struck by the keenness, efficiency and patriotic spirit of those engaged in these duties. When you also consider the circumstances of danger, discomfort and inconvenience in which the work of the bank has often had to be carried on, you will realise that I have outstanding reasons for asking the shareholders, as I propose to do, to pass a very special vote of thanks to the staff for their loyalty and devotion during the last year.

PROFITS AND DIVIDEND

The net profit brought in, after making all necessary and proper provisions, is £1,274,199, a decrease of £109,608. We have had much larger resources at our disposal during the year, but a substantial proportion of them continue to be employed at a low rate of interest, whilst our overdrafts, which earn a higher yield, have continued to shrink, and our expenses, particularly our salary bill, have again largely increased. Our published figure of profits you will see enables us to recommend the same dividend as last year and to put on one side £350,000 against any contingency, and at the same time to increase slightly the amount carried forward.

BALANCE SHEET

The salient points of our balance sheet are that during the year we have lent £95,000,000 more to the Government—£65,000,000 on treasury bills and treasury deposit receipts and £30,000,000 in further investments in National War Bonds. These increased assets, after allowing for the further shrinkage of £12,000,000 in our overdrafts, find their counterpart on the liability side of our

balance sheet in the greatly increased total of current, deposit and other accounts, which stand at the record figure of £581,000,000. These, quite briefly, constitute the principal changes in our figures during the past year.

TREND OF BALANCE SHEET CHANGES

It seems to me, however, that a broader survey than this is required in times when banks are operating under such abnormal conditions. The traveller may easily lose himself in a forest if he has no compass to guide him, because he cannot see the direction in which he is advancing. It is important that we should endeavour to recognise, even if we cannot altogether control, the trend of the changes that are taking place in the structure of our balance sheet under the influence of war-time conditions.

The figures of our own bank illustrate my point, but you will understand that they are typical of the figures of the other great clearing banks of this country.

	Deposits (in millions)	Increase for Year	Percentage to Deposits		
			Liquid Assets	Invest- ments	Over- drafts
June, 1939	396		30%	27%	42%
Dec., 1939	434	+ 9.6%	39%	25%	37%
Dec., 1940	491	+ 13.1%	43%	28%	29%
Dec., 1941	581	+ 18.3%	50%	28%	22%
Dec., 1914	118		41%	14%	50%
Dec., 1915	131	+ 11.0%	29%	33%	42%
Dec., 1916	152	+ 16.0%	39%	27%	37%

CURRENT DEPOSIT AND OTHER ACCOUNTS

In our last half-yearly balance sheet before the outbreak of the present war, Lloyds Bank showed a total of current, deposit and other accounts amounting to £396,000,000. This was employed as to 10 per cent. in keeping our traditional cash reserve, and as to another 10 per cent. in bills, mainly treasury bills, which, with the 7 per cent. lent out as money at call and short notice, and other items, made up a little more than the 30 per cent. of liquid assets at which we aimed.

At that date we had 27 per cent. of our deposits in investments and 42 per cent. in overdrafts. Both these figures reflected in some degree the effects of the previous war and the subsequent trade depression. The volume of our investments even then was larger than we needed, and our overdrafts lagged below the figure at which we should have preferred to see them. Any stimulus to increased borrowing that could be discerned at that time was due rather to the beginning of our armament programme than to any improvement in the normal trading activities of a nation at peace.

By December, 1939, that is to say after four months of war, our deposits had risen by £38,000,000 to £434,000,000, an increase of 9.6 per cent. The greater part of this increase, as well as the £6,000,000 by which our overdrafts had fallen, went into our liquid assets, mainly into treasury bills, and our proportions then were: liquid assets, 39 per cent.; investments, 25 per cent.; overdrafts, 37 per cent.

At the end of the first full war year, that is to say by December 31, 1940, a further 13.1 per cent. on the year, or £57,000,000, had been added to our deposits, and in the balance sheet before you the increase for the twelve months to December 31, 1941, of £90,000,000 is at the rate of 18.3 per cent.

PROPORTION OF LIQUID ASSETS

To complete the picture, during these two full war-time years the proportion of our liquid assets has risen from 39 per cent. to 50 per cent., and of our investments from 25 per cent. to 28 per cent., whilst our overdraft ratio has fallen from 37 per cent. to 22 per cent. Altogether, since the outbreak of war, our deposits have increased by 46.7 per cent.

Nearly half our assets are now in such a liquid form that they contribute only 1 per cent. to our ever-growing expenses. It may seem to some of you that this is not altogether a satisfactory state of things, and that some portion of our liquid assets might with advantage to our profits be transferred to higher yielding investments. This is quite true, but I ought to point out that our investments for the first time in our history stand at a higher level than our total overdrafts, and that the total of £163,000,000 at which they appear in our balance sheet is such a large figure that even a moderate percentage fall in this value would represent quite

a substantial sum. Considerably less than a quarter of our total resources are lent to our trading and manufacturing customers—and that for destructive rather than productive purposes.

COMPARISON WITH THE LAST WAR

That, in retrospect, is the course we have followed since the outbreak of war. Looking back on it, we see it as a fairly straight line. But if we go back to the figures of the last war we find that they did not follow so straight a course. Although our deposits showed a consistent increase in 1915 and 1916 of 11 per cent. and 16 per cent., the percentage of our liquid assets, on the other hand, in those years showed first a decrease of 12 per cent., followed by an increase of 10 per cent.; our investment ratio began with an increase of 19 per cent., followed by a decrease of 6 per cent.; while the proportion of overdrafts showed a decrease of 8 per cent., followed by a decrease of 5 per cent. It will thus be seen that in the last war changes in our figures were of a fluctuating and inconsistent character, whereas since the beginning of this war they have been uniformly in the same direction. We think we can see here evidence of a surer purpose and a firmer control in the national finances.

THE NECESSITY OF SAVING

To what extent we may experience further increases in our deposits largely depends on the willingness of our depositors to lend their surplus balances to the Government. Savings groups all over the country, on which members of our staff are patriotically giving their willing service, have been urging the public to withdraw their balances with the banks to the greatest extent possible and invest them in the various forms of savings loans which the Government has put at their disposal. This is a patriotic duty as well as an advantage to the individual. So much has been said already on this subject that I almost hesitate to dwell on such a well-worn theme. It is, however, impossible to exaggerate its importance, and I would like to add my testimony to the paramount necessity of saving everything possible and of refraining from entering into the harmful competition of trying to buy consumable goods, the quantity of which is limited and the price of which tends to increase with every fresh competition to buy, while the effect is to diminish the purchasing power of the pound.

If, however, the pounds are saved, purchasing power will be maintained and after the war, when we are again producing consumable goods instead of weapons of war, we may hope to be in a position to buy what we want at a less cost than would otherwise be possible. Everyone recognises the disadvantage and dangers of inflation, and it is essential for everyone in his own interest and that of the State to see that he does not contribute by any action of his own in bringing it about. It is true that whether a depositor invests his balance himself or leaves it in the hands of his bank, the treasury in either case gets the benefit of the money, as the bank in the latter case will invest it in treasury deposit receipts or other forms of Government loan; but as long as the balance is left in the books of the bank at the disposal of the depositor, the temptation and power to draw it out and spend it always remain.

TAX RESERVE CERTIFICATES

The scheme of tax reserve certificates recently announced by the Chancellor of the Exchequer will have the effect, I have no doubt, of inducing the earlier transfer from the banks of moneys accumulated for the payment of taxes, and will serve as some check on the velocity of increase in our deposits. This is all to the good and will be of advantage to the treasury and the taxpayer alike. I feel convinced that many firms and individuals will be anxious to avail themselves of the facility now offered to them.

COUPON BANKING ACCOUNT SCHEME

In addition to the other multifarious duties which the banks have undertaken in connection with the war effort, we have recently agreed to operate an entirely new service of a somewhat novel character, which, we believe, will be welcomed not only by the Board of Trade, to whom the conception of the scheme is due and with whom the banks have co-operated in working out the detailed procedure, but also by large numbers of our customers who are concerned with the manufacture, merchandising and retailing of goods to which the Consumer Rationing Order, 1941, applies.

Under this Order the public have to surrender coupons for all purchases of clothing and footwear, and these coupons have to be passed back from the shops through all the various branches of the trade—the wholesaler, the maker-up, the manufacturer—before each in turn can replenish his stocks.

SAVING OF LABOUR

When one considers that at 66 coupons a year per head of population an issue of close on three thousand million coupons is involved, which at present have to be counted and checked, not once only but three or four times on their journey from the ration books of the public to the textile mill or the tannery, one can appreciate the amount of labour involved in the mere handling of the coupons.

The scheme which has been evolved and which it is hoped shortly to bring into operation will greatly facilitate the transfer of coupons between traders by reducing to a minimum the irksome labour of counting and recounting the coupons and by obviating disputes and claims for coupons lost, stolen or destroyed. The coupons themselves will, in fact, only pass from the retailer to his banker and thereafter will be replaced by certified transfer orders. The banks will operate for every trader affected by the Order a separate account in which the currency will not be pounds, shillings and pence, but clothing coupons. I need hardly say that no overdrafts on these coupon accounts will be permitted.

CLOSING OF UNESSENTIAL BRANCHES

Another matter in which both our staff and our customers are interested is the closing of unessential branches. We have since the outbreak of war closed altogether 360 offices—some of them as part of a mutual arrangement with other banks, some without such arrangement. Our policy in this connection is dictated by two main objects in view—to maintain those banking services which are essential to the war effort and at the same time to release as many men as possible for the fighting services, and to reduce expenses. Our experience in pre-war days when we have amalgamated two of our branches in the same town has been somewhat disappointing. The hoped-for economy in staff has frequently been found in actual practice illusory. The combined business required a number of staff not far short of the total of the two separate branches. It should be remembered that the bulk of our clerical staff is engaged in the handling of cheques which are, in effect, part of the national currency.

It is essential that the circulation of cheques should be maintained without impediment; any breakdown in the system would cause grave inconvenience and a further large increase in the Note circulation. It must also be remembered that before two branches of any size can be amalgamated one of them has generally to be enlarged to accommodate the other, which frequently prevents any saving in expense as far as premises are concerned. It is a saving in expense as far as premises are concerned. It is a saving in expense as far as premises are concerned. It is a saving in expense as far as premises are concerned.

CONVERSION OF ISSUED "B" SHARES INTO STOCK AND ALTERATION OF TRANSFER PROCEDURE

As will be seen from the annual report of your directors and the two resolutions of which notice has been given, we have decided to recommend the conversion of our issued "B" shares into stock and to dispense, in the case of both "A" and "B" shares, with the provision under Article 46 of our Articles of Association requiring seven days' notice to be given of any proposed transfer.

The conversion of shares into stock units is a procedure which is finding growing favour among public companies because, by the elimination of definitive share numbers, it effects a saving of unnecessary labour in the preparation, checking and registration of transfer deeds. We are able to convert our "A" shares as they are not fully paid.

The provision of Article 46 requiring notice of any proposed transfer of our shares involves an unnecessary duplication of work. The procedure is cumbersome and we think we can safely dispense with it. The proposed alteration in no way interferes with the right which the Directors have in their absolute discretion under Article 47 to decline to register any transfer of partly paid shares.

We are also taking this opportunity of removing by resolution of the board the somewhat irksome rule that separate deeds are

required for transfer of "A" and "B" shares. In future, transfers of "A" shares and "B" stock may be included in one deed. All these three changes will, we feel, be approved by shareholders and will be appreciated by stockbrokers and others when dealing with our shares.

BURMA CORPORATION LIMITED

ORE RESERVE POSITION

MR MARMION'S SPEECH

The annual general meeting of Burma Corporation, Limited, was held, on the 31st ultimo, in Rangoon.

Mr M. L. Burnet (vice-chairman) presided and read the speech prepared by Mr Marmion, the chairman of the company, in the course of which he stated: The year has been an active one and we have disposed of the whole of our production of lead and silver without difficulty. The arrangements made in regard to copper matte continue to run very smoothly and have resulted in the realisation not only of stocks that had accumulated but also of our normal production. Our hopes have also been realised in regard to nickel speiss and we have succeeded in making a contract for the disposal of a considerable portion of our accumulated stocks and, at the buyers' option, of our normal production for an extended period. As to zinc concentrates, after completing a large contract with the Ministry of Supply, we are left without a market for our production. But here again we exerted ourselves to develop fresh outlets for this product in another form and to a very limited extent our efforts have been rewarded.

After dealing with the accounts and remarking that to save materials and labour it might be necessary in future to consolidate the two annual dividends into a single payment in respect of each year, the chairman continued: The year's operations left us with estimated reserves in the mine 280,993 tons below the estimate at June 30, 1940, with a moderate all-round decline in assay values. You already know that our development work has been completed and that, as stopes are worked out, we find, on re-assessing the ore reserves remaining, there has been a large tonnage of what we have called "excess ore" that has been extracted beyond the limits of the areas originally taken as containing the whole of our reserves. This excess ore has been brought into our reserves progressively since 1938 as stopes have been completed, and it has been possible to arrive at a close estimate of the tonnage remaining, so that despite the absence of developments, the reserves have not reflected the depletion which would result if there had been no excess ore to set against the tonnage extracted in any year. In the year 1939-40, for instance, 473,568 tons were extracted, but owing to the bringing in of the excess ore estimated to have been mined, together with a small tonnage from development work, the depletion at June 30, 1940, was reduced to 196,753 tons. I dealt very fully in my address on December 31, 1940, with the adjustments in tonnage and grade which the inclusion of this excess ore necessitates so as to arrive at a closer estimate of the reserves remaining in the mine.

EXCESS ORE

As regards the year under review, I may say that the same method of assessing the tonnage and grade of ore reserves remaining in the mine has continued and includes the tonnage of excess ore estimated to have been mined from all stopes completed to June 30, 1941. The influence of excess ore upon our reserves, since we undertook the re-assessment in 1937, has been substantial and the tonnage so far included begins to approach the total which, as I then indicated, might ultimately accrue from this source.

The chairman then referred to the excellent services rendered by the staff and to the retirement of Mr E. Hogan Taylor and Mr Ponsford and concluded his remarks as follows:—I am pleased to announce that we propose to appoint Mr Henry Ponsford, who is so well known to you as our former secretary, to be a member of the board. I am confident that you will welcome this appointment as much as we do, for Mr Ponsford has a wide experience and an intimate knowledge of our affairs which ought not to be lost to the corporation.

The report and accounts were unanimously adopted.

WESTMINSTER BANK LIMITED

EFFECTS OF UNPRECEDENTED WAR EXPENDITURE

GROWTH OF DEPOSITS

PROGRESSIVE INCREASE IN RATIO OF LIQUIDITY

DIVIDENDS MAINTAINED

THE HON. RUPERT E. BECKETT'S REVIEW

The annual ordinary general meeting of the Westminster Bank, Limited, will be held on the 28th instant.

The following is the statement by the chairman, the Hon. Rupert E. Beckett, which has been circulated to the shareholders:—

Following the procedure which was adopted last year it is my intention to give, in the form of this printed statement, the information upon the year's accounts to which the attention of shareholders should be particularly directed. The proceedings at the meeting will therefore be confined to the submission of the customary resolutions to the shareholders present and to any discussion arising thereon.

CHANGES ON DIRECTORATE

Before commenting upon the figures I must refer to changes which have taken place in the directorate of the bank. The board have lost by death two of their colleagues—the Hon. Francis N. Curzon and the Marquess of Willingdon. Mr. Curzon joined the directorate of Parrs Bank as long ago as 1914 and had therefore served as a director for the long period of 27 years. Lord Willingdon joined the board in 1936, and though his term of office was short he served with distinction. In March of last year Dr. W. H. Coates, a director of Imperial Chemical Industries, Limited, was elected to a seat on our board. Soon after his election he was requested by the Government to undertake an important mission overseas, and it was not until January 1st this year that he was able to assume regular duties at the bank.

We welcome Dr. Coates and are pleased to have his co-operation as one of our directors. It is with regret that I report the death, while in the active service of the bank, of one of our general managers, Mr. John Harriss, who faithfully served the bank over the long period of 41 years. To fill the vacancy thus created the directors have appointed as a joint general manager Mr. L. P. Meredith, who had been an assistant general manager for some years past.

In my statement to the shareholders last year I drew attention to the great changes brought about by the war in the country's economic life, and the year 1941 has but served to accentuate two of the main factors to which I then alluded. There has been an acceleration of the extraordinary war expenditure of the nation and necessarily, therefore, an increase in banking resources.

WAR'S EVER-INCREASING DEMANDS

With regard to the first of these factors, it is inevitable that war, in this scientific age, with its high degree of all forms of mechanisation, must make ever-increasing demands upon the nation's resources, and Government war expenditure is, after all, only one side of the triangle of man-power, machines and money. The payment out of the Exchequer for the past twelve months to the end of December last was £4,654 millions, and if we add to that the £4,011 millions expended for the 16 months to the end of 1940, we arrive at the colossal figure of £8,665 millions to the end of 1941.

It is of interest to note, by way of comparison, that the total Votes of Credit for the last war, inclusive of considerable loans to the Dominions and Allies, was approximately £8,400 millions. This unprecedented war expenditure is the outstanding and all-pervading background against which financial and banking operations must be viewed in order to see them in their true perspective. The economic and social implications of such gigantic expenditure on war, not only in this country but all over the world, are of profound significance, and the problems raised thereby will demand the attention of the finest brains for many years to come.

DEPOSIT LIABILITIES

As a corollary to such expenditure there was an increase in the deposit liabilities of the clearing banks, during the year to November last, of no less than £507 millions, compared with an increase of £437 millions for the previous 15 months. Increased resources created in war-time and by war expenditure should, and in fact must, be made available in one way or another to the Government, and towards the end of last year the Treasury authorised the issue of tax reserve certificates by subscriptions for which certain tax liabilities could be anticipated, thereby making immediately available to the Government money which would not otherwise be paid until the tax payments became due. These certificates carry interest at the rate of 1 per cent. per annum, free of income tax and surtax. There are indications that a liberal use will be made of this facility and, if this proves to be the case, then the growth of bank deposits will be correspondingly slowed down.

The deposit liabilities of this bank at the end of the year show an increase of some £60 millions, and certain alterations have taken place in our assets in consequence of this increase. Treasury deposit receipts at £109½ millions show an increase of £59½ millions over the corresponding figure for last year, and this, of course, provides a high degree of liquidity, notwithstanding a diminution in our bill portfolio of £20 millions. The liquidity items in the bank balance sheet gives a ratio to deposit liabilities of no less than 46.61 per cent.

INTEREST BEARING ASSETS

The main interest-bearing assets, namely, advances and investments, which respectively exhibit ratios of 24.84 per cent. and 31.67 per cent. to deposit liabilities, have, during the year, changed places for the first time in banking history in their order of precedence. Hitherto the ratio of advances to deposit liabilities was always higher than that of investments. The rise in investments, common to the clearing bankers, has been perhaps the most interesting banking change during the year. The two forces which have operated to produce this result are:—

- (1) the subscription by the banks to Government war issues; and
- (2) the decline in the demand for banking accommodation for purposes outside the war effort—a quite natural and healthy feature of the nation's commercial and industrial life which must be geared to maximum war production and, furthermore, evidencing the effort to prevent the development of unnecessary inflationary tendencies.

In the past year the increased resources obtained from an increase of £60 millions in deposits, together with a reduction of £18 millions in advances, viz., £78 millions in all, have found employment in a net increase in the liquidity resources of £42 millions and an increase in investments of £36 millions. Similar alterations in distribution are common to all banking institutions.

CHANGES SINCE 1938

The table on the following page shows the changes which have taken place in the composition and distribution of the items of the bank's assets year by year since pre-war days.

It will be observed that the ratio of liquidity items to total deposit liabilities has grown progressively over the past four years as follows:—

1938	32.22 per cent.	1940	43.16 per cent.
1939	36.33 per cent.		

Item	1938		1939		1940		1941		Changes between 1938 and 1941	
	£ millions	Ratio to Deposit Liabilities	£ millions	Ratio to Deposit Liabilities	£ millions	Ratio to Deposit Liabilities	£ millions	Ratio to Deposit Liabilities	Increase £ millions	Decrease £ millions
Deposit Liabilities	346.2	...	366.4	...	410.1	...	469.9	...	123.7	...
Cash and Balances with Bank of England	37.0	10.71	37.6	10.27	45.4	11.09	49.2	10.47	12.2	...
Balances with and cheques in course of collection on other Banks	12.7	3.68	16.3	4.45	18.4	4.48	23.9	5.09	11.2	...
Money at Call and Short Notice	20.8	6.01	34.0	9.29	28.6	6.97	22.5	4.79	1.7	...
Bills Discounted	40.9	11.82	45.1	12.32	34.6	8.43	13.9	2.96	...	27.0
Treasury Deposit Receipts	...	...	...	...	50.0	12.19	109.5	23.30	109.5	...
Total of Liquidity Items	111.4	...	133.0	...	177.0	...	219.0	...	107.6	...
Ratio of Liquidity Items to total Deposit Liabilities	...	32.22	...	36.33	...	43.16	...	46.61	...	...
Advances	134.1	38.74	141.4	38.60	134.5	32.80	116.7	24.84	...	17.4
Investments:—										
(a) British Government	110.2	31.84	100.2	27.38	107.2	26.13	143.7	30.58	33.5	...
(b) Others (including those in subsidiaries)	4.9	1.42	6.0	1.64	5.5	1.34	5.1	1.09	0.2	...

The corresponding reduction in the ratio of the two main earning assets of advances and investments has of necessity affected adversely our profit and loss account: the change in our banking structure brought about by this alteration in distribution of assets has an important bearing upon the earning power of the bank. Net earnings are also adversely affected by material increases in costs and by increases in the rate of income tax and by national defence contribution.

ALLOCATION OF PROFIT

After providing for rebate and taxation, and appropriations to the credit of contingency accounts (out of which full provision for bad and doubtful debts has been made), the net profit for the past year amounts to £1,189,696—a shrinkage of £120,933 as compared with last year's figure. This result may, in view of the heavy

taxation, be considered satisfactory, and your directors have been enabled to declare dividends at the same rate as last year, viz., 18 per cent. on the £4 shares (£1 paid) and the maximum of 12½ per cent. on the £1 shares (fully paid), while making the allocations, customary in recent years, of £300,000 to officers' pension fund and £100,000 in reduction of the bank premises account, at the same time recording a small increase of £12,734 in the carry forward to £563,863.

As shareholders are aware, our foreign auxiliary, Westminster Foreign Bank, Limited, has all its trading branches in Belgium and in France (in enemy or deemed enemy occupied territory), and I can add nothing to the statement which I made last year.

The figures for our affiliate, the Ulster Bank, Limited, are before you, and the profit for this year is £132,494 as against £134,616 for the previous year. The progress of this healthy business is considered quite satisfactory.

NATIONAL PROVINCIAL BANK LIMITED

EXPANSION OF BANKING FUNDS

WARTIME PROBLEMS

SATISFACTORY RESULT OF YEAR'S WORKING

MR. COLIN F. CAMPBELL'S STATEMENT

The one hundred and ninth annual general meeting of the National Provincial Bank, Limited, will be held, on the 29th instant, at the head office, 15 Bishopsgate, London, E.C. 2.

The following statement by the chairman, Mr. Colin Frederick Campbell, has been circulated to the shareholders:—

In view of the continuance of conditions which prompted me to circulate my observations with the report and balance sheet last year, I am taking a similar course this year. The proceedings at the annual general meeting on January 29, 1942, will be confined to the necessary business to be transacted.

BOARD OF DIRECTORS

The only change I have to report in the constitution of the board of directors is the election of Mr. M. R. Hely-Hutchinson, MC, MP, whose wide experience will be of great value to the bank. We have also appointed Mr. Ashley S. Ward a local director of the board at Sheffield, where his specialised and extensive knowledge of the business of that city will be highly appreciated by us.

MANAGEMENT AND STAFF

During the year the numbers of our management and staff were further depleted by releases for military and other Government service. A total of 2,848 men, or 43 per cent. of the pre-war male

staff, were serving with the armed forces at the end of the year. Of this number 943 held commissioned rank. Further awards for gallantry in action have been earned in addition to those I announced a year ago. There have, of course, unhappily been casualties both among serving members of the staff and those who remain with us, but I am thankful to say that the number suffered so far represents a very small proportion of those exposed to the risks of war. I know that shareholders will join me in wishing a safe return to all those members of our staff engaged upon active service.

In common with other industries, we must anticipate the release of more staff, both men and women, as the expansion of the armed forces gathers momentum. We are indeed fortunate in the spirit in which those who carry on with varying responsibility the daily duties of serving our customers. In addition to what is often an exacting day's work at the bank, practically every member of the staff, male and female, has undertaken duty of national service, involving much of what would otherwise be leisure time.

It is not unlikely that this country may have to face difficulties and restrictions greater than those of the past two years, and we as bankers may be called upon to strain our organisation to an even greater degree than has so far prevailed. Whatever demands may be made upon us, our shareholders and the public generally can rest assured that we shall spare no effort to maintain and continue the service to the public so far as is humanly possible.

THE PUBLIC AND BANKING SERVICES

I would like also to pay a tribute to those on the public side of the counter—our customers. The difficulties in carrying on an efficient banking service which the war necessarily imposes upon us have been immensely lightened by the kindly understanding of those we serve. We know that real inconvenience has often been caused, and I would assure them that our one wish is to be able to restore and improve as soon as possible the amenities they previously enjoyed.

Perhaps I may be allowed to add that I have learned in my office as president of the British Bankers' Association that our own experience of the willing co-operation of our customers is similar to that of all the other banks, and I extend to these customers our thanks for the sympathetic manner in which they have put up with inconveniences of various kinds.

Before commenting on the accounts, there is one more matter to which I attach great importance, to which I would like to allude. With the virtual disappearance of unemployment among all sections of the public and the general, and in many cases very substantial, rise in money incomes, the field open to banking activities has been greatly extended. I venture to think that there are many who are beginning to appreciate the services offered by the joint stock banks, which, in fact, are unsurpassed in any other country in the world. I have heard it said that banks exist principally for those who are assumed to be well off, but I take this opportunity of assuring those who perhaps have only recently been possessed of money incomes beyond their immediate needs that the banks will gladly undertake the safe custody of their holdings of cash, attend to their purchases of War Savings Certificates, and in general offer them a complete banking service.

THE STATEMENT OF ACCOUNTS

The enclosed statement of accounts reveals a general expansion of figures, but alterations in individual items over the year have been mainly a continuation of trends with which I dealt a year ago. On the liabilities side of the balance sheet, deposits show a considerable increase of £85,000,000. The counterbalancing increase on the assets side is spread between cash, Treasury deposit receipts and investments, which show increases respectively of £9,000,000, £79,000,000 and £23,000,000.

In ordinary peaceful circumstances expansion of bank figures may generally be regarded as a reflection of increasing industrial and trading prosperity. The case is very different in time of war, which must always be an impoverishing process. There is a tendency to forget this elementary fact and to interpret swollen figures as an indication of greater national prosperity. As far as banking is concerned, I can assure you this is not the case. It is true, of course, that our gross revenue from Treasury deposit receipts and investments has shown a sharp rise, but this has been partly offset by reduced income from bills discounted and particularly from our main source of revenue, viz., advances. Loss of income under these heads, together with the rising expense of supplies and overheads and the cost of the additional deposits, have, to a great extent, counterbalanced the increased income from our holdings of Government securities.

PROFIT AND LOSS ACCOUNT: DIVIDEND

When all factors are taken into consideration, I think we may regard the results of the year's work, which shows a net profit of £1,057,783, as satisfactory. After payment of dividend at the rate of 15 per cent. per annum, and after allocations of £100,000 to bank premises account, £150,000 to pension fund, and a special £100,000 to war contingencies fund in view of the many uncertain factors with which we may be faced in consequence of the war, the amount carried forward is £543,113.

It will be observed that in the report the dividend declared is stated net, i.e., less income-tax; this represents the actual cash payments to shareholders. In former years dividends have been stated gross, i.e., subject to income-tax. The effect of this change is that the income-tax recoverable by deduction from the dividends has now been charged before arriving at the profit shown by the account.

Although the rate of dividend declared is expressed as at the rate of 15 per cent. per annum on the paid-up capital of the bank, it should be realised that the shareholders' interest in the bank

is a much larger sum than this item. Were the dividend expressed in relation to the paid-up capital the reserve and internal funds accumulated in past years, the rate would be a very moderate one.

THE OUTLOOK

I have referred above to the pronounced trend towards expansion of banking funds. There is no deep mystery about this. Experience of the last war taught us that large-scale continuous Government financing by borrowing from the banking system engenders continuous growth of deposits. The main justification of this type of financing is based upon the necessity of bridging the gap between national expenditure and other types of revenue, but there are obvious dangers attached to it. No great harm need necessarily result from an increase in purchasing power provided the excess is not spent in consumption of the limited supply of commodities. There is, however, good reason to think that more than is desirable in the national interest is still being spent in this way. There is urgent need for every individual to curtail still further his or her consumption of goods and to lend savings direct to the Government, and in this connection I trust that what I have already said as to the increased money incomes of large numbers of the community may reach some, at least, of those for whom it is intended.

The momentous political and military events of the past year are fresh in the minds of all of us. The Allied nations have achieved a number of successes to set against reverses sustained particularly in the Far East. The outlook a year ago was indeed obscure, and we are thankful that a great deal of uncertainty has since been dissipated. We now know exactly where we stand *vis-à-vis* the leading nations of the world, and we have the further knowledge that the combined resources of our Allies and ourselves should become overwhelming as the war progresses.

APEX (TRINIDAD) OILFIELDS, LIMITED

GOOD PROGRESS MAINTAINED

The twenty-second ordinary general meeting of Apex (Trinidad) Oilfields, Limited, was held, on the 21st instant, in London.

Mr Walter MacLachlan (the chairman), in submitting the directors' annual report and accounts for the year ended September 30, 1941, said that the oil profits and other revenue for the year amounted to £586,329, and, after providing £235,112 for amortization of wells and £15,750 for head office expenditure, the net profit for the year was £335,467. The balance brought forward was £131,073, and the total to be dealt with was thus £466,540. The reserve for taxation had called for £131,000, as compared with £190,000 in the previous year, and they had transferred £30,000 to general reserve in respect of capital expenditure. They recommended the payment of a final dividend of 17½ per cent., making a total dividend of 30 per cent. for the year. As a result of Dominion Income Tax Relief, tax was deducted from the total dividend for the year at 6s. instead of the standard rate of 10s. in the £.

The sales of most of the products from their deliveries of crude oil to Trinidad Leaseholds, Limited, were now dealt with through the Petroleum Pool. The estimated realisation prices showed a slight decrease as compared with the previous year, which should be made up when the final realisations were available. Under the existing circumstances, he was sure shareholders would share the directors' satisfaction with the result of the company's operations during the past year and with the dividend now recommended. Conditions prevented him from submitting a full review of their operations and developments and from dealing in more detail with their production and operating results for the year. He could, however, assure shareholders that all the operations on their property had continued to make good progress during the year, that their results had continued to prove successful and that the conditions with regard to the property remained in every respect satisfactory.

They continued to operate under their sales agreements with Trinidad Leaseholds and United British Oilfields of Trinidad to their mutual satisfaction.

The report was unanimously adopted.

MARTINS BANK LIMITED

TREND OF WARTIME OPERATIONS

FURTHER GROWTH OF DEPOSITS AND INVESTMENTS

OPTIMISM IN YEAR'S OUTLOOK

Mr Frederic Alan Bates, chairman, has issued the following statement to shareholders of Martins Bank, Limited, preparatory to the one hundred and eleventh annual meeting to be held on the 27th inst.:—

In view of prevailing conditions and the general desire that proceedings at annual meetings of shareholders should be curtailed, I do not propose to deliver an address at the bank's forthcoming annual meeting on January 27th this year. I am therefore circulating this statement with the directors' report. The usual resolutions will be submitted at the meeting.

Before dealing with the accounts and the business of the bank, it is my sad duty to refer to the death of three members of the board—Sir Richard Durning Holt, Bart., Mr G. E. B. Bromley-Martin and Mr J. J. Ritchie. Sir Richard Holt and Mr Bromley-Martin were deputy chairmen, Sir Richard having been chairman in 1937-38. As head of his firm of Alfred Holt and Co., managers of the Blue Funnel Line, and as chairman of the Mersey Docks and Harbour Board, he had a world-wide reputation. Mr Bromley-Martin had been the bank's London managing director since 1918, when the Bank of Liverpool acquired Martins Bank. He took a prominent part in arranging the amalgamation, and subsequently gave most valued and wholehearted service to the combined banks' interests in London. His memory will be revered. Mr Ritchie had served the bank as an official and director for more than sixty-two years. He retired from the position of deputy general manager in 1919 and acted on the board for twenty-two years. The loss of the ripe experience, judgment and ability of these three directors is deeply regretted by their colleagues.

Mr R. M. Holland-Martin, C.B., and Mr A. Harold Bibby, D.S.O., have been elected to the positions of deputy chairmen. Sir William Clare Lees, Bart., O.B.E., a member of the Manchester board for the past eight years, was elected to the general board in April last. His knowledge of Manchester affairs will give additional strength to the representation on the board of that valuable side of the bank's business.

Sir Harold Mackintosh, Bart., a member of the Leeds board, is to be congratulated on his appointment as a vice-chairman of the national savings movement under Lord Kindersley. For the present he will have less time to give to the affairs of the bank, but his great organising ability will be at the service of the country.

On his retirement in May last from the position of Leeds district general manager, Mr Herbert Holt was elected to the Leeds board.

STAFF

Another year of war has been experienced with increasing momentum of the national effort. This has affected the bank in all its activities, both in relation to staff and to banking business. First, I refer to the officers and staff. Last month certain new appointments were made among the bank's executive officers. Mr J. M. Furniss, general manager, became chief general manager, Mr James McKendrick deputy chief general manager, and Mr F. A. Moore and Mr Frank Joyce joint general managers. Mr Joyce will continue to be stationed in London. It gives me pleasure to acknowledge the high executive ability of these officers in their conduct of the bank's affairs. The place of the bank in the work of war brings new pressing duties and additional burdens to the shoulders of all the officers and staff, and I am glad to pay my tribute to their service and standard of duty throughout the year in circumstances which have often been difficult.

To date 1,028 members of the staff have joined the forces. Ten have given their lives for their country, three are missing, and 14 are prisoners of war. To the relatives of those who have made the great sacrifice, or are missing or prisoners of war, the sincerest sympathy is extended in their bereavement or anxiety. Nor must I omit to record that a number of the staff have received decorations or been mentioned in despatches for gallant and distinguished

service in various parts of the world, on land and sea and in the air. To replace those in the forces, men, youths and women have been engaged on a temporary basis, the majority being women. More of the staff will be called up in a short time, so that the problem is by no means easy, bearing in mind the necessity for assuring the efficient functioning of the banking system. To help to solve it many branches have been closed, and this process is being continued. At the same time, an endeavour is being made to give customers as full a banking service as possible. The whole staff is working zealously to that end.

TAX EFFECT ON PROFITS

It will have been noticed from the published announcement of profits and from the report which accompanies this statement that the now common practice of showing profits after deduction of tax on shareholders' dividends has been adopted. The change is purely one of accountancy which does not affect the final result, but shows more clearly the incidence of taxation on the bank's earnings. The net profit for 1941 is £587,248 against a net profit for 1940 (adjusted to the basis now adopted) of £641,427, but the decrease is more than accounted for by taxation. Additional earnings from larger resources have been offset by expenses in respect of grants-in-aid given to the staff where the higher cost of living presses most severely by war damage contribution and insurance, and in other directions due to the war.

The amount brought forward from last year is £347,771, which with the profit of £587,248 makes £935,019 available for distribution this year. The usual interim dividend of 7½ per cent. was paid in July last. It is proposed to pay a final dividend for 1941 at the same rate, making 15 per cent. for the year. The two dividends will take £312,003 net after deducting income-tax. There has been transferred to staff pension fund £100,000, and, following last year, with the uncertain times in mind, a further sum of £150,000 has been placed to reserve for future contingencies, leaving £373,016 to be carried forward.

BALANCE-SHEET

Reviewing the balance-sheet, I draw attention to the figure of deposits, which has risen during the year by £34,290,000 to £157,600,000, due to heavy Government expenditure on war production, and to increasing prices and pay rolls. It is too early to estimate the full effect of the new tax reserve certificates, but the result may well be the slowing down of the increase in bank deposits.

Investments, a high proportion of which is in short-term securities, have increased by £13,480,000 and now stand at £58,940,000. From time to time surplus funds are invested in new Government loans and in the war-time item of Treasury deposit receipts. £28,000,000 of the latter are held, as against £9,000,000 this time last year.

Advances have decreased by some £5,600,000. Notwithstanding that engineers, machine tool makers, contractors and others engaged on war work are extremely busy and take considerable accommodation, their demands do not offset the decrease in advances in other directions due to the contraction in business not considered essential to the prosecution of the war and to less finance being required in connection with imported commodities. In all essential industries the bank is very ready to help, and adopts a generous attitude to applications for advances to customers engaged upon war work. Business and turnover continue to be very active.

Liquidity has been maintained. Cash in hand and at the Bank of England stands at £17,621,000, or 11.14 per cent. of deposits, the total of quick assets comprising cash, money at call, balances with other banks, Treasury and other bills and Treasury deposit receipts being £66,351,000, that is 41.96 per cent. of deposits.

Premises stand at £2,867,000, an increase of £22,000 on the year. While some damage from enemy action has been sustained, I am glad to say that the bank has been fortunate in this respect. Where repair work has been possible it has been carried out, and the business has not suffered. In the case of the few branches in which damage was heavy, it was found possible to operate at neighbouring offices, with occasional timely help from banking friends, for which I express warm thanks. The minimum of inconvenience was caused to customers, owing to the various precautions taken, which worked well in restoring the organisation at offices placed temporarily out of action. I acknowledge with thanks the extreme consideration of customers and their readiness to be helpful. No change has been made in the book value of damaged premises. The precise money value of the damage cannot yet be exactly ascertained, but it is a small figure in relation to the total value of the bank's properties, and in any case the amount is recoverable under the War Damage Act.

I have confined my observations to the domestic affairs of the bank, the sound position of which fully justifies optimism in the outlook for the new year. While serious thought is needed in considering the future of the country's trade after the war, it should be clear to all that the nation's life in its various aspects, industrial, commercial and social, must be solely directed for the present to the one aim of a concentrated effort to win the war in the shortest time possible. There are very few activities which are not now controlled or indirectly affected by control, a condition of things criticised at times, naturally, but on the whole accepted willingly. In these circumstances, forecasts of the future or reviews of the trade of the country generally appear out of place. The year that has just closed brought many anxieties to the nation, but also much for which to be thankful, and there are sure grounds for firm confidence in victory.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: All dealings are for cash

CONTINUED Japanese successes, contrasting with moderate advances in Russia and Lybia, still constitute the dominant influence in the markets, and with buyers holding off, pending clarification of the situation, industrial equities, mining and oil shares are all easier. In the *gilt-edged* market, however, renewed investment support at the re-opening occasioned numerous small gains for irredeemable issues, while the following day some short-dated stocks advanced slightly. Steady demand for South American stocks in the *foreign bond* market was reflected in persistent gains for Brazilian and Chilean bonds, although the latter eased slightly later on profit-taking. Mexican bonds were in demand, while Peruvian Corporation senior stocks improved at the re-opening. Details of the new agreement and revived dividend hopes brought buyers to the *home rail* market. Junior *GW* ordinary rising 1 point among numerous other advances. The following day, however, quiet conditions left prices unchanged although senior issues showed some slight improvement. Among foreign rail issues, a strong demand for Antofagasta 5 per cent preference stock, on the report of larger demands for Chilean nitrate from the United States, raised the price 7 points in three days. In midweek Antofagasta lost 1½ points, while home rail junior issues came in favour again. Argentine stocks were, however, without interest.

External influences militated against any development of business in the industrial market, and most sections showed small declines. In the aircraft and motor group, De Havilland and Rolls Royce moved against the trend at the re-opening, while changes in heavy industrial issues were within narrow limits. Some scattered selling of brewery shares was reflected in losses for Bass and Mitchells and Butlers among others, while the tobacco group, apart from Carreras, was generally easier. Small declines among textile shares were general, and Cunard led a modest fall in the shipping section. Among miscellaneous industrials, Murex was in demand in the early part of the week, while International Nickel reflected some

slight support. Later industrials were quiet and irregular.

Lack of interest in the *kaffir* market led to dull conditions and a strong downward trend developed. Losses were moderate, but became rather widespread. The decline in Far Eastern *tin* shares was halted by some light buying on Monday, but the following day Mawchi and Renong eased on Japanese penetration to Tavoy. Buying of Nigerian issues continues, and Cornish mine shares have come into favour. The *rubber* market remained dull, although the downward trend was not so pronounced. Quiet conditions prevailed in the oil market, but the Far Eastern developments, particularly the Burma thrust, occasioned a steady decline, especially among the leaders, Anglo-Iranian and Burmah each losing ½ on Tuesday after earlier, but smaller, losses. Attack was in favour, however, while, under speculative buying Ultramar rose 1s. 9d. at the re-opening, only to fall back 1s. next day.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices
Jan. 15 A...	3,180	2,323	81.1
" 16	3,164	2,258	80.7
" 19	3,668	2,492	80.6
" 20	2,908	2,812	80.7
" 21	2,937	2,040	80.9

July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 83.2 (Dec. 2); lowest, 66.8 (April 24). 20 Fixed Int., 1941; highest, 132.5 (Dec. 5); lowest, 126.1 (Jan. 2).

New York

Slow trading and a generally subdued tone reflected the total lack of incentives on Wall Street. While some buying of railway stocks induced a slightly firmer trend throughout the market in the early part of this week, initial gains were not maintained as turnover declined.

New York Prices

Total share dealings: Jan. 15, 450,000; Jan. 16, 480,000; Jan. 17, 220,000; Jan. 18, 430,000; Jan. 20, 490,000; Jan. 21, 580,000.

* Two-hour session.

THE ONE AIM

STANDARD STATISTICS INDICES (1935-36=100)

WEEKLY AVERAGES

	1941	Dec. 31, 1941	Jan. 1, 1942	Jan. 14, 1942
	Low	High		
Dec. 24				
347 Industrials	71.6	83.9	73.0	74.8
32 Rails	58.6	71.7	61.3	66.9
40 Utilities	61.0	80.1	65.2	67.4
419 Stocks	69.3	82.6	71.1	73.2
Av. yield*	8.29%	6.41%	7.88%	7.65%

* 50 Common Stocks. (a) Nov. 5. (b) Dec. 10.

DAILY AVERAGE OF 50 COMMON STOCKS

Jan. 8	Jan. 9	Jan. 10	Jan. 12	Jan. 13	Jan. 14
88.8	88.3	87.6	89.1	90.1	90.2

1942 High: 91.2, January 5. Low: 87.6, Jan. 10

Capital Issues

Week ending January 24, 1942	Nominal Capital	Conversions	New Money
By Permission to Deal	90,775	175,564	
Particulars of Government issues appear on page 129.			
Year†	Including Conversions	Excluding Conversions	
1942.....	49,036,438	47,236,438	
1941.....	69,550,518	69,550,518	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign
1942.....	47,236,438	NH	NH
1941.....	69,550,518	19,004	NH

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942.....	47,060,484	32,029	143,925
1941.....	69,540,518	8,541	10,460

† Includes Government Issues to Jan. 13th, 1942, only. Above figures include all new capital in which permission to deal has been granted.

BY TENDER

Bristol Corporation.—Offer by tender of £500,000 bills for £1,000 and £5,000, dated January 30, 1942, payable July 30, 1942. Tenders received January 26th at Westminster Bank, New Issue Department, 41, Lothbury, E.C. 2. Consent of the Treasury has been obtained.

(Continued on page 131.)

Finance

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
Jan. 18 1941	845.0	Not available		
Oct. 11 1940	970.0	"		
" 18 1940	970.0	"		
" 25 1940	1558.9	241.8	662.5	3438.2
Nov. 1 1940	975.0	Not available		
" 8 1940	975.0	"		
" 15 1940	975.0	"		
" 22 1940	975.0	"		
" 29 1940	1575.0	128.9	26.2	3428.1
Dec. 6 1939	975.0	Not available		
" 13 1939	975.0	"		
" 20 1939	975.0	"		
" 27 1939	2547.0	186.3	66.0	3610.8
Jan. 10 1942	975.0	Not available		
" 17 1942	970.0	"		

GOVERNMENT RETURNS

For the week ended Jan. 17, 1942, total ordinary revenue was £76,997,000, against ordinary expenditure of £86,000,000, and issues to sinking funds of £205,000. Thus, including sinking fund allocations of £8,361,701, the deficit accrued since April 1st is £2,317,314,000 against £2,048,635,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to Jan. 18, 1941	April 1 to Jan. 17, 1942	Week ended Jan. 17, 1942
ORDINARY REVENUE				
Income Tax	756,000	266,033	426,039	35,081
Sur-tax	80,000	40,568	41,127	5,400
Estate, etc.				6,230
Duties	82,000	61,541	70,908	1,557
Stamps	14,000	10,378	9,893	2,462
N.D.C.		18,322	16,774	400
E.P.T.	210,000	48,729	195,079	490
Other Ind. Rev.	1,000	378	327	50
Total Ind. Rev.	1143,000	445,949	760,147	44,161
Customs	310,700	242,084	289,101	6,203
Excise	266,660	154,000	248,800	8,636
Total Customs & Excise	577,360	396,084	537,901	12,803
Motor Duties	39,000	24,130	25,047	3,305
P.O. (Net Receipts)	3,300	7,700	9,900	400
Crown Lands	1,100	840	710	500
Receipts from Sundry Loans	2,600	1,012	3,009	2
Miscell. Receipts	20,000	23,018	63,897	830
Total Ord. Rev.	1786,360	898,733	1400,611	62,324
SELF-BALANCING P.O. & Broadcastg.	99,346	70,100	80,100	1,150
Total	1885,706	968,833	1480,711	78,297

Expenditure	Estimate, 1941-42	April 1 to Jan. 18, 1941	April 1 to Jan. 17, 1942	Week ended Jan. 17, 1942
ORDINARY EXPENDITURE				
Int. and Man. of Nat. Debt	255,000	208,859	223,303	1,961
Payments to N. Ireland	9,200	6,229	5,899	
Other Cons. Fnd. Serv.	7,800	6,770	7,155	
Total	272,000	221,858	236,357	1,963
Supply Services	443,457	271,735	347,426	86,700
Total Ord. Exp.	470,697	293,193	371,056	88,663
SELF-BALANCING P.O. & Broadcastg.	99,346	70,100	80,100	1,150
Total	480,633	300,923	379,063	89,813

Expenditure	Estimate, 1941-42	April 1 to Jan. 18, 1941	April 1 to Jan. 17, 1942	Week ended Jan. 17, 1942
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Total	480,633	300,923	379,063	89,813

After increasing Exchequer balances by £141,806 to £3,218,699, the other operations for the week (no longer shown separately) raised the gross National Debt by £9,587,006 to about £13,680 millions.

NET ISSUE (£ thousands)	150
P.O. & Telegraph	395
War Damage Act	545
NET RECEIPTS (£ thousands)	308
Defence Loans Acts	

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Jan. 17th and Jan. 23rd. (Figures in brackets are par of exchange.)

United States. \$ (4.863) 4.024-03; mail transfers 4.024-03. Canada. \$ (4.863) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.22) 17.30-40. Sweden. Krona (18.75) 16.85-95. Argentina. Peso (11.45) 16.95-17.13; mail transfers 16.95-17.15. Dutch East and West Indies. Florin (12.11) 7.58-62; mail transfers 7.58-64. Portugal. Escudos (110) 99.80-100.20. Panama. \$ 4.02-04; mail transfers 4.02-04.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25.22) 40.50 (Official rate); 46.55 (Voluntary rate). Turkey. Piastres (110) 820. Italy. 71.25 lire.

On January 16th applications at £99 15s. per cent for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 28 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 1d. for bills to be paid for on Monday were accepted in full. £65 millions of Treasury bills are being offered on January 23rd. For the week ending January 24th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Dec. 9.....	4,805	4,250	10,905	13,191
" 16.....	4,245	3,662	9,281	14,184
" 23.....	3,041	1,935	6,748	4,328
" 30.....	2,740	1,678	4,026	3,417
Jan. 6.....	4,097	2,128	4,613	5,274
" 13.....	4,090	2,250	7,853	7,220
" 20.....	"	"	11,835	7,742
Totals to date....	433,974*	384,011*	467,374†	193,877‡

* 112 weeks. † 55 weeks. ‡ 15 weeks.
Including series "A" £184,060,427 to date.
Interest free loans received by the Treasury up to Jan. 20th amounted to a total value of £43,491,870. Up to Dec. 31st, principal of Savings Certificates to the amount of £53,072,000 has been repaid.

Market Rates.—The following rates remained unchanged between Jan. 17th and Jan. 23rd.

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Singapore. Jan. 17-19, 28-28½. Jan. 20, 27½-28½. Belgian Congo. Francs 176½-177. Chinese National 24-3d. Bangkok. Baht 15.10½ (sellers only).

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.
Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 3 cent pm-par. Canada. 3 cent pm-par. Switzerland. 5 cents pm-par. Sweden. 3 ore pm-par. Dutch East Indies. 1½ cents pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Jan. 17th and Jan. 23rd:—

BANK OF ENGLAND RETURNS

JANUARY 21, 1942

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt...	11,015,100
In Circul.	740,688,013	Other Govt. Securities...	767,267,406
In Bankg. Department...	39,553,562	Other Secs. ...	1,706,961
		Silver Coin ...	10,533
		Amt. of Fid. Issue	780,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
			780,241,575

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs. ...	142,177,838
Res.	3,357,947	Other Secs. ...	3,557,947
Public Deps.*	15,022,320	Discounts & Advances ...	6,253,362
		Securities ...	24,400,955
Other Deps.:		Notes	30,654,317
Bankers	126,071,102	Gold & Silver Coin	348,561
Other Accts....	53,729,909		
			212,734,278

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

COMPARATIVE ANALYSIS

(£ millions)

	1941	1942
	Jan. 22	Jan. 7
Issue Dept.:		
Notes in circulation	598.4	749.8
Notes in banking department	31.8	30.4
Government debt and securities*	3.0	1.7
Other securities	0.0	0.0
Silver Coin	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2
Deposits:		
Public:	35.3	9.6
Bankers	95.1	155.7
Others	52.5	54.8
Total	182.9	220.1
Banking Dept. Secs.:		
Government	143.0	176.9
Discount, etc.	3.8	6.4
Other	21.4	24.1
Total	168.2	207.4
Banking depart. res.	32.7	30.7
"Proportion"	17.8	13.9

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £730 millions to £780 millions on December 3, 1941.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 6d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

	Date	Cash d.	Two Month d.
January	15	23½	23½
"	16	23½	23½
"	19	23½	23½
"	20	23½	23½
"	21	23½	23½

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week ended		Aggregate from Jan. 1 to	
	Jan. 18, 1941	Jan. 17, 1941	Jan. 18, 1941	Jan. 17, 1941
Working days	6	6	15	14
Birmingham	2,635	2,607	7,813	8,339
Bradford	2,292	2,116	6,139	5,363
Bristol	1,774	2,078	4,381	5,200
Hull	753	919	2,060	2,364
Leeds	1,136	1,301	3,610	3,406
Leicester	1,021	1,004	2,692	2,551
Liverpool	6,466	5,042	13,810	10,144
Manchester	11,764	12,914	32,479	33,013
Newcastle	1,424	1,289	3,991	3,843
Nottingham	489	481	1,443	1,551
Sheffield	941	929	1,604	2,803
Southampton	67	102	234	285
12 Towns	30,762	30,802	80,258	78,962
Dublin*	6,199	7,583	14,952	16,940

* Jan. 11, 1941, and Jan. 10, 1942.
† From Jan. 5, 1941.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE BANKS

	Million \$'s			
	Jan. 15, 1941	Dec. 15, 1940	Jan. 15, 1941	Jan. 15, 1941
12 U.S.F.R. BANKS				
Resources				
Gold certifi. on hand and due from Treasury	19,846	20,515	20,490	20,488
Total reserves	20,216	20,743	20,800	20,840
Total cash reserves	351	214	296	338
Total U.S. Govt. secs.	2,184	2,343	2,254	2,254
Total bills and secs.	2,195	2,260	2,268	2,268
Total resources	23,432	24,338	24,191	24,440
LIABILITIES				
F.R. notes in circ.	5,825	8,202	8,179	8,171
Excess m. bank res.	15,900	3,060	3,390	3,560
Mr. bank res. dep.	14,114	12,447	12,717	12,992
Govt. deposits	237	908	663	419
Total deposits	16,392	14,777	14,756	14,805
Total liabilities	23,432	24,338	24,191	24,440
Reserve ratio	91.0%	90.3%	90.7%	90.7%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	22,066	22,750	22,742	22,740
Treasury & bank currency	3,092	3,244	3,246	3,252
LIABILITIES				
Money in circulation	8,542	11,224	11,109	11,062
Treasury cash and dep.	2,432	3,103	2,883	2,643

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Nov. 10, 1941			
	Nov. 10, 1941	Nov. 10, 1941	Nov. 10, 1941	Nov. 10, 1941
ASSETS				
Gold and English ster.	16.71	18.96	18.96	19.96
Other coin, bullion, etc.	5.90	6.48	6.47	5.78
Call money, London	54.98	31.04	32.81	33.78
Securities and Treas. bills	92.53	65.67	67.12	66.12
Discounts and advances	30.17	19.98	20.10	21.44
LIABILITIES				
Notes issued	61.62	73.86	74.36	74.86
Deposits, etc.	118.61	111.00	114.42	115.04

SWISS NATIONAL BANK
Million Swiss Frs.

	Nov. 22, 1941			
	Nov. 22, 1941	Nov. 22, 1941	Nov. 22, 1941	Nov. 22, 1941
ASSETS				
Gold	2168	3243	4260	4260
Foreign exchange	360	1085	934	936
Discounts, etc.	174	159	151	95
Advances	143	21	24	26
Securities	86	69	69	69
LIABILITIES				
Notes in circulation	2245	2097	2136	2211
Other sight liabilities	565	1	251	250

BANK OF PORTUGAL
Million escudos

	Sept. 10, 1941			
	Sept. 10, 1941	Sept. 10, 1941	Sept. 10, 1941	Sept. 10, 1941
ASSETS				
Gold	922	1299	8129	8129
Balances abroad	654	7150	8124	7121
Discounts	458	1	340	335
Securities	278	4	329	4
LIABILITIES				
Notes in circulation	2692	3358	3440	3441
Deposits: Government	297	3	451	2
Bankers'	522	1803	2173	3
Others	120	267	1	258
Foreign commitments	262	240	2	215

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

	Nov. 17, 1941			
	Nov. 17, 1941	Nov. 17, 1941	Nov. 17, 1941	Nov. 17, 1941
ASSETS				
Gold and stg. exch.	11.63	14.85	14.25	13.85
Advances to State	26.62	21.90	22.93	22.59
Investments	3.77	3.84	3.84	3.84
LIABILITIES				
Bank Notes	20.58	22.12	22.28	22.29
Demand liab. & State	6.00	9.09	8.49	8.04
Banks and others	14.17	8.44	9.27	9.04
Reserve to sight liab.	28.5%	37.4%	35.5%	35.1%

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

	Nov. 30, 1941			
	Nov. 30, 1941	Nov. 30, 1941	Nov. 30, 1941	Nov. 30, 1941
ASSETS				
Gold in bars	34.0	28.3	31.8	32.0
Cash	50.8	39.1	38.0	40.9
Sight funds	15.6	16.4	15.9	15.6
Commercial bills	110.7	109.4	110.7	110.4
Treasury bills	30.5	31.4	31.8	31.8
Time funds at interest	21.6	21.0	21.0	21.0
Sundry bills and invests.	226.6	220.5	222.5	223.4
LIABILITIES				
Deposits: Annuity	152.7	152.7	152.7	152.7
German	76.3	76.3	76.3	76.3
Central banks	43.8	17.9	20.7	21.7
Other	1.4	2.5	2.8	3.0
Gold	25.4	23.0	24.2	26.2

PRAGUE NATIONAL BANK
Million crowns

	Nov. 15, 1941			
	Nov. 15, 1941	Nov. 15, 1941	Nov. 15, 1941	Nov. 15, 1941
ASSETS				
Gold	1,447	1,513	1,513	1,513
Foreign exchange	762	779	791	791
Other cash	1,386	490	564	430
Bills and securities	40	840	840	840
Advances	6,869	11,162	11,316	11,563
Other assets				
LIABILITIES				
Note circulation	5,970	8,016	8,019	8,515
Cash certificates	919	2,040	2,048	2,048
Clearing deposits	1,588	2,685	2,934	2,627
Other liabilities	1,476	1,509	1,481	1,434

NATIONAL BANK OF ROUMANIA
Million lei

	Sept. 15, 1941			
	Sept. 15, 1941	Sept. 15, 1941	Sept. 15, 1941	Sept. 15, 1941
ASSETS				
Gold and gold exchange	31,878	33,693	33,693	33,693
Foreign exchange	2,075	15,874	27,305	17,202
Commercial bills	19,502	24,500	24,569	24,569
Treasury bills issued agst. losses on credits	4,405	4,063	4,080	4,080
Advances on secs.	5,800	6,322	6,244	6,180
State debt	3,568	3,568	3,568	3,568
Secs. and Participations	2,582	4,554	4,554	4,554
LIABILITIES				
Notes in circulation	61,541	87,592	87,388	88,546
Other sight liabilities	13,724	26,249	28,312	27,174
Long-term liabilities	2,962	2,669	1,854	1,866

(Continued from page 128)

Shorter Comments

Bank of Ireland.—Net profit year ending December 31st £323,680 (£338,666), contingency reserve £100,000 (same), div. 12 per cent. (same), carry forward £148,037 (£145,037).

National Bank (London and Dublin).—Net profit after tax for half-year ending December 31st £86,739 (£85,696). Contingency reserve £10,000 (same), div. 10 per cent. (same), carry forward £42,465 (£42,890).

Provincial Bank of Ireland.—Net profit year ending December 31st £56,835 (£69,281), contingency reserve £20,000 (£24,000), div. 11 per cent. (10), carry forward £41,201 (£40,138).

Munster and Leinster Bank.—Net profit year ending December 31st, £106,788

(£118,175), contingency reserve £22,500 (£25,000), div. 24.4 per cent. (20.9) free of Irish tax, carry forward £36,858 (£40,070).

Radio Rentals.—This company has completed negotiations for the purchase of the entire share capital of Rentertainment.

Canadian Pacific Railway (\$000.).—Gross earnings in week ended January 14th \$3,609 (\$3,305), aggr. gross earnings January 1st-14th \$7,375 (\$6,445).

Bengal-Nagpur Railway.—Gross earnings to March 31st, 1,200 lakhs (1,093), net 509 lakhs (391). Company's share of profits 13 lakhs (5), less 9 lakhs put to contingent Indian tax reserve. Div. 4 per cent. (same).

Brazilian Traction and Power Co. (U.S.\$000s.).—Gross earnings in November \$3,682 (\$3,314), net earnings \$2,013 (\$1,700). Aggr. net earnings Jan.-Nov. \$21,050 (\$17,421).

BA Pacific Railway Co.—An interim payment on the 4½ per cent. cons. deb. stock equal to six months' arrears up to January 1, 1937, is announced. A payment of £136,300 by the above company to the Argentine G.W. Railway will enable the latter to pay off six months' arrears to April 1, 1937.

National City Bank of New York (\$000s.).—Total resources on Dec. 31st \$3,082,860 (\$3,095,466). Cash \$985,161 (\$1,364,825), Govt. Secs. \$1,137,544 (\$860,974), loans and discounts \$618,811 (\$544,312). Deposits \$2,878,821 (\$2,908,438), surplus \$77,500 (\$64,500), undivided profits \$17,891 (\$15,776).

Standard Oil of California.—Third quarter's operating income \$18,281,909 (\$10,662,154), total income \$19,457,525 (\$11,525,490). Depn. \$4,955,675 (\$4,730,649), tax \$2,436,000 (\$300,000), net profit \$11,843,132 (\$6,360,675), equal to 91 cts. (49) per share.

COMMODITY AND INDUSTRY NEWS

Form Filling Reduced.—One of Mr. Frank Platt's first tasks as Cotton Controller has been to examine the question of forms and licences issued from the Control office. He has decided to abolish certain returns. Arrangements are being made, from February 2nd, for licences to deliver and use yarn to be issued by the Control once a week on one form instead of a form being issued for each individual order. From the same date the form giving spinners' weekly sales of yarn will be suspended. It will soon be possible for deliveries of yarn against single small orders to be made without waiting for the approval of the Control. Small weights multiplied by several thousands make a serious total in a period of shortage, and it is regretted that it is impossible to ignore them yet. Spinners will therefore have to make returns which will cover a full week's delivery for this type of yarn. Manufacturers and others who would issue a number of approval certificates which lead to the issue of a licence to deliver or use yarn will soon be permitted to accumulate these forms and apply for a single licence to cover them all. It is also hoped that shuttle books (deliveries of yarn against Government contracts) will be completed up to January 31st next and returned for the last time to the Control. For the time being this elimination will only be applied to the spinning section; the position of the doubling section will be reviewed later. Considerable satisfaction has been expressed in trade circles at the decisions reached and it is probable that further action will be taken to reduce the number of forms to be filled in.

Export Licensing.—A Board of Trade Order (S.R. and O. 1942, No. 36) which comes into force on February 3rd extends export control to cover mechanical lighters, vegetable adhesives, asbestos, felspar and talc (including statite and soapstone), iron dust, cores, barium minerals (barytes and witherite) and certain other chemicals. Licences will in future be required to export any of these goods to all destinations. The existing requirements for the export of toys are superseded by the provision that licences will in future be required where the toys contain more than 10 per cent by weight of metal and yarns, wholly or partly of wool or animal hair, respectively. Applications for licences to export mechanical lighters and toys containing more than one-tenth by weight of metal will not normally be granted. The control over caps, capsules and sprinkler toys (wholly or mainly of metal) is extended to cover such goods when fitted to unfilled containers. The export of gum damar and flourspar will in future require licences for all destinations.

Export of Woollen Tissues.—From February 1st the Open General Export Licence of November 21, 1941, which permitted ex-

portation of woollen tissues to certain specified destinations without specific licence, is to be revoked. From then, export licences will be required to export woollen tissues to any overseas country. The Board of Trade has appointed a committee to advise the Board on matters arising out of this scheme of export licensing. The committee has eleven members: Mr. R. G. Bailey is chairman and Mr. Herbert Hey, J.P., vice-chairman. Mr. D. G. Price will act as secretary of the committee.

Office Machinery.—The Board of Trade have made a Supply of Office Machinery (Restriction) Order (S.R. and O. 1942, No. 29) to cover dictating, accounting, adding, calculating and punched-card machines, whether new, reconditioned or second-hand. From January 21st, therefore, no person may supply or acquire any such machinery, without permission. Persons wishing to acquire office machinery of the above kinds for their own use should submit their requirements to their suppliers. The suppliers will notify the Directorate of Office Machinery of these requirements, and the Directorate will then authorise the release of machines, in approved cases, as far as supplies will allow. Persons wishing to acquire used machines either for immediate resale or for reconditioning and resale may apply to the Directorate for a general licence authorising them to acquire such machines. The Directorate will not normally be prepared to issue licences to persons who were not regularly engaged in buying and selling machines of this kind before September 1, 1939, and who are not in possession of adequate facilities for reconditioning and servicing. The approval of the Directorate of Office Machinery will be required before any machines so acquired are disposed of or before any machines of the above-mentioned kinds are broken up.

Coffee Purchases.—During the next few months the Ministry of Food will be importing 6,000 tons of East African and 3,000 tons of Indian higher quality coffees. The first arrivals are expected about March or April, and it is hoped that they will be supplemented by small shipments from Aden and Jamaica. These imports represent just over seven months' consumption of coffee at the estimated pre-war rate, but the Ministry announces that the 9,000 tons covers only part of its buying programme. Allocations will be made to the trade in accordance with the scheme described on page 762 of *The Economist* of December 20, 1941. Prices will be adjusted in relation to quality. Coffee will be divided into three qualities, X, Y and Z—Z being the lowest. All registered dealers must keep their regular customers supplied to the full proportionate extent for the Ministry's allocations.

Utility Corsets.—Maximum margins and prices for corsets and brassières of general

utility have been approved by the Board of Trade, on similar lines as for other types of utility clothing. Manufacturers' overriding maxima vary from 2s. 6d. to 13s. 6d. for each corset or suspender belt, and from 1s. 11d. to 5s. 9d. for brassières. For wholesaler's, the maxima are from 3s. to 16s. 2d. and 2s. to 6s. 11d. Retail prices range from 4s. 6d. to 24s. 2d. for suspender belts and corsets, and from 3s. to 10s. 4d. for brassières.

Canned Fruit and Vegetables.—Two new Orders have been made, amending the maximum prices of certain kinds of canned fruit and vegetables, consolidating the regulations dealing with the canning, bottling and freezing of these foods, revising the minimum filled weights and incorporating the canning and weight schedules. No changes have been made in the regulations requiring the licensing of manufacturers, but after April 1st the canning of fruit and vegetables not specified in the schedules is prohibited. The Orders came into force on January 19th.

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

	Jan. 15, 1942				
	Jan. 15, 1942	Jan. 16, 1942	Jan. 19, 1942	Jan. 20, 1942	Jan. 21, 1942
Crops	116.0	116.4	116.3	116.4	116.3
Raw materials	171.0	171.0	171.0	171.0	171.0
Complete Index	140.9	141.1	141.0	141.1	141.0
	Mar. 1937	Aug. 1937	Jan. 1941	Dec. 1941	Jan. 1942
Crops	147.9	92.2	104.3	115.5	116.0
Raw materials	207.3	122.9	166.8	171.0	171.0
Complete Index	175.1	106.4	132.0	140.6	140.9

* Highest level reached during 1932-37 recovery

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE.

	Daily Average Sales			Stks. (at cost) end
	1941			
	Sept.	Oct.	Nov.	
(a) By Commodities				
Non-food Merchandise				
Piece goods	+ 9.0	- 16.9	- 0.2	+ 22.4
Women's Wear	- 16.3	- 30.8	- 9.4	+ 48.9
Men's and Boys' Wear	- 24.2	- 40.0	- 4.5	+ 27.9
Boots and Shoes	- 13.6	- 31.7	- 5.7	+ 29.9
Furnishing Departments	+ 5.0	- 7.9	- 2.0	- 3.3
Hardware	- 5.1	- 8.0	- 3.0	+ 24.3
Fancy Departments	+ 7.7	- 2.0	+ 5.7	+ 23.4
Sports and Travel	- 5.0	- 8.1	- 1.1	- 25.5
Miscellaneous	+ 3.9	+ 2.3	- 1.5	- 23.3
Total:—				
Non-food Merchandise	- 8.2	- 23.8	- 2.3	- 28.0
Food and Perishables	+ 4.0	+ 0.2	- 4.7	- 7.7
Total:—				
All Departments	- 4.2	- 12.1	- 1.2	+ 21.1
(b) By Districts				
Scotland	- 8.2	- 16.9	+ 0.2	+ 14.4
North-East	- 7.9	- 14.0	- 2.6	+ 27.7
North-West	- 6.5	- 15.1	- 3.0	+ 27.7
Midland and S. Wales	- 7.2	- 15.1	- 1.7	+ 28.8
South England	- 3.2	- 13.1	- 7.2	+ 22.8
Central and West-End				
London	+ 44.9	+ 18.2	+ 21.6	+ 9.1
Suburban London	- 2.2	- 4.1	- 7.6	+ 1.1

COMPANY RESULTS (January 1, 1942 to January 21, 1942)

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Cobbold & Co.	Sept. 30	£ 65,549		£ 42,423	£ 50,854	£ 14,000	£ 15,031	181	£ 12,000	+ 1,392	£ 62,530	£ 26,902	131
Devenish (J. A.) & Co.	Sept. 30	154,771	11,595	29,640	60,453	2,687	15,750	14	14,708	+ 3,505	144,689	34,270	14
Lecky (Frederick) & Sons	Sept. 30	146,518	21,932	40,351	91,558	3,938	25,000	331	10,000	+ 1,415	121,129	38,314	334
Electric Lighting and Power													
Nigerian Electricity Supply	Feb. 28	131,046	22,508	29,451	33,825	...	29,430	8	...	+ 21	86,140	14,478	Nil
Financial, Land, &c.													
Dalgaty & Co.	June 30	1,162,520	...	142,915	264,769	25,000	105,000	7	...	+ 12,915	1,109,871	127,682	7
Delagoa Bay Development	June 30	55,787	...	9,034	25,890	3,525	8,022	6	...	+ 2,513	44,459	14,442	441
Laycock Holdings Limited	Dec. 31	13,081	...	13,081	12,246	...	11,667	10	...	+ 1,414	15,295	15,295	10
Mulliners (Holdings)	Dec. 31	43,601	...	20,546	22,214	9,712	7,500	20	...	+ 3,334	12,754	6,412	10
N. Zealand & River Plate Land	Oct. 31	86,404	...	35,652	31,233	...	28,000	4	7,000	+ 692	87,707	34,778	4
Transvaal & Delagoa Bay Invest.	Aug. 31	163,820	16,539	106,812	383,025	...	90,187	321(a)	15,000	+ 1,625	156,288	120,438	321(a)
Hotels, Restaurants, &c.													
Jones (R. E.)	Oct. 31	23,703	15,000	Dr. 3,005	10,088	...	...	...	...	- 3,005	23,920	2,030	Nil
Motor, Aviation, &c.													
Albion Motors	Dec. 31	124,798	...	121,498	177,018	8,032	62,175	121	50,000	+ 1,291	176,061	109,561	121
Bluemel Bros	Sept. 30	31,589	9,747	13,410	16,398	4,200	9,000	10	...	+ 210	26,167	14,463	10
Enfield Cycle	Aug. 31	67,462	28,625	41,111	23,025	1,878	8,437	71	...	+ 6,204	50,400	16,139	81
Fairley Aviation	Sept. 30	175,711	...	175,173	224,516	...	82,220	81	100,000	+ 7,047	201,356	209,880	101
Oil													
Apex (Trinidad) Oilfields	Sept. 30	586,329	235,112	196,217	327,290	...	165,000	30	30,000	+ 1,217	605,201	200,179	30
Rubber													
Braunston (Malay)	Sept. 30	13,951	339	5,557	7,725	...	6,338	71	...	+ 781	14,913	6,482	71
British Rubber Estates of Java	June 30	102,859	4,685	36,339	55,523	...	35,949	5	...	+ 390	74,139	21,883	5
Brooklands (Selangor)	June 30	52,591	...	14,035	28,285	...	5,283	5	4,500	+ 4,252	55,511	15,706	121
Ledang Bahru	July 31	53,798	2,500	33,156	38,799	...	31,000	10	...	+ 2,156	45,398	22,693	10
Tenom	July 31	30,908	700	5,544	7,024	...	2,146	4	2,000	+ 1,398	37,158	9,043	121
Shipping													
Houlder Line	Dec. 31	101,261	35,368	33,981	73,579	12,375	20,625	71	...	+ 981	206,906	48,281	71
Telegraphs and Telephones													
Amazon Telegraph	June 30	26,413	...	Dr. 1,245	2,463	...	...	...	...	- 1,245	28,650	2,773	24
Textiles													
Amalgamated Cotton Mills Trust	Aug. 30	294,794	51,756	42,156	101,860	31,417	16,732	81	...	+ 5,993	414,538	138,941	81
Hall (Ben) & Son	Nov. 30	63,164	...	15,264	19,911	...	14,000	20	1,500	+ 236	71,560	16,244	20
Hart & Levy	Oct. 31	70,531	9,633	13,676	20,984	(b) 10,800	4,000	...	...	+ 2,876	69,003	19,728	...
Hollins Mill	Nov. 30	55,890	...	54,390	95,932	...	12,500	5	...	+ 1,690	67,495	67,495	...
Horrocks, Crawford & Co.	Aug. 31	131,287	44,800	29,581	1,428	...	23,581	...	...	+ 29,581	130,473	50,788	...
Lancashire Cotton Corporation	Oct. 31	713,752	216,989	402,988	606,012	68,417	125,666	71	200,000	+ 8,905	631,595	(c) 297,820	121
Roberts (J. F. & H.)	Nov. 30	42,926	...	41,426	74,391	5,000	31,250	121	5,000	+ 176	45,337	41,837	121
Tramway and Omnibus													
Cape Electric Tramways	June 30	34,146	10,000	24,145	74,588	...	24,561	5	...	+ 416	26,911	26,911	5
National Omnibus and Transport	Dec. 31	163,625	...	90,000	121,958	17,500	68,750	51	9,489	+ 1,739	182,223	116,636	51
Trusts													
Ashdown Investment	Nov. 30	42,138	...	21,293	34,616	...	16,746	41	...	+ 4,547	42,989	24,922	41
Cardinal Investment	Dec. 31	18,243	...	8,928	13,963	...	5,618	6	...	+ 750	21,032	9,507	6
Great Northern Investment	Nov. 30	159,523	...	45,657	109,079	23,062	15,375	5	5,000	+ 2,220	161,039	58,351	5
Rio Claro Investment	Nov. 30	158,604	...	59,684	156,692	31,180	27,023	61	...	+ 1,481	163,634	69,381	61
River Plate and General Investment	Dec. 31	58,556	...	41,780	12,375	27,500	10	...	2,000	+ 95	59,823	42,226	10
Scottish Stockholders Investment	Nov. 30	50,475	...	23,594	35,249	24,956	...	...	...	+ 1,362	47,976	21,395	...
Second Scottish Eastern Invest.	Nov. 30	78,125	...	23,735	54,822	11,635	7,844	5	...	+ 4,256	78,323	25,611	5
Third Scottish Northern	Dec. 15	46,549	...	18,533	32,768	15,000	1,550	11	...	+ 1,983	46,052	13,402	11
Other Companies													
Birfield Industries	Nov. 30	70,690	...	59,490	90,028	30,476	16,562	121	...	+ 12,452	81,740	70,440	121
Bowaters and Lloyds Sales	Sept. 30	92,451	...	84,302	118,871	20,000	67,500	221	...	+ 3,198	95,564	106,721	221
Bowaters' Mercury Paper	Sept. 30	115,299	50,000	29,539	70,636	...	...	...	27,500	+ 2,039	116,325	38,325	...
Cement Limited (Dublin)	Sept. 30	196,870	35,000	67,227	109,969	...	...	...	65,000	+ 2,227	202,604	123,946	...
Dusseck Brothers & Co.	Sept. 30	179,036	48,487	34,335	39,467	8,450	20,800	8	...	+ 5,085	138,585	32,546	8
Henekeys Limited	Oct. 31	72,742	4,430	15,219	12,375	3,652	12,512	121	...	+ 945	76,706	18,701	121
Lidbig's Extract of Meat	Aug. 31	76,747	4,688	26,553	36,999	8,500	10,800	9	7,000	+ 253	66,511	40,509	9
Lindley (C.) & Co.	Sept. 30	107,473	5,937	215,323	406,650	50,000	160,000	81	...	+ 5,323	247,492	232,192	81
Lloyd (Edward)	Sept. 30	310,842	157,269	9,903	33,903	1,527	6,086	25	10,000	+ 1,710	87,406	15,588	25
Millar (A.) & Co.	Oct. 31	5,271	...	163,573	311,888	...	...	...	150,000	+ 7,737	315,433	189,870	...
Nairn (Michael) & Greenwich	Dec. 31	150,746	...	12,029	1,938	...	3,229	5	...	+ 13,504	170,279	5,012	5
Neill (Wm.) & Son	Mar. 31	73,915	...	146,919	...	...	145,064	121	...	+ 1,855	190,919	186,773	121
Radio Rentals	Aug. 31	159,609	6,605	7,762	12,778	...	6,484	20	...	+ 1,278	104,111	21,757	20
Rio de Janeiro Flour	Sept. 30	136,848	5,732	8,542	34,475	2,819	5,000	10	...	+ 723	128,374	25,360	10
Stuttaford & Co.	Aug. 31	62,061	...	55,519	108,814	...	54,593	8	...	+ 1,826	142,395	64,927	8
Turner & Newall	Sept. 30	2,545,721	188,908	496,472	567,387	12,600	352,249	121	100,000	+ 180	61,990	46,865	121
United Tobacco Cos. (South)	Sept. 30	1,072,998	...	1,037,998	1,490,803	56,500	989,998	361	...	+ 6,326	2,136,726	651,941	361
Venesta Limited	June 30	344,194	19,824	198,791	274,082	28,000	43,942	10	120,000	+ 8,500	1,100,336	1,088,336	10
Wolverhampton Die Casting	June 30	26,146	8,384	15,514	23,898	3,420	6,250	121	...	+ 5,844	6,718	551	121
Totals (1940-41)													
Jan. 1 to Jan. 21, 1942	No. of Cos.	60	11,713	1,273	4,788	7,716	660	3,094	...	944	11,404	4,754	...
† Free of Income Tax.													
(a) Free of South African Ordinary Income Tax.													
(b) Two years' dividend.													
(c) Excludes £100,000 transferred to Stock Reserve Account.													

† Free of Income Tax.

(a) Free of South African Ordinary Income Tax.

(b) Two years' dividend.

(c) Excludes £100,000 transferred to Stock Reserve Account.

BRITISH WHOLESALE PRICES

CEREALS		Jan. 13, 1942	Jan. 20, 1942	TEXTILES		Jan. 13, 1942	Jan. 20, 1942
GRAIN, etc.				COTTON (per lb.)—			
Wheat	s. d.	s. d.		Cloth, 32 in. Printers, 116 yards,	s. d.	s. d.	
No. 1 N.M.T. 496 lb. f.o.b. St. J.	35 11	35 4		16 x 16, 32's & 50's	28 6	28 9	
Eng. Gaz. av. per cwt. (e)	15 1	15 5		36 in. Shirtings, 75 yards,	40 9	41 0	
Barley Eng. Gaz., av. per cwt. (e)	34 11	35 6		19 x 19, 32's & 40's	15 2	15 4	
Oats (e)	14 7	14 9		38 in. ditto, 38 yards,	14 2	14 4	
OTHER FOODS				18 x 16, 10 lb.			
POTATOES (per cwt.)—				39 in. ditto, 37 1/2 yards,			
English	7 3	7 3		16 x 15, 8 1/2 lb.			
Refined London	8 3	8 3		JUTE (per ton)—			
SUGAR (per cwt.)—				Daisie 2/3 c.i.f. Dundee	32/10/0	35/0/0	
West India Crystallised	47 6	47 6		Common 8 lb. cops. (per spindle)	4 11 1/2	4 11 1/2	
Refined London	50 10	50 10		10/40 Hessians, per yd.	0 6 50	0 6 50	
				8/40 Hessians, per yd.	0 5 00	0 5 00	

The last complete table of prices appeared in table will be given at regular intervals.

Price at which Ministry of Supply supplies consumers, delivered works. (e) Average for weeks ended Jan. 10 and Jan. 17.

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)—		Jan. 13, 1942	Jan. 20, 1942	MISCELLANEOUS (per lb.)—
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policy that was to be followed in the Far East, about the measures that would be taken to increase the effectiveness of the Government machine, and about the Cabinet's intention to treat with the seriousness it deserves the problem of reviving the energies of democracy. Of these, Mr Churchill has so far dealt only with the first, and with that one but partially: he has made it plain that the Government attaches no secondary importance to the Far Eastern theatre of war, and is doing what can be done to repair the situation there. But he was not entirely convincing about the reasons for that situation arising. He gave cogent reasons why very little could have been done to garrison Malaya; he did not establish that as much was done as could have been done.

Of the other two necessities, he said nothing, or nothing positive. Yet both are important and urgent. It is not entirely fair of the Prime Minister to confuse the demand for reconstruction of the Government with a hunt for scapegoats. Responsible opinion does not want scapegoats. Those who are outside the Governmental machine realise that they do not possess, and in wartime cannot be given, the information necessary to form a judgment on personalities. Many ministers who enjoy a public reputation as wonder-workers may, in fact, be dangerously slapdash in their methods. Others who have little Parlia-

mentary repute may be most effective. The demand is more for the importation of new blood than for the expulsion of old; and in any case the major wish is for a change of method rather than of men. In a strategic context, Mr Churchill laid down the principle that "action to be successful must rest in the fewest number of hands possible." What is asked is that he shall apply that principle to his own Government, and place the power to act in the hands of men capable of decision and free to decide.

The Prime Minister had even less to say about the equally vital matter of helping the people to construct for themselves an inspiring faith to carry them through the bitter second half of this long war. "Now," as Mr Churchill said, "that we can breathe more freely," the last excuse for inaction on this most vital front has gone. If, as rumour has it, Sir Stafford Cripps is to join the Government, it is very much to be hoped that this will be his assignment. It is a task for energy, for faith, and (so prehensible are the obstructive interests) for burning radicalism. In the short run, there is nothing more important. In the long run, there is nothing more important: what shall it profit a nation if it shall gain the victory and not recapture its own soul.

The United Nations

THE details were made known on Tuesday of the most comprehensive system of international association the world has yet seen. The students of post-war leagues and federations would do well to study it; the Axis states no doubt are already giving it their most close attention. The problem is to mobilise the resources of all the United Nations and to concert their use in production and on the battlefronts with the maximum of effect. The Allies are sovereign and independent states, including the Dominions, and will remain so; and the prerequisites for a successful plan, which will avoid the discord which can be the bane of any alliance, are three. First, there must be consultation in the making of policy. Secondly, there must be agreement upon the policy decided. Thirdly, there must be power to act at the places where that policy is executed; there must be military and economic "commands."

Inevitably, policy will be worked out in the capital cities, and by the governmental agencies, of the Great Powers, in Washington, London, Moscow—and Chungking; this is equally true of alliances in war and associations in peace. The need for continuous consultation between these states, and with the other, often distant Allies, is obvious. In the economic field, there already existed a machinery of consultation between Washington and London before the United States went to war. A White Paper this week announces the strengthening of this machinery by the setting up of three Anglo-American Boards to deal with the assignment of munitions, the adjustment of shipping resources and the utilisation of raw materials. For each Board there will be parallel committees in Washington and London, which will maintain liaison with the diplomatic and production departments of the two Governments; they will confer with representatives of the USSR, China and such others of the United Nations as are necessary to attain common purposes and provide for the most effective utilisation of the joint resources of the United Nations.

This structure is less than the Allied Supply Executive that had been forecast in some quarters; but it closely follows the lines of practical possibilities. As has been pointed out in *The Economist*, production cannot be organised internationally, and any attempt to make Mr Nelson in America and the Production Executive in London answerable to a joint body could only create confusion. What can be done is to agree on programmes and on the allocation of finished weapons. The first task

is still unprovided for, and it is still the chief thing to be filled in the arrangements for unity. The task is to be the province of the new Assignments Board, of whom Mr Harry Hopkins and Lord Beaverbrook are the leaders. The two other newly created boards concerned with the use of shipping, which include Admiral Land, Sir Arthur Salter Leathers; and with the distribution of raw materials, which falls to Mr W. L. Batt, Sir Clive Baillie Beaverbrook. It is perhaps worth mentioning that the new structure does not replace the Lend-Lease Lend-Lease has never been a method of production or pooling resources; it is a legal device and it will remain unless or until some other method of providing funds for governments other than that of the United Nations.

In the military sphere, there will be a Combined Chiefs Committee in Washington, to provide work of grand strategy within which the Boards and Committees for economic affairs. Three American and three British chiefs make up this Combined Committee, which will collaborate closely with Russia and China with the rest of the Allied and associated Powers.

Any divergence of views within the Combined Chiefs Committee will be adjusted by President Roosevelt and Mr Churchill, as heads of the United States and the United Kingdom Governments. It is important that these Boards and Committees, economic and military, are not executive bodies with power to make decisions out of policy, and the sole right to decide on the case of Britain and the United States, whose resources are the core of the Grand Alliance. To-day collaboration in matters of supply and production should be slight. In the military sphere, there has been continuous collaboration on the Atlantic and in Iceland for many months, and of American troops in Northern Ireland in accordance with grand strategy; so, too, is the successful policy of joint aid to Russia and the Middle East.

Agreement with Russia, which must be its own battles on its own Russian front, and its own decisions, is secured, first of all, by the

between Mr Churchill (and Lord Beaverbrook) and Premier Stalin—indeed, the strongest bonds of the whole alliance are the personalities of Roosevelt, Churchill and Stalin. The details have been worked out by the interchange of military and economic missions between Moscow, London and Washington; and the new Boards and Committees in London and Washington should provide more permanent channels of consultation. China, too, must largely fight its own battles on its own soil, distant from the centres of Allied decision. But China is also an indispensable and powerful partner in the Grand Alliance; and it is to be hoped that, in the organisation of General Wavell's South-West Pacific Command and in liaison with the economic Boards and the Chiefs of Staffs Committee, consultation and agreement with the Chinese Ally can be fully attained.

These two problems of consultation and agreement are, strangely perhaps, at their most acute in the case of certain of the British Dominions, whose anxiety to be consulted in the making of policy and in strategic decisions has grown as the Japanese danger has advanced. Mr Churchill has always been willing to meet their wishes, though, rightly, he has not found it easy to believe that the barriers of time and space which lie between Canberra and London can be surmounted by any simple device. At present, consultation is carried out continuously by High Commissioners on both sides—just as consultation through Ambassadors remains the normal channel of communication between the other Allies—and, in emergencies, it is done by personal contact, by telephone or telegraph, between Prime Ministers. Now this machinery is to be strengthened in two ways: by the formation of an Imperial War Cabinet, which will be the British War Cabinet enlarged by the inclusion of accredited representatives of the Dominions, who will take part in "the formulation and direction of policy" and have access to the Defence Committee; and by the setting up of a Pacific Council, "on the Ministerial plane," comprising the United Kingdom, Australia, New Zealand and the Dutch East Indies or the Dutch Government. The work of this Council will enable the British Commonwealth to act as a whole and form plans for appropriate measures in defence, foreign affairs and supply.

It will sit either in London or, as Australia and New Zealand prefer, in Washington.

Plainly, this Council fits in well with the larger framework for inter-Allied consultation and policy-making. It will be a valuable aide, not only to the Combined Chiefs of Staff Committee in Washington, but also to the Anglo-American economic Boards. The Imperial War Cabinet does not fit in so well; it differs from any other of the arrangements—there are no British Cabinet Ministers in Washington or American Cabinet Ministers at Westminster. Its justification is that the Australian and New Zealand Governments, believing empirically that their interests have probably been neglected in

previous London decisions, both desire it. Whether in fact their representation in the British Cabinet can make much practical difference, except psychologically and in day-to-day knowledge of what is going on, may perhaps be questioned. The British Cabinet will still be responsible to the British Parliament. The Dominion representatives will still be responsible to their distant Parliaments; they will be able to consult, but not to decide. They will have no power to bind their Ministerial colleagues in Australia or New Zealand without reference back, unless they are sent as plenipotentiaries—which seems precisely what the Dominion Governments, whose natural concern is that they as a body should be consulted at every crucial stage, do not wish or propose to do. The Imperial War Cabinet will be welcomed as a symbol of Commonwealth solidarity; but it cannot be expected to perform miracles.

The third stage of alliance—action, after consultation and agreement—is the most important; it is the end, the others the means. And action is always local, at a single place or in a single region. In the economic field, British factories must be directed by a British production executive, and American factories by an American executive, both according to a co-ordinated Allied programme; these executive agencies must be the economic "commands." Policy-making and policy-executing, of course, do overlap; the Anglo-American Boards will not only co-ordinate priorities and allocations for munitions, shipping and raw materials, in parallel, from London and Washington; they will be directly interested in their application by the appropriate departments and agencies of the British and American Governments. In the same way, in the military sphere, the Combined Chiefs of Staffs Committee will have a direct interest in the execution of its plans.

But real executive responsibility will rest, and must rest, with the Governments of the separate United Nations, at the one end of the scale, and with the commanders in the field, Allied or inter-Allied, at the other. On the Russian front, Premier Stalin and his generals have the power and the responsibility; on the Middle Eastern Front, power and responsibility are shared by Mr Churchill's Cabinet and General Auchinleck; in China they are the Generalissimo's; in the South-West Pacific, they belong to the Supreme Commander, General Wavell, and behind him the Governments who have approved him; in the South-East Pacific, the new Anzac zone, between Australia and the United States, they belong to American commanders and President Roosevelt.

Mr Churchill has said that General Wavell "will not be overburdened with instructions." This might well be the motto of the Grand Alliance in action; to consult and to agree by the means of this great flexible framework of co-ordination—and then to get things done. Most of all, this means finding the right men to apply the right plans in the right places. Co-ordination is not an end in itself; it is a means to victory.

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The Gap Again

AN article in *The Economist* of January 3, 1942, set out such information as is available on the sources from which the men and materials needed to fight the war have hitherto been drawn. The main table of that article, in which its argument was summarised, is worth reprinting (the more so since, in the version originally printed, the minus sign was inadvertently omitted from the final figure):—

NATIONAL INCOME AND EXPENDITURE IN REAL TERMS
(100 = Net national income at factor cost in 1938)

	1938	1940	1941-42
Net national income at factor cost	100	109½	112½
Consumption	77	69	63
Government expenditure	19	73½*	74*
Investment (or Disinvestment)	4	-33*	-24½*

* It should be remembered that the 1940 figure of Government expenditure includes payment, out of capital assets, for many things which in 1941-42 are obtained on Lend-Lease terms.

An alternative way of setting out the same facts is to say that, since 1938, increased Government expenditure has absorbed resources of manpower and materials equal to 55 per cent of the total net income before the war. This 55 per cent has been provided, as to 12½ per cent by increased output, as to 28½ per cent by drafts on capital (1938 investment plus 1941-42 disinvestment), and as to the remaining 14 per cent by reduced consumption. All these figures are in real terms—that is, they are not influenced by changes in the value of money.

The first question that must be asked in any approach to the Budget of 1942 is what changes are to be made in the figures of a table like that above in moving from 1941-42 to 1942-43. Government expenditure is, of course, the dominant element. Is it, first of all, likely that the real resources required by the Government in the year that begins on April 1st next will be larger than in the year that is now drawing to a close? The answer is certainly yes. Men and women have been called up to the armed forces and munitions industry in large numbers throughout the past twelve months. The proportion of materials allowed to be used for civil consumption has been steadily restricted. Even if there were to be no further increase from the position reached now, in January, 1942, the average of real Government expenditure in 1942-43 would be considerably higher than the average for 1941-42. But it is to be hoped that there will be an increase from the present level. The output of munitions will certainly rise in the course of 1942; and while that does not necessarily imply a higher utilisation of resources (since, when all the factories are built, there is a steep rise in the ratio of output of munitions to input of resources), it is almost certain that the end of the Government's claims on men and materials has not yet been reached. In the notation of the table, the rate of Government expenditure may well be 80 or more now, and it may be as high as 85 on the average in 1942-43. These, it should be added, are not in any sense estimates; but they are indications of the range of possibilities.

To some extent, the increased Government expenditure can come out of increased national income. As bottlenecks are cleared, organisation is speeded up and the last reservoirs of idle resources are drained, the total production of the nation will doubtless increase still further. But it would be optimistic to suppose that the whole of the Government's needs could be met from this source. Perhaps a net national income in 1942-43 of about 115 or 116 per cent of 1938 (in real terms) is as high as can be secured in practice, and, if so, its increase will provide only the smaller part of what the Government requires.

Drafts on capital are a second possible source. But so far from expecting an increase in the coming year in the contribution that can be expected from this quarter, there is some reason to expect a decrease. Even since the enactment of Lend-Lease there has been some utilisation of dollar assets of a capital nature, which must now be almost completely exhausted. Expenditure in Canada seems likely to continue to increase (and will be paid for

out of the generous gift of \$1,000 millions recorded in a Note on page 139), but the volume of supplies that can be obtained on credit from other parts of the world may well be less than hitherto, if only because of the geographical extension of the war. At home, the largest factor in domestic disinvestment has probably been the non-replacement of trading stocks, which must now be at or near the minimum point. Moreover, it may be that the volume of essential maintenance, repair and replacement of fixed plant is slowly increasing as time passes. On all these matters, the layman can do no more than guess. But it seems very unlikely that a greater volume of resources will be obtainable in 1942-43 from the various methods of drawing on capital than in 1941-42, and it may be difficult to maintain the level then reached. The conclusion is inescapable that if (as must be hoped) the scale of Government utilisation of resources is to increase, the scale of popular consumption must be cut down still further. To state the task in approximate numerical terms, it may be that the physical volume of consumption, which had been reduced from 77 in 1938 to 63 in 1941-42 (that is, by about 18 per cent), will have to be further reduced to 57 or even to 55. This would be a further cut of about one-tenth of the 1941-42 consumption or perhaps about one-twentieth of the present (January, 1942) rate of consumption. In money terms at present prices, consumption in 1942-43 ought to be something like £400 or £500 millions lower than in 1941-42.

It may be assumed, on last year's precedent, that this is the way in which the Chancellor of the Exchequer is approaching his problem—with, of course, the advantage of estimates instead of guesses. His next problem will be to decide how this reduction in consumption is to be brought about. This carries the argument back to the old familiar lines. The consumption of the people can be reduced by taxation, by savings, or by direct physical limitations such as rationing or limitations on production. Or it can be reduced by inflation which, in spite of a persistent public belief to the contrary, is not a way of avoiding the restriction of consumption but a particular—and a particularly obnoxious—way of imposing it. Hitherto, British financial policy has made use of all four methods. Inflation has been permitted, though the endeavour has been to keep it within bounds. To do this requires that the volume of available purchasing power in the hands of the public shall not greatly exceed the possibilities of spending it. In Sir Kingsley Wood's own metaphor, there is a limit to the weight of water that can be held back by even the most solid dam. For this reason, though stricter physical controls—more rationing and more shortages—have a part to play in the further restriction of consumption, they cannot be left to play it alone. They must be assisted by measures of taxation, or by increased savings, to mop up the purchasing power that they set free. There are several signs that the dam is being strained already. It was argued in these columns at the time of the last Budget that the Chancellor of the Exchequer had not succeeded in completely closing the "gap," or in reducing it to the £100 millions or so which he was prepared to contemplate. In the ensuing ten months, many of the contingencies that were then apprehended have come to pass, as well as some unexpected ones. Expenditure has been higher than the estimates: wage rates have been increased. The volume of expenditure already spilling over the dam into black and grey markets, and into markets that are apparently considered to be white, such as those for tobacco and beer, shows the pressure that is already generated. If in the coming twelve months the national income is to increase (because of higher output, and higher wages) by several hundreds of millions, while the quantity of goods and services to be purchased is to be reduced by several hundreds of millions of pounds' worth, the dam will be in serious danger of bursting wide open.

For these reasons, the painful necessity of still further

taxation in the forthcoming Budget must be faced. It is, of course, much simpler to say this than to point out to a harassed Chancellor where he can find additional revenue. Two suggestions that were made in *The Economist* a year ago may be repeated, in spite of the fact that the Chancellor rejected them in his last Budget speech. One is for a tax on excess incomes of all kinds, as well as on excess profits. The Chancellor's strongest argument against it was the equitable argument that two men earning the same amount could not be taxed differently merely because one of them earned less before the war. It is an objection of real substance, but it would disappear if the whole of the tax collected were treated as a post-war credit. It would be necessary, for administrative reasons, to limit the tax to persons who made returns for income tax before the war, but this again would be reasonable if the tax were treated as compulsory savings. The second suggestion was for an excise tax—an extension of the Purchase Tax—on services. The Chancellor's objection was that many services are necessities—he mentioned rent and rates, railway, bus and tram fares, gas, electricity and water, entertainments, hotels, restaurants, etc.—and would have to be exempted. But with the exception of rents and rates (which are hardly services in the usual sense), all these are things of which the consumption should be reduced. And are

any of them more necessary than clothing, which is subject to Purchase Tax? The Chancellor may have been right in suggesting that the yield of a Service Tax would be less than was suggested. But he was surely wrong in completely rejecting the proposal.

There are a few other suggestions that can be made. The reduction of the surtax limit to £1,500 was forecast two years ago, and should be carried through this year, in default of a reorganisation of the whole of the direct taxes. A duty on advertisements would be justified in peacetime and doubly justified in war. But, however many such devices and expedients were listed and enacted, their combined yield would probably not amount to a great deal in the context of war finance. If a substantially larger sum has to be raised in taxation, the main reliance must be on the old standby of direct taxation. But with the standard rate of income tax at 10s. in the £, the question must be very seriously asked whether the present system of direct taxation will bear any further increase without damaging reactions on the productive effort of the community. Indeed, it has been argued that, so far from an increase being possible, some reduction of the present effective combined weight of income tax, surtax and EPT is necessary as an incentive to greater production. These are questions that will be examined in a subsequent article.

Rio and After

THE Pan-American Conference at Rio de Janeiro was faced with two problems, the first, to establish a united front to Axis aggression, the second, to organise the resources of the Americas for collective defence. Of the two questions, the first was naturally the more vital, since the effective pooling of resources depended upon unanimity of political attitude. The result is, on the whole, satisfactory. The 21 Republics have agreed to assert and maintain American solidarity against a non-American aggressor. They have provided for common action for mutual protection. They have "recommended" a severance of diplomatic relations with Germany, Italy and Japan; and they have adopted the principle that they will only resume relations by a common agreement.

The political importance of this measure of solidarity is obvious, especially if it is compared with the 1917 reaction to a very similar situation. Then there was no joint conference; only eight countries—Brazil, Costa Rica, Cuba, Guatemala, Haiti, Honduras, Nicaragua and Panama—followed the United States into war; five others—Bolivia, San Domingo, Ecuador, Peru and Uruguay—broke off diplomatic relations with Germany, while the seven remaining neutrals included three of the most powerful American states, Argentina, Chile and Mexico.

At Rio de Janeiro in 1942, the atmosphere was radically different. Some of the republics came to the Conference with their minds already made up. The Central American and Caribbean republics, for example, had already declared war against the Axis powers, while Mexico, Colombia and Venezuela had broken off diplomatic relations. Other States, such as Brazil and Peru, showed their readiness to break off diplomatic relations from the start of the Conference. Paraguay and Bolivia broke them off immediately after it; and no praise can be too high for the courageous stand taken by Uruguay, whose stand was the timely expression of a long-sustained sympathy for Great Britain and for the cause of democracy, which neither the course of the war, nor the intrigues of the Nazis have been able to shake.

The republic's resolute attitude springs largely from the patient work of the present United States Administration and its predecessor in pursuing a "Good Neighbour Policy" and gradually stilling the suspicions which were raised by the expansionist period of United States foreign policy in the decades before the last war. It is significant that at the Rio Conference, Mr. Sumner Welles made no attempt to press a United States policy. He was content to let the Latin American States settle the vital ques-

tions between themselves, and his confidence in the outcome has been justified. Any signs of undue pressure from Washington would inevitably have been resented, and would very probably have made complete co-operation impossible of achievement. As it was, the Conference was a real success for the "Good Neighbour" policy.

The changing character of modern war has also played its part. It is not merely a question of a far more scientific exploitation of Fifth Column activity, but of the actual physical possibility of total war. The Japanese attack on Pearl Harbour, across thousands of miles of ocean; the tactic of air landings on undefended coasts; the passage into popular language of such a conception as "The Straits of Dakar"; the lessons taught by the fate of a divided Europe—all these combined to increase the republics' realisation of the necessity of joint action and pooled defence.

Psychologically, the way for the Rio decisions was cleared by the earlier meetings at Panama and Havana, where a great variety of joint agencies—such as, for example, the Permanent Inter-American Neutrality Commission—were already set up and the possibility of future joint action fully discussed. At the same time, the co-operation between the United States and the British Empire, two sovereign independent blocs, which led to such arrangements as Lend-Lease and the leasing of bases, showed how far the pooling of resources could go without raising any question of infringing sovereignty. Independent sovereignty has always been the stumbling block in the United States' relations with its less powerful neighbours. Thus inter-American relations from Havana to Rio are the first concrete proof that the arrangements worked out in London and Washington are capable of universal application.

Yet in spite of the increased sense of solidarity and the increased need for it, the Rio Conference did not go so far as it might have gone. The resolution calling for an immediate, unanimous breaking-off of relations had to be modified. Instead, the resolution recommending the severance of relations was passed. Unity of action gave place to unity of recommendation. Of the two States responsible for watering down the decision—Chile and Argentina—only Argentina did so from a real preference for neutrality as such. Chile, with thousands of miles of Pacific coastline and Japan's amazing naval ingenuity to consider, viewed rather dubiously strong diplomatic action unaccompanied by equally strong defensive action. Her quarrel was not that the resolution to

break off relations as such went too far, but that unless it was accompanied by a far more definite pooling of American military resources, it would offer a provocation which Chile alone had not the strength to meet.

The real core of opposition was centred as usual in Argentina, and it is likely that if Uruguay, Brazil and Chile had been prepared to follow an Argentine lead, Dr Castillo, the Acting President, would have held out for neutrality and have opposed even the recommendation to sever relations. The opposition of Argentina to United States leadership is very old and very strong. The republic values highly its close links with Europe. It fears that a pooling of its political, economic and military resources with those of the rest of the hemisphere will permit the United States once and for all to establish its pre-eminence and to create an economic interdependence from which Argentina could not hope later to escape. This traditionally suspicious outlook is aggravated at present by the clash between the Argentine Executive and Legislature. The opposition has crystallised round the question of foreign policy, the democrats and radicals demanding stern measures with the Nazis as well as the reassembly of the Legislature, the President trying to preserve relations with the Axis and to keep the country in the present "state of siege." Dr. Castillo has therefore felt compelled to take a strong line on Argentina's relations with the Axis in order to suppress popular opposition at home. It is the measure of the determination of the other Latin American states that he has been compelled to modify his attitude. The result is a typical compromise, Argentina modifying her extremist attitude in order to avoid isolation, the others the strength of their resolution to secure unanimity.

With the political framework of decision and action settled on the whole satisfactorily, the result of the Conference will tend to turn on the second problem, the co-ordination of economic and military resources. The South American republics have faced very severe economic difficulties as a result of the loss of European markets, but the enormous expansion in the United States armaments programme is to a large extent solving the problem of surpluses. Hitherto the problem has been to find anything in South America that the United States wished to buy in bulk. To-day the problem is exactly reversed. The problem is to find United States exports. Up to the end of 1940, Latin America's total adverse trade balance with the United States was \$106,700,000. It is estimated that the 1941 figures will show an export surplus of some \$250,000,000. It is at this point that the linking-up of Latin America's needs with the whole new Allied machinery of pooled resources and allocated supplies becomes vital. The basis of the new exchanges is obvious. Latin America's defence position is weak. In return for vital raw materials, such as tin, copper, aluminium and rubber, the United States can give—and has given—not only finished armaments, but interest free loans for defence works and for improved communications.

With the political front decided, this process of "getting mixed up together" can go forward unhindered. Thus a new area of joint action and joint decision, where common responsibility is combined with full independence of sovereignty, has come into being. New worlds are growing up to counter the "new orders" of the old. Not only hemisphere defence, but a great political experiment depends upon the outcome of Rio.

NOTES OF THE WEEK

Americans in Northern Ireland

American troops have landed in Northern Ireland. Although their arrival is a symbol of greater things to come, when the time for a general offensive against Hitler's western defences is ripe, the purpose of the present force is defensive. Their station is beside the supply depots and port facilities which Americans have already been building under Lend-Lease and their task is to ensure the steady flow of munitions and goods through the democracies' Atlantic sea lanes. Their arrival adds to the ring of American garrisons—in Newfoundland, in Iceland, in the West Indies—which are defending the Atlantic link. The welcome given them has naturally been warm and enthusiastic with only Mr De Valera striking a discordant note. Mr Roosevelt will not be the only one to be "surprised" at the Eireann Prime Minister's protest that he had not been consulted. The arrival of the Americans was a strategic arrangement in a war from which the Irish have in the most solemn and formal way dissociated themselves. Moreover, the continued presence in Dublin of the eyes and ears of the Axis in the shape of the Legation staffs would in any case debar the discussion of vital strategic decisions before they had been successfully put into effect.

Return Match?

The battle of Libya again hangs in the balance. After some weeks of regrouping and reinforcing his army, Rommel has again taken the field and a deep thrust has brought him to Msus, 150 miles north-east of El Agheila. The analogy with last year's advance and retreat was so obvious and so alarming that a first reaction was to expect to see the Axis forces advance rapidly to the old Sollum line. With the heavy bombing of Malta serving the same purpose of screening convoys as did the battle of Matapan last year, it was possible to believe that Rommel had been very heavily reinforced at a time when the Far East would undoubtedly be making onerous calls on the Allies' Middle Eastern resources. However, it seems that Rommel's reinforcements were not so great as was feared at first. He has arrived at Msus after a fierce tank battle with only about one-third of his original force, and it is possible that, like the daring diversion into Egypt at the height of the Sidi

Rezegh battle, the new drive was designed to prevent an Allied advance rather than to attempt sudden reconquest. The harrying by British aircraft of a large convoy and the sinking of a 20,000-ton liner-supply ship in the Central Mediterranean may discourage the Axis forces still further. But the present turn of events is yet another warning that until the British hold the North African coastline from Cairo to Tunisia, any conquest in the desert will be insecurely held.

Far Eastern Front: The Good Side—

The Japanese have opened their seventh front in the Far East. When, on January 23rd, an enemy convoy was sighted off Rabaul, the Australian base in the Bismarck Archipelago, and the landing of some 10,000 troops followed, the Japanese were already fighting in China, in Burma, in Malaya, in the Philippines, in Borneo and the Celebes. Their lines of communication stretch now throughout the South China Sea, and their main supply base is still Japan, some 2,000 miles away from the chief area of operations. That such a dispersion of effort and commitment is potentially dangerous cannot be questioned. The problem is, whether the United Nations can begin to strike at the enemy's long sea lanes, and hold the advance of his land forces before he has deprived them of bases from which to launch the counter offensive. Hitherto, the answer, week by week, has been a decisive and depressing negative. At last, however, in the eighth week of the campaign, there are signs that the Allies' prospects on land and on sea are a little brighter. True, it is not much more than a rift in the uniformly heavy clouds of war, but it may be a pointer to clearer sky ahead. On the Chinese front, the Japanese have suffered a setback in the Kowloon area. In Burma, Chinese reinforcements are "streaming into" the country, and in very heavy losses. The advance in Malaya, though not checked, has been slowed down. General MacArthur has firmly established his forces in the Bataan peninsula, from which the Japanese have so far been completely unable to dislodge them. Finally, in the Macassar Straits, a Japanese convoy, unloading at Borneo's oil port, Balikpapan, has been mercilessly attacked by Dutch and American aircraft, and by American destroyers and cruisers. Not only are the results of the attack very satisfactory—with a dozen ships

sunk or severely damaged—but this is the first indication that the United States Asiatic fleet is operating in South China waters. Yet in spite of these more hopeful happenings, it would be folly to paint the Far Eastern war front in anything but very dark grey colours, or to dismiss the Prime Minister's warning that worse tidings may be still to come.

—And the Bad

From three areas in the Far East the news is, on the whole, worse. The Japanese drive on Moulmein, in Burma, the important harbour at the outlet of the Salween River, is making some progress. The British have taken up positions east of Kawkaik, which is only 45 miles from Moulmein, and 100 miles from Rangoon, across the gulf of Martaban. The danger of this move both to the Allied land and sea defences is obvious. If the valleys of the Salween and Sittang are overrun, the Burma Road supply route can be cut long before it reaches difficult mountain country. If another harbour is secured on the Indian Ocean, the sinkings in the Bay of Bengal—two have already been recorded—are certain to increase; and should attacks in these waters become widespread, the United Nations would be deprived of their last relatively submarine-free passage. In Malaya, the fall of Batu Pahat on the west coast of Johore, and heavy landings at Endau on the east coast, presaged a great struggle on a long front some 65 miles from Singapore, to secure the transversal road which runs from Batu Pahat to Mersing. Now the Japanese have succeeded in crossing this road in the West. There is fighting on the coast road below Senggarang and, in places, the front is now only 50 miles from Singapore. The defenders are undoubtedly putting up an increasingly stiff resistance, and there are welcome signs of increased air support. But the outlook is dark. Finally, the Japanese attack which is developing in the New Guinea zone is an immediate menace to Australia. North Australia is not thickly populated, nor is it heavily defended. And the Torres Straits between New Guinea and Cape York is only 75 miles wide.

Canada's Gift

All through the war, the British need for United States dollars and the political consequences that have flowed from it have been allowed to obscure in the eyes of the public the very similar need for Canadian dollars. In the financial arrangements between London and Ottawa, there have already been two phases, and the statement made by Mr. Mackenzie King on Monday inaugurates a third. In the first phase, which lasted from the beginning of the war to about the end of 1940, the United Kingdom requirement of Canadian dollars (which amounted for the slightly longer period to March 31, 1941, to \$795 millions) was financed as to about 40 per cent by sales of British assets in Canada, as to 20 per cent by Canadian accumulation of sterling (i.e., by loan to the United Kingdom Government) and as to the remainder by the shipment of gold. During 1941, the second phase, the main reliance has been on Canadian accumulation of sterling—that is to say, Canada has been content to take payment in sterling for the excess of her exports over her imports, and to leave the sterling on deposit in London. This, however, is not an entirely satisfactory solution, since it involves the constant re-investment of large sums in British floating debt. The accumulation has now reached \$700 millions, or about £160 millions. It has now been agreed that a further list of Canadian securities held in this country shall be requisitioned and repatriated. This is expected to provide about \$295 millions towards the reduction of the debt; the remaining \$400 millions will be left as an interest-free loan for the duration of the war, with the questions of its ultimate repayment, and of the rate of interest it shall bear, left for decision after the war. For the future, Canada will supply munitions of war, war materials and foodstuffs entirely free of charge up to an amount of \$1,000 millions, which is expected to last for another twelve months. The effect of the whole transaction is, then, that the Dominion of Canada is giving the United Kingdom about £225 millions and is lending, free of interest for the duration, a further £91 millions. In the context of Canadian finance, these are very large figures; together they amount to about the same amount as the total revenue last year of all Canadian governments, Dominion and Provincial, together. Mr

Mackenzie King's offer is, in its way, the most generous financial transaction between Governments that the war has yet produced.

Obligation to Serve

The obligation of all citizens, not serving full time, to do part-time war service is now being made explicit. After February 16th, under a new Defence Regulation, members of the Home Guard will no longer have the right to give a fortnight's notice of resignation; and all part-time civil defence workers, including special constables, are to be given a fortnight's opportunity to resign, after which they will be regarded as enrolled for the duration. This is only the beginning of the process of translating the obligation into actual fact. Detering those who have voluntarily joined from leaving is the easier part; they are not deserters. The more important task outstanding, in equity and in view of the vast and growing strain on the nation's resources of manpower, is to make sure that there are no abstainers—with provision, of course, for hardship or unfitness. As well as laying down that members of the Home Guard may be ordered to do up to 48 hours of training and duty in every four weeks, the new Defence Regulation empowers the Army Council and the Minister of Labour and National Service, on the advice of the Commander-in-Chief, Home Forces, to introduce compulsory enrolment in the Home Guard in areas where there is a shortage of members. If Home Guards or civil defenders resign during the period of grace allowed them before they are compelled to stay in, they will be liable to this compulsion or, in many urban areas, for compulsory firewatching. The point has almost been reached, but not quite, where every male citizen must prove that he is a member of one or another defence force. It would make the position plainer, and more logical and more effective, if power were taken to compel, directly, for civil defence, as well as for firewatching and the Home Guard—and if at least those women who have no family ties were included as well as men. These part-time duties are not alternatives to war work, but additions—and should apply equally to all citizens.

Towards a Basic Ration

The extension of the scope of points rationing is wholly to the good. With the grant of four more points per head, dried fruits and the majority of cereals and pulses were included in the system from January 26th. The new move renews the hope that the Ministry of Food is working towards a situation in which, without undue delay, the sale of all forms of food fit for human consumption is controlled by some form of rationing. This achievement would carry with it two striking advantages. First, every consumer in the country would be assured of a minimum share of foodstuffs in terms of nutritional value, with an appreciable element of choice in the exact make-up of this basic diet. Secondly, when coupled with a corresponding extension of retail price control, it would be possible to estimate, within very broad limits, the maximum outlay of any consumer on food. From the budgetary standpoint, the fact that a rough limit was set to individual food expenditure would remove a source of inflationary pressure. The increased ease with which both average and normal total weekly expenditure on food could be estimated would greatly facilitate the calculation of the cost of living in various walks of life. The authorities are to be congratulated on having so largely maintained the consumer's right, as rationing has been extended, to select any shop at will—a privilege which will do much to encourage efficient retailing and to prevent the development of monopoly interests in retail trade.

The Rubber Crisis

There is every sign that the country was taken very largely unawares by the disappearance, or threatened disappearance, of its rubber supplies. Stocks had not been built up on an adequate scale; there is no production of synthetic rubber; and reclamation has been undertaken only on a minimum scale. When the crisis was realised,

a revised Rubber Control was instituted. *The Economist* has protested against the decision to entrust this control to a body on which rubber trade interests are predominant. As has been argued in these columns with tireless iteration, the practice is utterly wrong in principle and completely reprehensible. That protest having been made, however, it is only fair to point out that the rubber industry—an expression that is used somewhat indiscriminately to cover growers and manufacturers—is being most unjustly belaboured in some organs of the press. It was no part of the industry's duty to accumulate emergency stocks in pre-war days—for the absence of such accumulation, of rubber and other commodities, the culpable lethargy of the Board of Trade is responsible—and since the outbreak of war the shipping shortage has militated against the importation of more than was currently needed. Still less was it the rubber industry's fault that there is no synthetic production. There will be no peacetime case for synthetic rubber until it is as cheap as natural rubber; and if there was a security case, it was for the Government to voice it. Experiments might have been made, and if the fact that they were not made is blameworthy, the fault rests with the lack of enterprise of the chemical industry (a near-monopoly) and with the consistent obstruction of domestic refining by the petroleum cartel. Only on the score of reclamation can a case be made against the rubber industry, and even that is not strong. But if the industry had been less tightly organised at its manufacturing end, and if there had been less integration between manufacturers and growers, it is hard to believe that reclamation would not have gone at least as far as in the United States. As with so many other defects of the British economy that the war has revealed, the fault lies in part with the Government's addiction to inaction and in part with industry's addiction to monopoly.

A Travesty of Justice?

Mr Shinwell is in the van of the critics who are crying out for more production, and as MP for a mining constituency he is well placed to know the importance of coal in industrial manufacture and transport. Nevertheless, Mr Shinwell regards the punishment of the miners of Betteshanger Colliery, Kent, for going on strike illegally three weeks ago, as a "travesty of justice." Last November, special allowances for extra work were introduced at this pit by the management, and were rejected by the men, who adopted a "go-slow" policy at work. The allowances were sent to arbitration and approved; but on January 9th about 1,500 miners went on strike, without giving the twenty-one days' notice required by Defence Regulation, thus making themselves liable to a maximum penalty of three months' hard labour, or a fine of £100. Three men, president, secretary and committee member of the local branch of the Kent Mineworkers' Association, the leaders who misled the men, have been imprisoned with hard labour, one for two months and two for one; just over a thousand others have been fined £3 or £2, with two months to pay. Mr Shinwell calls this "harsh." But the law was never more patently broken. The country has been deprived of 2,000 tons of coal a day by the strike, and between November and January still more output was lost by "ca' canny." It is impossible to be dogmatic about the adequacy or inadequacy of the allowances, or about the wisdom of the management's attitude. But these are not the crux. The allowances were arbitrated upon; and, if the men were still dissatisfied, they could have given due notice to the Ministry of Labour of their intention to strike, giving three weeks for a settlement. As it was, they "went slow," and then struck without notice. It is probably an anomaly that strikes in essential war work should be possible at all, and certainly wrong that this sort of illegal stoppage should occur. Mr Shinwell might reflect on the likely fate of strikers in Russian war industries—or in our own armed forces. Meanwhile, it seems that Mr Grenfell, Secretary of the Mineworkers' Federation, have secured a settlement at Betteshanger.

Advance to Kholm

The week has brought the Russian armies the most important success achieved so far. Striking westwards from the Va'dai Hills, they have advanced some seventy miles to recapture Kholm and Toropets. This blow threatens the

Nazis' control of the railway running north to south behind the Smolensk front, leaves Vyazma in a dangerous salient, and threatens the army besieging Leningrad with loss of contact with the main German forces. It seems very unlikely now that the Germans can hold until the spring the line Orel—Kursk—Kharkov. If they cannot, it is difficult to see clearly where the next stable front can be fixed. After the great Russian advance, the fighting has come to something of a standstill on account of a sudden fall in the temperature. It is probable that the Germans counted on a prolonged and general immobilisation through the deepest period of winter, whereas the Russians are giving them no respite except in exceptional frosts which, in any case, only last for a few days, not weeks. Nevertheless, the German forces are fighting very stubbornly and have been able each time to move back a mass of their heavy equipment and their armoured vehicles. In spite of the setbacks, their penetration into Russian territory is still very deep, and there are many reports from inside Germany of feverish preparations for a spring offensive. Sir Stafford Cripps, on his return from Russia, gave a useful commentary on the general situation. The Russian armies are growing in strength and some nine million men are under arms. Their enterprise and fighting spirit spring in part from their fine collection of able young generals. The general staff confidently expects a vast German attack in the spring, but with the new armies and war production doubled and trebled in the territories to the east, they look forward confidently to the total defeat of Germany in the autumn and winter of 1942-43. Nevertheless, they do not underestimate Germany's powers of recuperation. The animal is wounded, not disabled, and, while the Russian numbers are satisfactory, it cannot be said that they are all satisfactorily equipped. The help of Britain and the United States is wanted to the greatest extent possible if the advantages gained now are to be retained in the tough fighting ahead.

Restraint of Women

After February 16th, women between the ages of 20 and 30 seeking work may do so only through Ministry of Labour exchanges or employment agencies approved by the Ministry; and employers may not engage women of these ages, except through the exchanges. The restriction does not apply to women seeking employment in agriculture, forestry, nursing or teaching, with the Women's Services, as voluntary workers, in work to which Essential Work Orders apply, or to women who have living with them children of theirs under the age of 14 years. The women in these age groups have registered, but not all have yet been interviewed. Unless they are already in essential work they are liable to be conscripted, if single, for the Services, or directed to factories. The restriction can help to keep track of these women and to ensure that they do not go from essential into unessential work. But if conscription and direction into war work were not firmly applied, the restrictions would have the odd effect of keeping some girls in non-essential work. Employers will be forced to seek staff among women younger than 20 or older than 30, unless they can show that their requirements are essential for the war effort. For manual work other than domestic work, the labour exchanges have long been recognised as recruiting centres. In non-manual work, they have dealt mainly with people to whom the Unemployment Insurance Act applies; and in this field they were overshadowed by commercial employment agencies. There was a snobbishness which tended to prevent employers from applying to labour exchanges for pay commercial agencies for finding them employment. Some of these agencies do their work well and built up reputations for sending the right people to the right jobs; but many are merely agencies for the exchange of names and addresses. If the Ministry of Labour is to take over the entire placing of these younger women, the exchanges will need to emulate the best type of commercial agency; the exact requirements of the employer must be ascertained; the qualifications of those seeking work must be assessed; if need be by trade tests. The Supplementary and Central Registers must deal with those women qualified to be in agencies better able than the exchanges to place people with certain technical qualifications, and provision is made to approve them. Provided proper control is exercised, it would be well to take as much advantage as possible of the experience of these agencies. On the wider economic significance

of these measures, it is somewhat puzzling to find the freezing order confined to women, and to women of certain age groups. There are numbers of men between the ages of 20 and 30 who are medically ineligible for the armed forces, and not in reserved occupations, free to choose their employment. If the object is to guide labour into essential work, it would surely be more logical and more effective to apply it to all workers, men and women, of all ages.

Mr Benjamin Greene

So much indignation and alarm have rightly been aroused by the case of Mr Benjamin Greene that it is only fair that publicity should be given to the Home Secretary's defence. The facts of Mr Greene's detention and release were given in a Note in *The Economist* of last week, page 100 (it is regretted that owing to printer's errors a number of misprints occurred which are corrected on page 142). On the day of going to press, Mr Morrison, who has assumed the unenviable position of whipping boy in this matter, although he was not responsible for Mr Greene's detention in the first place, was asked in the House of Commons whether proceedings would be taken against the person or persons upon whose evidence Mr Greene was detained. In a written reply, the Home Secretary stated that Mr Greene was not detained on the evidence of a single person. "There was undisputed information derived from various sources that he had hostile associations, and these associations were of such a character that it was necessary to exercise some control of him." Even now, after his release, as the Home Office's letter to Mr Greene made clear, the order for his detention has only been suspended, not rescinded, and he is still subject to certain restrictions. If it is true that there was "undisputed information of hostile associations," this might well have been enough to cause Mr Greene's detention in the frenzied and indiscriminate days of May, 1940, without the three chief charges against him, which have now been definitely withdrawn. But, beyond any doubt, it is these which must have weighed most heavily with the advisory committee when it first considered his case and recommended his continued detention. Now, after serious bungling, he has been released. The question at issue now is not whether Mr Greene should or should not be completely whitewashed by the public. What is disturbing—and profoundly disturbing—is that both the former Home Secretary and his advisory committee should have allowed themselves, on the three most serious charges, to accept, apparently unquestioningly, the evidence of a single person which has since proved to be completely unsubstantiated.

Sliding Scales

Sir Walter Womersley has announced that pensions and allowances payable by the Ministry of Pensions to widows and children of men killed on war service, and to persons disabled through war service, will be raised from the first pay-day in February, to meet the increase in the cost of living since the last adjustment. This, as the Minister must be fully aware, is the thin end of a wedge. The thick end is the raising of all Government pensions—and possibly all allowances too—to correspond with the rise in the cost of living, a step which in equity is little more than a corollary of the present concession. On the score of cost, it might be pleaded that a rise should be permitted only in instances where hardship would otherwise result; but, against this, it must be pointed out that there are some cases above the poverty line where Government pensions have been reduced when the cost of living has fallen; and if this cut is not at least made good, such pensioners are placed in a position where any reduction made in the fat years must make them increasingly hard up when the lean years come. This discrepancy between the remuneration of civilians and members of the fighting forces, which is growing in size and in political import. It is common for industrial wages to be regulated by a sliding scale linked to the movements in the cost-of-living index. Since the fighting man is insulated from the cost of living, except where it affects his amusements, there is little case for nice adjustments in his own pay; but the cost of living still vitally affects, not only his bereaved dependants, if he is killed, or himself, if he is disabled, but also his family while he is well and serving. And his family is in most cases worse off than his civilian neighbour's. Even in the narrower case of the disabled pen-

sioner, it has hitherto not been adequately recognised that payment to disabled persons is not only inadequate compensation, but also a gross waste of public money, unless it is accompanied by all possible remedial treatment, extending to occupational therapy and instruction, where possible, in new and suitable trades. This was promised by the Minister of Labour in a wartime scheme announced last October. Last week, he promised further developments and stated that comprehensive measures for the "rehabilitation, training and resettlement of disabled persons generally" are being prepared for introduction as soon as possible after the war.

Polish-Czech Federation

The agreement for a Polish-Czechoslovak Confederation signed last week by the Foreign Ministers of the two countries goes a little bit further than the Greek-Jugoslav Pact. While each country is to retain its separate national existence, the parties to the Confederation, in which Poland and Czechoslovakia are anxious to include all European states with which their "vital interests . . . are linked up," pledge themselves to pursue common political, social, military and economic policies. In the military sphere, the Confederation is to have a common general staff, with, in the event of war, a unified supreme command. This should, of course, be already appointed in time of peace. A common foreign policy is to be accompanied by a common foreign trade policy and the eventual conclusion of a Customs Union. Postal services and communications are to be developed in a common plan and, in the educational and legal spheres, degrees, diplomas and court sentences are to be regulated. It is interesting that the Confederation does not envisage *laissez-passer*, but agrees also to regulate the right of domicile and the right to exercise gainful occupation. The terms of the agreement also contain a guarantee to the citizens of the Confederation of normal democratic rights

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AFRICA.

including the controversial issue of freedom of association. The success of the Confederation, as with the Greek-Jugoslav Union, can scarcely be estimated from the terms of its constitution. It must clearly depend on the goodwill with which it is operated and on its ability to wield power in dealing with the outside world. There is no doubt, for example, that a great opportunity for practising the principles of the agreement was missed when Poland and Czechoslovakia chose to conduct separate negotiations with Russia. Non-etheless, the agreement provides the outline of a scheme which intelligence and determination could work, particularly if co-operation with the, possibly extended, Balkan Union were practised through some form of federation of progressive federations. The enthusiastic comment which the agreements have aroused in Turkey is a good omen for the future. The pacts are, in fact, on lines similar to those advocated by M. Falihi Atay of *Ulus* and M. Yalcin of *Yeni Sabah* in the spring of 1941.

General Smuts on Trusteeship

Last week, General Smuts made a statement on South Africa's native policy which promises a big step forward from the principles which have hitherto inspired it. "We want," he said, "to take a holiday from old ideas which have brought nothing but bitterness and strife to our country, and try to the best of our ability to fashion a variegated but harmonious race pattern in South Africa." Of the two courses which, General Smuts said, previously governed native policy—complete equality or permanent European "top-dogism"—South Africa has so far chosen the latter, though recent legislation has been framed in a more liberal spirit. Even General Smuts himself has in the past favoured intensive white settlement from the highlands of East Africa to the Union, which would serve as a sort of bulwark for the protection of European civilisation on the African continent. Both in the Union and in Southern Rhodesia, in fact, the desire to prevent European civilisation from degenerating has weighed more heavily than the desire to improve the civilisation of the African. It is not certain whether General Smuts's new statement implies a far-reaching change in Union policy, though he expressly renounced the principle of segregation. But it does seem likely that native welfare problems—housing, education and nutrition—will be energetically tackled, for General Smuts said that in these respects South Africa's policy had been "shamefully deficient" and quite contrary to the principle of trusteeship. Thus, the Union seems committed to the policy which, in the British colonial empire, is summed up in the Colonial Development and Welfare Act. There is, however, a certain danger lest South Africa should regard development and welfare as synonymous with trusteeship. It is not, of course, a danger which is confined to South Africa, for there have been signs that the Colonial Office tends to regard the issue as a choice between giving the colonies bread or the vote. But in colonial policy the other side of trusteeship, the spiritual side, has for so long been enshrined that, provided it remains paramount, the weighting of the scales on the material side is both necessary and desirable. In South Africa this tradition is absent, and it will be a further test of General Smuts's statesmanship if he can combine his new deal for the natives with a truly new order for both African and European.

Changes in the Air

The fiction, in wartime, of an independent BBC with an independent chief in charge of broadcasting policy is apparently to be abandoned. The director-general, Mr F. W. Ogilvie, has resigned, and is to be replaced by two joint directors-general, who will presumably be, less reluctantly than Mr Ogilvie, caretakers for the Ministry of Information, which in wartime is inevitably responsible for broadcast news and propaganda. One of the new directors-general, Sir Cecil Graves, is an old hand at Broadcasting House. He was Mr Ogilvie's second-in-command. The other, Mr Robert Foot, was put into the BBC from the Gas Light and Coke Company some time ago as a business expert. Mr Foot is reputed to believe that wartime economies could be achieved in programmes by the use of more records, and by putting out the same items on the Home and Forces services. It is hard to see what relevance purely financial paring of this sort has to war economy,

for it is a virtue of broadcasting, as of the cinema, that so much valuable entertainment can, in theory if not in practice, be provided for the expenditure of so little physical resources. The fact that the over-cautious and negative attitude of the BBC, even before the war, tended to produce poor and stuffy programmes, in almost every category, cannot alter the apprehension that the new prospect is more dismal than ever. British broadcasting has always been a great sufferer from its own monopoly, created and maintained because of expediency, never principle. Twenty years ago, the reason was lack of wave-lengths, which has remained; now it is the exigencies of war. And, at every stage, as a medium of all kinds of entertainment, the broadcast service has been the poorer. Even now, in wartime, there is no justification for the entertainment side of broadcasting, or indeed for any side apart from security restrictions, being crippled by the control of any Government department, MoI or Treasury; and, in peacetime, the first aim should be the introduction of some element of competition—and competitive efficiency.

Shorter Notes

President Roosevelt celebrated his sixtieth birthday on Friday of this week. Most fortunately, this opportunity for saluting him comes within a few weeks of the revelation of his full stature as a statesman. The United States might so easily, at this crisis in world history, have had a President who saw the truth less clearly or one whose leadership of his people was less patient and wise.

The Government has decided to lift the blockade to the extent of sending 8,000 tons of wheat to the Greeks. There is no question either of their need or of their deserts. The doubts expressed are all of the "thin end of the wedge" variety. What is to prevent the Germans from setting about the systematic starvation of the Norwegians, the Belgians or the Dutch? And if help from Britain is refused to these peoples, what play will Goebbels make on Britain's "discrimination" between her Allies?

The occupation of Portuguese Timor in December by Dutch and Australian troops hardly caused more than a passing stir among the Portuguese public, in spite of Germany's attempts to fan the indignation professed by a small section into a general blaze. Nevertheless, it is very welcome that, after discussions with Great Britain, the Portuguese Government has sent Portuguese troops to undertake the defence of the Portuguese part of the island, and that all possible cause for disagreement has been removed.

Himmler has replaced Dr Frick as Minister of the Interior and Heydrich, the "butcher" of Prague, is to succeed Himmler as head of the Gestapo and the SS. Thus the control of the entire civilian population is centred in the hands of Hitler's two most ruthless fanatical lieutenants.

Owing to the extremely difficult conditions under which printers are working in wartime, errors and misprints are bound to creep in. Last week's errata include:—

Page 97.—The first sentence of the second paragraph of *The Book Case* should read: "In fact, the problem is an economic one, a question of allocating scarce supplies of labour, plant, materials and fuel between various claimants."

Page 100.—In the Note *A Grave Blunder*, the sentence beginning "Hackled in the November debate..." should read, "Heckled in the November debate in the House of Commons, the Attorney-General said 18B meant that the Home Secretary must give each case his personal attention and not leave it to departmental routine." In the same Note, in the sentence, "If he *conned* himself to documents, by whom had they been prepared?" the italicised word should read "confined."

Page 106.—In the last column of the table in the Note *British and American Taxation*, Government expenditure, expressed as a percentage of the national income of the United Kingdom in 1941-42, should read 67.4 for total expenditure and 50.5 for war expenditure.

AMERICAN SURVEY

The Auto Arsenal

IN any assessment of the productive strength of the United States in a modern mechanised war, the fabulous automobile industry must come at the top of the list of resources. A country that can and does produce over 4,000,000 new passenger cars and over 1,000,000 trucks and commercial vehicles in a year is obviously in a far better position to produce tanks and aircraft than any other. As with any other country, total war will strain every sinew even of the gigantic American economy. But the scope of the ultimate programme and the speed with which it can be attained will both be decided by what happens in the automobile industry. Rightly, Detroit is taken to be the very centre of the arsenal of democracy; and the conversion of the industry to all-out war production is being tackled as the first job of the new War Production Board. The production of passenger cars and light lorries for the civil market, already curtailed, is to be suspended entirely at the end of the present month (though there is talk of keeping one small plant open to supply essential needs). Heavy trucks and buses will continue to be produced in February—indeed, at an accelerated rate—but this production also is to finish by February 28. The whole industry is thereafter to be considered as a single productive unit. Mr Ernest Kanzler, of the Ford organisation, has been appointed head of the Automotive Branch of the WPB, with supreme authority to direct the gigantic conversion operation. Mr William Knudsen has testified to a Congressional Committee that the process of conversion is, at the majority of plants, to be completed within five or six months.

The size of the automobile industry in relation to that of other manufacturing trades in the United States is reflected in the following table, based on the results of the 1937 census of production:—

OUTPUT OF AUTOMOBILE AND OTHER INDUSTRIES IN 1937

	No. of Plants	Avg. No. of Wage Earners	Wages Bill	Cost of Materials, Fuel, Contract Work	Total Value of Output	Value Added by Manufacture
		000's	\$000,000's	\$000,000's	\$000,000's	\$000,000's
Automobile Industry—						
Bodies and parts	936	285	440	1,275	2,080	805
Motor vehicles	131	195	316	2,394	5,096	702
Total	1,067	480	756	...	...	1,507
Machinery (excluding transport equipment)	9,961	956	1,376	2,424	5,892	3,467
All Manufacturing Industries	166,794	8,569	10,113	35,539	60,713	25,173

On the basis of the value added by manufacture, the output of bodies, parts and finished vehicles in 1937 was as much as 43 per cent of that of the whole of the rest

of the engineering industries (excluding transport equipment) and 6 per cent of that of all manufacturing industries in the United States. In that year, the industry employed half as many workers as engineering and 5½ per cent of the number of wage-earners in all manufacturing trades.

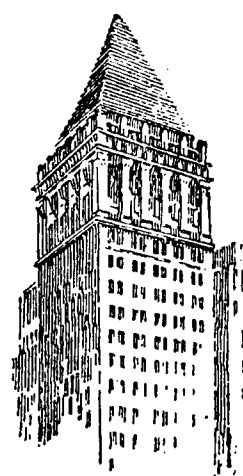
Hardly less important than the automobile industry's munitions potential is the economy in scarce raw materials that can be achieved by the suspension of the production of cars and lorries for unessential civilian purposes:—

RAW MATERIALS CONSUMED BY AUTOMOBILE INDUSTRY IN 1939

	U.S. Total Consumption	Consumption by Automobile Industry	
		Actual	% of Total
Finished Steel (net tons)	33,122,000	5,993,000	18
Iron, malleable "	565,000	286,000	51
" grey "	6,839,000	948,000	14
Rubber (long tons)	592,000	473,000	80
Plate glass (thousand sq. ft.)	157,000	117,000	75
Leather, upholstery "	39,820	27,077	68
Aluminium (net tons)	217,000	21,000	10
Copper "	801,000	110,000	14
Tin "	88,000	10,000	11
Lead "	667,000	228,000	34
Zinc "	626,000	76,000	12
Nickel (thousand lbs.)	88,000	20,000	23
Cotton (bales)	7,371,000	734,000	10
Glycerine (thousand lbs.)	150,000	18,200	12
Lumber, hard (thousand board ft.)	4,019,000	175,000	44
" softwood "	...	104,000	...

If the automobile industry can convert into war equipment proportions of the total supply of raw materials similar to these, its potential contribution to the munitions programme of the United States will be appreciably higher than is suggested by figures of employment alone.

The industry is, of course, no newcomer to munitions production; nearly two years have passed since it was first called upon by a Government in a hurry. A violent controversy has raged ever since, and is still raging, over the methods that have been followed. The critics have been led by the CIO union for the industry, the United Automobile Workers. They have urged that it was possible to convert the existing automobile plants into aircraft factories, to employ the same machines and the same labour with a minimum of transitional dislocation. This was the basis of the famous Reuther Plan, put forward by Mr Reuther, Vice-President of the UAW. The managements, however, decided otherwise and the Government, with Mr Knudsen in a key position, concurred. The automobile industry has contributed experience, skill and general "know-how," but it has set about planning to do its war production in specially built, newly equipped factories. All over eastern Michigan, these gigantic new plants have been going up, Chrysler's Tank Arsenal, Packard's aero-



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engine plant, Ford's gigantic bomber plant. But the automobile factories themselves have continued, until the present, to turn out civilian cars and trucks.

For this mode of procedure, the industry, and Mr Knudsen in particular, have been strongly attacked and accused of excessive selfish addiction to "Business As Usual." But their defence is not negligible. For one thing, they have urged, the extent to which automobile plants can be converted to munitions production has been greatly exaggerated. In recent years, the trend has been strongly towards single-purpose machinery and the great factories are full of machines designed to do, and capable of doing, only one particular job. Not more than 5 or 10 per cent, it was believed, could be converted. Moreover, at the time the vital decisions were taken, the size and shape of the problem were not appreciated in Washington any more than in Detroit. In the summer of 1940, the industry was given only about \$300 millions in defence orders to set alongside the \$4 to \$5 billions of its civil output.* It seemed entirely reasonable to set up a small and specialised munitions industry without disturbing the main automobile industry. This was, moreover, in line with the dominant philosophy of that time, which saw rearmament as a useful means of finding work for the unemployed, who were still regarded as America's most serious problem.

The Problem of Conversion

The picture of two automobile industries, peace and war, existing side by side, might have been realised, had it not been that both of them grew at an entirely unexpected pace. Armament orders piled up. The \$300 millions of June, 1940, had reached nearly \$1 billion by December, 1940; by September, 1941, it was \$3,530 millions, with more to come. More than half of these orders were for aircraft and aircraft engines; the remainder was almost equally divided between motor vehicles, on the one hand, and guns and ammunition, tanks, marine equipment and other stores, on the other hand. In October last, six companies were reported to be manufacturing, or scheduled to manufacture, aircraft engines, two were making propellers, four, together with their affiliated concerns, were assembling bombers, and a number were producing aircraft parts. One concern was producing 28-ton tanks, another tank transmissions and a third tank engines, and two more were negotiating to undertake the manufacture of 30-ton and 60-ton tanks.

Meanwhile, the civil automobile industry had been expanding almost as fast. The combined output of cars and lorries during the first eight months of last year, at 3,588,000 units, probably a record, showed an increase of 31 per cent over the returns for the corresponding period in 1940. In July output was 92 per cent and in August 94½ per cent larger than during the corresponding months in 1940. But by then the available resources of materials were no longer sufficient to satisfy the voracious automobile industry as well as the plants manufacturing war equipment. Output was therefore restricted by the Government, not without some resentment among some members of the industry; in September, factory sales of cars and lorries were 11 per cent smaller than a year earlier, and since then production has been tapering off rapidly as a result of official intervention.

Whether more could reasonably have been done than has in fact been accomplished is very difficult to assess. The automobile industry cannot fairly be criticised for not waking up to the necessities of defence earlier or faster than the United States Government. Nor can it be blamed for failing to impose a sacrifice of civilian convenience (at its own expense) on a public that believed it could have limits within which conversion is possible, that seems to have been decided against the managements, since the basis of the present programme is 100 per cent conversion within six months. As in Great Britain in the early months of the war, the possibilities of converting peacetime plant to war-countries, it is almost certain that the reason is to be found in the presence in dominant positions of business men, with their conscious or unconscious preoccupation with "Business As Usual." Labour, and particularly Mr Reuther, can claim to have been right on this issue—or, at least not so wholly wrong as they were told they were by the experts—and this claim was made the basis of a demand during December that the unions should be directly represented on the body that was to have the final voice in managing the affairs

* These figures and some other facts in this article are derived from articles in the November, 1941, issue of *Fortune*.

of the industry. The OPM yielded to this demand to the extent of setting up a committee of five labour representatives and an equal number representing the managements to draft plans for the industry's conversion to war work. But the committee failed to reach agreement. The management representatives wished to confine its power to recommendations, leaving control in their own hands; they pointed out that there was no way to give Labour an equal voice in pooling the industry without socialisation. In order to smooth out the controversy, a sub-committee was established on January 10th for advisory purposes. This committee has seven members, three representing labour and three for management, with Mr Cyrus Ching, formerly of the US Rubber Co., as chairman. But this body is advisory only; Mr Kanzler does not share his executive powers with it.

The Public Sacrifice

The way is now clear for the change-over to war production of virtually the whole of the world's largest mass-production industry; its output of machines of war is to reach \$5 or \$6 billions in the present year—more than twice what was expected before Pearl Harbour. The sacrifice of convenience that is being imposed on the American people should not be underrated. Even in Great Britain, with its far smaller distances, the public has shown a very strong desire to keep its cars on the road and to accord motoring a much higher place in the scale of necessities than might seem reasonable on *a priori* grounds. In America, the automobile is far more of a necessity—a physical necessity, not merely one of convention—than in any European country. As cities have grown and industrial districts have spread, public transport facilities have not been provided, because the workers travelled between home and work by car. The whole Los Angeles region, now vital as an aircraft manufacturing centre, would come to a standstill if private cars were stopped. A recent survey reached the conclusion that the annual private car mileage that could be classed as "necessity" amounted to nearly 3½ times the total passenger mileage of all other forms of transport combined.

A stoppage of passenger-car production does not, of course, mean a prohibition of passenger-car use. There are some 27,000,000 cars on the roads of the United States, of which some 4,000,000 are Government and commercial vehicles. In recent years, about 2,000,000 a year have been scrapped, and this figure is not likely to be reduced, however great the efforts made to keep cars running, as, owing to the very large production at the end of the 1920's and the very small production in most of the 1930's, an unusually high proportion of the cars on the road are old—it is estimated that 5,000,000 are over 10 years old. The spare parts do not exist for patching up these cars. Moreover, the existence of a stock of cars is of comparatively little assistance in meeting new demands for transport owing to shifts in the population. Stocks in dealers' hands plus the unsold production of recent weeks provide a fund of approximately 650,000 new cars. This stock has been frozen and a rationing scheme will go into effect on February 2nd. Buyers will be limited to the following categories: (1) Physicians, surgeons, visiting nurses and farm veterinarians; (2) Firemen, police, public health officers, mail carriers; (3) Persons who had bought cars on January 2nd but had not taken delivery.

Thus, as in Great Britain, the private car-owner will not be able to buy a new car. He will have growing difficulty in having his existing car repaired. There is the strictest rationing of tyres and, in some parts of the country, petrol rationing is a possibility. To an extent that is difficult for a European to realise, there is a very large transport problem in the making in the United States. There is some irony, but more logic, in the fact that the first sector of the American standard of living to feel the effects of war is that of which the American has always been proudest.

Investment in 1941

[FROM OUR NEW YORK CORRESPONDENT]

January 2nd

THE capital markets of 1941 reflected, as would be expected, the cross currents of the year. For the stock market, the trend was gradually downward. January and February brought a marked decline of over 10 per cent in the averages; from March until the end of May there were four months of general stagnation, followed by a rally from early June to mid-July, which, at its peak, did not quite regain the early January figure. The remainder of the year saw a continuous, but gradual, decline to the end,

the net drop of the index from January to December being about 20 per cent—the lowest year-end for seven years. This occurred despite the fact that production rose steadily and rapidly throughout the year, that commodity prices rose considerably, and that the banking data were generally of the type called "inflationary." In short, common stocks hardly lived up to their reputation either as mirrors of industrial activity or as hedges against inflation.

New capital issues also reflected, as usual, the public aversion to common stocks. Flotations totalled about \$2,400 millions, against \$3,000 millions in 1940; of this total over \$2,000 millions were bonds. Local government borrowing, as usual, was about \$750 millions, a figure which approximates the annual retirements in that field. Such corporate financing as occurred was, as usual, mostly in the form of bonds carrying an extremely low coupon rate, generally 3 to 3½ per cent.

The Treasury offered five long-term issues during the year, of which the first (\$1,100 millions, 7-9 years, at 2 per cent, in March) was entirely refunding; the second (\$1,000 millions, 11-13 years, at 2½ per cent, also in March) was about half refunding; the third (\$1,500 millions, 14-16 years, at 2½ per cent, in June) about half refunding; the fourth (\$1,600 millions, 25-30 years, at 2½ per cent, in October) entirely cash; and the fifth, a cash offering in December of 25-30-year bonds at 2½ per cent (\$1,000 millions) and 10-year bonds at 2 per cent (\$500 millions). Altogether, by bonds and notes, the Treasury obtained about \$5,000 millions from the capital market in 1941, at a rate no higher than 2½ per cent, and the bulk of it for long term. Of this, approximately half was taken by the reporting member banks and the remainder by the public—mostly, it is presumed, institutional or quasi-institutional in nature. In addition, the public—in this instance largely individuals—took some \$2,500 millions of defence bonds and stamps, following their introduction in May. Another \$1,500 millions was realised from tax anticipation notes, sold largely to corporations, although available to individuals.

To sum up, in 1941 the borrowings of the Treasury were close to \$10,000 millions, of which about one-quarter was bank credit, and three-quarters—about \$7,000 millions—were "savings." Adding the corporate and local issues, the visible public investments of the year was about \$9,000 millions—the largest for any year since 1929. This figure is the equivalent of some 10 per cent of the national income. While it may be indicative of national savings, it should not be taken as identical. There was undoubtedly a substantial sum of business saving that went directly into plant and equipment; there was a very large sum, especially in the early months of the year, invested in residential building. On the other hand, at the beginning of the year, it was believed that there was a good deal of idle cash accumulated from previous years; and this, if invested in some form that could be tabulated would swell the total of apparent current saving. Finally, it appears that the public (individual and institutional, apart from the banks) split its 1941 investments four ways—about \$2,500 millions for marketable Government issues; about equal amounts for defence bonds and for new corporate issues; and a rather similar sum for such personal investments as homes, etc. These figures are far from being statistically precise, but they give an impression that is probably not far wrong.

American Notes

Roosevelt Counters Lewis

With the branding of Mr John L. Lewis's peace proposals as an "Isolationist plot," designed to rehabilitate himself and seize control of the whole Labour movement, the way was opened for counter measures by the President. Despite the Lewis fiasco, a strong demand for labour unity continues. The new moves envisage co-operation, but a merger is seen as undesirable in that it would certainly involve much jockeying for position among Labour leaders and might create more difficulties than it would solve. The CIO and AFL have accepted the proposal that each should send three representatives to a joint committee to meet with the President to maintain inter-organisational peace during the war. Mr Lewis's name is not mentioned among the candidates for the CIO delegation, which is reported to include Mr Murray, president of the CIO, and Mr Hillman,

now in charge of labour for the War Production Board. The first meeting with the President is expected to take place on February 15th, and it is hoped that a formula will be arrived at speedily in order to prevent jurisdictional disputes between the two organisations. There has been some press criticism of Mr Roosevelt for "attempting to be his own Bevin." It is certainly unfortunate that so many decisions rest on the President, but in labour questions it is particularly difficult to think of any other man who would be welcomed by both sides and who has sufficient prestige to produce an early agreement.

Price Control and the Farm Lobby

Popular disapproval of farm *bloc* pressure has prompted a compromise on the Price Control Bill, which now has been passed by both House and Senate. The O'Mahoney amendment, establishing fantastically high "floors" for farm prices, has been rejected, but the Bankhead amendment, giving the Secretary of Agriculture a virtual veto over limitations of farm prices, has been retained. The new minima for farm prices are 110 per cent of "parity" or the prevailing prices last October 1st or December 15th, whichever are the higher. The retention of licensing, a single administrator, and the elimination of the price review board reflect Administration views, but the exercise of a veto by the Secretary of Agriculture may mean that the final decision on farm prices, like so many others, reverts to the President. At the end of the year farm prices, in relation to costs, were about 99 per cent of "parity"; during 1942 farm prices are expected to average about 25 per cent over 1941, due to higher consumer incomes and continued purchases for Lease-Lend shipments, and farm income will, it is estimated, stand at about two billion dollars over 1941. This will be partially offset by higher costs. The 11 per cent increase in the cost of living is due largely to rising food and clothing costs, particularly in the lower-priced commodities, which means that the lowest income groups have been the hardest hit. Historically, the American farmer has always lobbied for a higher price level to lighten the burden of farm indebtedness and increase farm incomes, and because of its election on a geographical rather than a population basis, the Senate exaggerates the agricultural interest. Two farmers' organisations have disclaimed any desire to set unduly high prices, and it may be that farm Senators have gone farther than their constituents would have wished them to. Farm profiteering at the expense of the rest of the community can only be detrimental to morale and production and may create an even greater agricultural crisis after this war than that of the thirties. As was pointed out two weeks ago, the essential goal is an orderly and equitable reduction of civilian consumption all round rather than a struggle by competing interests to increase their share of a diminished national pool.

Remember Pearl Harbour

Unpreparedness and sheer dereliction of duty at Pearl Harbour, an amazing lack of co-ordination between the Army and Navy, and lack of foresight and drive in Washington are all emphasized by the Roberts Commission's investigation into the success of the Japanese attack. Although a plan of defence against air attack had been drawn up at Colonel Knox's instigation, it is clear that neither in Hawaii nor in Washington was the possibility of heavy air raids taken very seriously. Messages from Washington directed attention to the likelihood of sabotage and submarine attack, implying that aggressive Japanese action would probably be undertaken in the Far East. Out of a desire to avoid provocation, Japanese cables in code were not interfered with until December 7th, with the result that the Japanese had the most precise information about the absence of long-range reconnaissance, the location of airfields, and the berths of naval units. On the other hand, the American authorities were completely ignorant of the fact that Japanese carriers were at sea. In Hawaii itself Lieut.-General Short relied on the Navy's patrols far off-shore, without troubling to discover that they were flown on weekdays only, and then purely for training purposes. The Navy assumed that the Army was operating an adequate aircraft warning system, while in fact this was only a makeshift affair and shut off each morning at seven. The Japanese naturally timed their attack for after seven on a Sunday.

It is hard to escape the conclusion that, professionally, the Army and Navy were hardly on speaking terms. Bad luck prevented the receipt, in time, of a warning sent from Washington just before the outbreak of hostilities. The Commission reports an insufficiency of material at Pearl Harbour, but basically the disaster was due to failure to use the material at hand, to complete mental unpreparedness and misconception of the character of Axis methods, not only in the officers on the spot, but in official circles in Washington and in public opinion. It is reported that Admiral Kimmel and Lieut.-General Short may be court-martialled, but another urgent necessity is increased co-ordination between the Army and Navy, which President Roosevelt has reported to be well in hand. Pearl Harbour was a tragic disaster, the effects of which will continue to be felt for some time. But in serving to awaken the United States to its danger, and in underlining the shortcomings of yet another democracy's preparations for total war, it has had its uses.

America's Foreign Born in Wartime

The United States is unique in the degree to which its population is made up of foreign born. Over 14 million, about 10 per cent, of the American people were born outside the country, and, of course, the number of "second-generation" Americans is far greater. Of particular interest at the present time is the number of those who might, owing to their foreign birth, be sympathetic to the Axis, and, on the other hand, those whose instinctive sympathies lie with the countries of their birth either fighting German aggression or suffering German occupation. The table below divides the main groups of foreign born into those of Axis or anti-Axis origin. The figures are derived from the 1930 census, but there has probably not been much significant change since then.

		(000's)		
Axis			Anti-Axis	
Germany	1,609		Great Britain	1,402
Italy	1,790		Nor., Swed., Den.	1,122
Japan	71		Poland	1,269
Hungary	274		Czechoslovakia	492
Austria	371		Russia	1,154
			Canada	1,278
	4,115		France	135
			Jugoslavia	211
				7,063

In addition, there were about three-quarters of a million Irish from the twenty-six counties. The legal status of the 14 million foreign-born varies. Some are naturalised citizens; others have taken out naturalisation papers and are in process of becoming citizens (the United States requires a five year interval between the first application and the grant of citizenship); others have never bothered to take out papers. All three groups are affected by measures recently adopted or before Congress. Registration of all enemy aliens in the United States, Puerto Rico, and the Virgin Islands has been ordered by Presidential Proclamation. This will affect all the 71,000 foreign-born Japanese, who have not been eligible for citizenship. After a date to be fixed, aliens will be required to carry identification cards. The new registration will be more detailed than that conducted in 1940 and will include photographs and other information. Certification of enemy aliens will begin first on the West Coast, where most of the Japanese are concentrated. A Bill passed by the House and now before the Senate provides that naturalisation papers may be revoked if the citizen's conduct "establishes that his political allegiance is to a foreign state or sovereignty." The same Bill contains provisions for relaxing residence requirements for naturalisation in favour of aliens in the U.S. Armed Forces. Large scale revocation of naturalisation is unlikely.

The number of American residents of Axis origin is no clue to the magnitude of the fifth column menace, as a large proportion of the Germans and Italians are unquestionably loyal. Observers are struck by the eagerness with which aliens are volunteering for civil defence work and the forces. One notable example is that of Frank Capra, the well-known Italian-born film producer, who has announced that he will make no more pictures for the duration, and is shortly to join the Signal Corps. A group of Japanese-

Americans in California has started a drive to buy an anti-aircraft gun, and all over the country they are organising the purchase of Government Bonds. The degree to which the United States has been able to secure the undivided loyalty of its foreign-born groups is a test of the success of the "American way of life" and it seems unlikely that it will have failed to any considerable extent.

National Income

Net national income during 1941 is estimated by the Department of Commerce to have reached the record-breaking total of \$92 billions, \$9 billions more than the previous high of 1929). In the current fiscal year (ending June 30th), it is expected to total \$100 billions. The wholesale price level in 1941 was still below that of 1929, though towards the end of the year it was approaching the 1929 average. Income payments to individuals (a concept slightly different from that of net national income) have increased rapidly, and in October were at the rate of \$95 billions a year, an increase of 25 per cent over August, 1940. The average rise in wages and salaries was 27 per cent for the first nine months of 1941, largely due to additional employment and increased hours of work, although average hourly earnings have increased 14 per cent. Earnings of large industrial corporations, in spite of heavier costs and taxes, were 31 per cent higher than in 1940, but the increase in dividends has not been proportionate. Durable goods industries averaged profits 40 per cent higher than in the first nine months of 1940; aircraft equipment companies led the way with an increase of 87 per cent.

Shorter Notes

The President's plan for outside "umpires" for the War Labour Board has been abandoned, and instead 24 associate members have been appointed to assist the Board. It is reported that eight are labour organisation officials, eight represent industry and eight are non-partisan.

A further appropriation of \$300 millions has been asked for to aid workers displaced through the conversion of industry to war production. It is proposed to make grants up to 60 per cent of normal earnings, with a maximum of \$24 a week. The Treasury is considering a plan to alleviate income-tax burdens on those thrown out of work through conversion of industry.

The Interstate Commerce Commission has granted the railroads a 10 per cent increase in passenger fares and is considering similar increases in freight rates. The main reason for the application by the railroads was the increase in wages granted last month to the Railway Brotherhoods. Rationing of pleasure travel is under consideration.

Gallup Poll on President Roosevelt's administration:—			
Result:—	Approve	Disapprove	Undecided
(a) At present date...	84%	9%	7%
(b) Early Dec. (before Pearl Harbour) .	72%	19%	9%

Orders for 24 prefabricated escort ships are turning Denver, Colorado—1,200 miles from the sea—into a ship-building centre. The ships are to be exactly alike, and standard parts from twelve steel firms will be assembled at Mare Island Navy Yard, near San Francisco.

A Federal Daylight Saving Bill has become law, and clocks will be advanced by one hour from February 9th. It will presumably still be open to states and municipalities to add another hour in the summer if they wish, but such action is perhaps unlikely. At midsummer the day in the United States is appreciably shorter than in the British Isles.

THE WORLD OVERSEAS

Trade with Germany

(By a Polish Correspondent)

THE statement in the Atlantic Charter about universal access to international trade and raw materials and the Allies' intention, stressed by Mr Eden, of not seeking to ruin Germany economically are unexceptionable, as they stand. But they will need the most careful interpretation. It will be necessary to guard against any repetition of those practices in German trade which, before the war, made German trade policy simply an instrument of power politics.

It is very dangerous to say that, when the Nazi politicians have been beaten, German business men can then be left to get on with the job of normal trade relations. If the preliminary commercial understanding reached in the spring of 1939 by the Federation of British Industries and the *Reichsgruppe Industrie* at Dusseldorf had not been abandoned, a great export cartel would have been the result, which would have strengthened powerfully Germany's economic grip on Eastern Europe. Caution is always needed in regard to Germany before treating organisations of German traders as independent entities ruled by motives of efficient trading and subject to usual business standards. German trade development has tended, before Hitler, to be intertwined with Germany's political expansion, of a deplorably aggressive type. Ultra-nationalist movements and associations have not only been financed, but even founded, by leading industrial, shipping and banking concerns. From the late twenties, they readily bore the financial burden of supporting the Nazi party. As long ago as September, 1914, prominent business men, such as von Thyssen and von Reckberg, were urging the annexation of the French iron-ore district of Briey. This *Raubritter* (Robber-Knight) attitude of Germany's industrial leaders was no less apparent in 1911, when the Mannesmann Concern's Moroccan concessions almost caused an armed conflict, than it was in 1936, when the *Frankfurter Metallgesellschaft* was defending its Spanish concessions, obtained from the Gil Robles group, against the Leftist Government. German banks were supporting various subversive activities in South-East Europe, when the Hitlerites were nothing but a handful of ridiculed adventurers; and with no less money or determination, they supported the Nazi Putsch in Austria in 1934 and the Fascist uprising against President Vargas in Brazil in 1938. The Nazis, Funk, Clodius, Wohltat and the rest, followed on a well-beaten path.

Offensive Sweeps

Moreover, even apart from the usual political background of German trade policy, its usual methods scarcely make it a factor fitting into the free and natural exchange of goods and services. Most of Germany's successes in international trade have been directly or indirectly due to taking advantage of monopoly or quasi-monopoly conditions, existing or artificially created. The remarkable cheapness of German exports was largely the result of British, Dutch and Swiss acceptance houses supplying German banking and trade concerns with cheap money used by them to pay for their imports of primary produce; and a large portion of those short-term credits used to be redistributed by Germany amongst her needy neighbours at a profit. The difference in the rate of interest not only strengthened the German balance of payments, but also enabled Germany to exercise a strong pressure on both suppliers and competitors in Eastern Europe. German re-export policy was based on hindering direct trade relations between the East and South-East of Europe, on the one side, and overseas countries, on the other. Extensive export subsidies, from state funds or by industrial levies, also accounted to no small extent for the cheapness of

German goods. This was felt painfully by British competitors. The German exporter's adaptability was in part only due to skill and salesmanship; Germany's export successes were due primarily to the centralisation of German industries, to the support given by the German Government, and to the efficient and widespread net of German agents and representatives abroad. A Danubian, Polish or Baltic exporter had little more chance against a German competitor, represented by strong German export cartels, under the Weimar Republic, than when the Nazis set up huge basic combines successively swallowing German manufacturing industries. Even the highly capitalised and experienced exporters of Western Europe were hardly a match for the German battering-ram—being unable to cope with the ingenious trade agreements policy, with its "Aski" and "blocked" marks, clearing and compensation arrangements forced upon weaker partners, its fictitious long-term credits, and so on. And in any commercial deal, the Germans tended to insist on a German or German-controlled shipping line, carrier, broker, insurance and storage company, while on the financial side trusteeships, control and supervision, exchange transfers and operations had to be entrusted to German banks and agents.

The Victims

Eastern Europe was, of course, most exposed to all devices. Those people who may still cling to the notion of Germany as an economic link between that ill-fated part of Europe and the West should realise that Germany's trade policy was, and is, simply aimed at deepening the economic isolation of the East and South-East of Europe. This was undoubtedly the object of artificially raising prices in that region when they were already far too much above the world level; of purchasing their raw materials and foodstuffs through clearings and dumping them half-price in sound currency countries; of forcing these weak economic units to grant long-term credits to Germany, or to surrender goods against deliveries of German machinery at some uncertain future date—thus depriving them simultaneously of their selling and purchasing power in international markets. These tricks are now only too well known; but it is important to characterise the German "economic mission" in Eastern Europe, with its meretricious appeal, as involving a minimum of collaboration with a maximum of exploitation. Another striking example of the dangers of German trade was furnished by Soviet Russia, for which Germany as early as the days of Rapallo tried to become "sole agent" for the whole world. In practice, however, the German concessionaires, commercial agents and technical experts met with much scepticism.

It is well known, too, that German economic domination recently loomed over Latin America, with Mexico, Brazil, Chile and several small coffee-exporting countries particularly affected. German minorities played their assigned rôle and the process of political disintegration was advancing. Indeed, Britain's blockade, though causing substantial inconveniences, nevertheless saved Latin America's economic independence and political integrity.

The slogan "Beware of German Trade Habits" should be heeded by all those who are planning a better and more prosperous future for the world. The goal should be free and peaceful trade with Germany. But German commercial regeneration will have to be part of Germany's entire regeneration, political, cultural and social. The idea that there are honest and well-intentioned German traders just waiting to step into the shoes of their Nazi or militarist usurpers is belied by history.

Price Stop Policy in Europe

(BY A CORRESPONDENT)

PRICE stops after the German model have been introduced in the occupied countries. The Germans discovered, however, that these countries lacked the centralised administration and organisation which made the German system reasonably successful in maintaining an arbitrary price level for consumption goods. Even in Germany, price fixing became a complex affair under the conditions of a planned war economy. Yet effective industrial collaboration with the occupied countries needs some uniform price stop and costing system as a substitute for the relatively free market prices before the occupation. The occupied countries have accepted the price stop as well as price commissars, but the system has produced no visible results.

It is interesting to note that, even in totalitarian Italy, where various attempts to introduce a *blocco dei prezzi* principle have been made since 1937, no adequate machinery has so far been developed. A host of ministries, committees, and corporations have been entrusted with the control of prices. But their efficiency varies, and some of them have yielded far too often, according to the Italian press, to the demands of agricultural and industrial producers for higher prices. As a result, most prices have risen considerably and permanently for a number of years.

Early in July, 1941, the secretary of the Fascist party was entrusted with the co-ordination of price control in the food-producing industries, and he intends to take the costing methods of every economic unit under his control; similar measures have indeed been used for price control in Germany itself. It is doubtful, however, whether he has yet succeeded in building up a stable control machinery; the *Tribuna* newspaper complained, late in 1941, that maximum food prices are often ignored by the individual shopkeepers, and *La Vita Italiana* mentioned that the price of a certain food varied by as much as 20 per cent, "owing to the abuse and defiance of price control on the part of certain industrial producers, and also of certain retailers." Furthermore, some important exemptions from the price stop principle have been granted quite recently; the price of olive oil was increased by 50 per cent; prices for tobacco and tobacco products by about 30 per cent; and prices of salt (for industrial and agricultural use) by between 25 and 100 per cent.

The price stop principle was introduced in France immediately after the outbreak of war, but the official cost-of-living index still rose by 40 per cent between September, 1939, and September, 1941, and it is probable that the actual price increases have been even larger than indicated by the figures. A comparison between the official price reports on which the cost-of-living index is based and the available price data from Paris stores shows the latter prices to have risen more quickly in most cases. It is known, moreover, that the Paris price increases have been appreciably smaller than in the provinces. Wholesale prices have risen more steeply than retail prices; for instance, textiles have more than doubled; feeding stuffs have trebled; and prices of copper, lead and scrap-iron have risen by about 50 per cent.

Price Rises in the Balkans

The price structure of south-eastern Europe has been adversely affected by the various political ups and downs since 1939. Price indices are only available up to the summer of 1941; at that time, compared with August, 1939, the price level had risen by the following percentages:

	(Per cent increases)	
	Wholesale Prices	Cost of Living
Roumania	136.5	90.0
Hungary	45.2	29.6
Bulgaria	41.5	31.2

The actual price increases are probably larger than these official calculations. As for other south-eastern countries, the increase in wholesale prices was over 50 per cent, in the same period, in Slovakia; the Belgrade cost of food has risen, according to the *Pester Lloyd*, by 35 per cent, and that of clothing by 45 per cent; and in Greece, prices are also reported to be continuously rising.

Various measures to control prices have been taken in all south-eastern countries since 1939 or early in 1940. An "elastic" price stop was introduced in Hungary in 1939; Rumania, after various experiments, decreed maxi-

mum prices and maximum profit margins in March, 1941; maximum prices, though only for certain goods, were also decreed in Yugoslavia during 1940. But, as the Rumanian Minister for Economic Affairs has pointed out, it has sometimes been necessary for the Governments to allow price increases, since otherwise individual producers would have operated at a loss.

In recent months, the Balkan administrations have taken, on Germany's advice, more rigid measures of control, particularly in Roumania, where the price increases have been most threatening so far. A price stop has also been introduced for numerous commodities in Bulgaria, while the Hungarian Government has decided to employ large numbers of detectives for the control of prices. Martial law for speculators and profiteers has been proclaimed in Serbia, and a new Croatian Minister of Trade has proclaimed that everything his predecessor has done to control prices has been on much too small a scale.

Failure in Scandinavia

The price regulations of the Scandinavian countries have also been a complete failure. A price stop order which was issued in Finland in October, 1940, was so ineffective that a new general price stop had to be introduced in November, 1941. The cost of living in the summer of 1941 was more than 40 per cent above the 1938-39 level; wholesale prices of industrial raw materials had even doubled in the same period. The upward movement continued at least up to October, 1941, when, for instance, the prices of milk and butter were considerably increased.

The Norwegian price level is perpetually rising, though a price stop order was introduced immediately after the German invasion. Up to July last the Oslo cost of food index had risen by 35 per cent above April, 1940, and by 50 per cent above August, 1939; fuel prices had risen by more than 100 per cent since the outbreak of war.

A less rigid price control is in force in Sweden and Denmark, where a general price stop is regarded by the Governments concerned to be incompatible with a smooth industrial and agricultural production. Denmark uses a great variety of measures to control the price-level; these include maximum prices, maximum profit margins, standard prices, and price control councils whose permission is necessary before a price increase is put into effect; the latter technique is also common in Sweden. Both countries have failed, however, to stabilise their commodity prices. During the first two years of the European war, the wholesale price indices rose by 85 per cent in Denmark and by 56 per cent in Sweden; the respective rises in the cost of living were 50 per cent in Denmark and 30 per cent in Sweden; these prices were spread fairly equally over the whole of the period, that is, before and after the German onslaught on Scandinavia.

Shortages in Eire

[FROM OUR DUBLIN CORRESPONDENT]

January 1942

THE Minister for Supplies has prepared for a widespread extension of rationing. Hitherto, official rationing has been confined mainly to petrol and other mineral oils, tea, sugar, cocoa and coal; but, in order to be in a position to apply any extra rationing that may be necessary, a special register of the population is being prepared, and ration books will be available for distribution at short notice. Unfortunately, it now appears that, contrary to earlier expectations, an acute shortage of cereals may be experienced, and the rationing of flour and bread until after this year's harvest is almost certain. The output of wheat was estimated at 290,000 tons, but the actual amount available is only 190,000 tons. As the total requirements of the country amount to 370,000 tons and as 40,000 have already been imported, this means that 140,000 tons of wheat still have to be imported if normal consumption is to be maintained. This unforeseen large importation of wheat will completely tax the capacity of Irish shipping until after the harvest, and imports of other commodities may be expected to be drastically reduced. The amount of oats and barley available are also less than the amounts estimated, and it will not be possible to offset the short supply of home-grown wheat by an admixture of other cereals. Malting has been temporarily stopped pending an investigation into the whole cereal situation. The principal causes of this disappointing situation are over-optimistic statistics of acreages and yields

and the withholding by farmers of part of their crops. The Government has made a further strong appeal to farmers to render available whatever crops are in existence and to increase output in the present year. Farmers, however, are agitating for a higher price for wheat than the present price of 45s. a barrel, which is officially considered quite remunerative.

The fuel situation shows little sign of improvement. However, it is satisfactory that so much of the winter should have been surmounted without an acute shortage of the principal fuels. Imports of coal have been greatly reduced, and there is no reasonable ground for expecting any increase in the near future. The limited quantity of coal already in stock is being preserved as an iron ration, and will not be released except in an emergency. Turf production has on the whole been satisfactory, and there is no shortage of turf in the country. Indeed, it is a curious thing that many people have not taken up their ration. Much of the turf that has been on sale has not been very dry or very good, but there is every reason to believe that the quality will improve in the light of the experience of the present season. A large amount of timber has also been rendered available, mainly from State forests. Luckily, it has been possible to postpone the rationing of gas in Dublin, which would have been the cause of acute inconvenience to the whole population. The British Mines Department is supplying a regular quantity of coal to the Irish gas undertakings, which, though very small compared with pre-war supplies, is sufficient to ensure a continuous supply of gas for heating and cooking in the larger urban areas. The Government has addressed an appeal to the public for the utmost economy in the consumption of gas.

Half-an-Ounce of Tea

Other commodities which threaten to be in very short supply, owing to the extension of the war, are tea, paper, soap and candles. The tea ration has again been reduced, to half-an-ounce per person per week, but it is hoped that this amount may be increased soon. Large quantities of tea have been purchased in India and are on their way to Ireland through the United States, but with the prevailing conditions both in the Pacific and in the Atlantic the arrival of this tea is by no means certain. The paper situation is extremely serious. The most that can be expected this year is about one-fifth of the normal pre-war imports. The future supply of newsprint is by no means assured, and the quantity that can be produced by the Irish mills will only relieve the situation to a very minor degree. The outlook for the Irish newspapers is alarming, and some of the leading Dublin dailies have announced increases in their prices, which have been postponed pending official investigation. The possibility of importing the raw materials for candles and soap in the future must be regarded as remote, and the quantities of these articles available for distribution will continue to be extremely limited.

New Puppet Government in the Protectorate

[BY A CZECHOSLOVAK CORRESPONDENT]

January 27th

THE re-organisation of the puppet Government in the Protectorate of Bohemia and Moravia, which was carried out on January 19th, abolishes one of the last traces of the so-called autonomy and degrades the Ministers to minor clerks of the German administration.

The appointment of the German Nazi, Dr Walter Bertsch, as Minister of Labour and Economics puts the entire economy of the Protectorate under direct German control. He had already gained a reputation for plundering to the occupied countries when he acted as collaborator to the Reich Minister of Economics, Funk. The Czech Quisling, Colonel Moravec, has also become a Minister, he is in charge of "Popular Culture," although few people would call him either popular or cultured. The offices of Prime Minister, Public Works, Social Welfare, and Health have been abolished, and the former Prime Minister, Dr Krejci, is now chief of the Cabinet and Minister of Justice and Education. The Ministries of Industry, Commerce and Trade have been transformed into a Ministry of Agriculture and Forestry under M Hruby, while Dr Kamenicky has become Minister of Communications and Dr Kalsuf Minister of Finance.

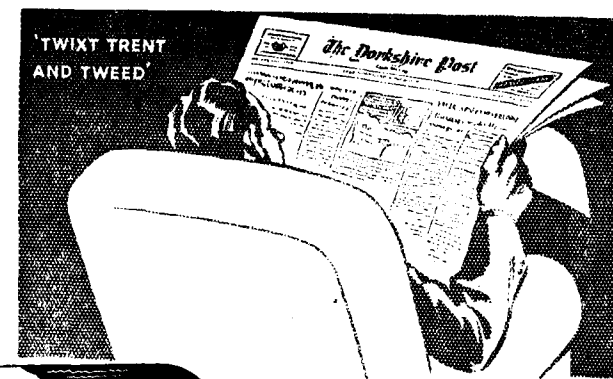
The official language at Cabinet meetings will in future

be German, and even the word "Protectorate" has been replaced in official documents by "the former Czech Provinces." All these measures are intended to simplify the administration under German control and to adapt it to the German model. The fact that a German takes part in the meetings will prevent any further attempts to evade German orders. The hope has also been expressed in Berlin that, after the reconstruction of the Government, the Protectorate will become Germany's best armament workshop after the Rhineland.

One of the reasons for the inadequacy of the former administration was, in the eyes of the Nazis, the complete failure of the collection of warm clothes and skis for the German troops fighting in Russia. The appeals for voluntary sacrifice addressed to the Czech public by Czech quislings had been of such little success that the German authorities had to threaten with the death penalty all those who sabotaged the collection. The Czechs distributed surreptitiously their surplus clothing among poorer countrymen in order to be able to prove to the Germans that they had none to spare. In Prague there were 41 collecting centres, but special collecting commissions consisting of armed quislings and SS Troops had to visit households and even shops. The Czechs burnt their skis rather than deliver them to the Germans. They could not dispose of them in the country as the transport of skis on the railways or by other means was forbidden.

Forced Labour for Children

A single common authority has been substituted for the individual trade unions, which is under the leadership of another quisling in Vaclav Stoces. He had created a single editorial office which publishes thirteen of the former trade union papers, while another thirteen have been suppressed. Heydrich has ordered all Czech children to register at the German controlled labour exchanges as soon as they leave school. The German authorities will decide what work each child is to take up and will do so "according to the requirements of the labour market." All youth clubs have now been incorporated into the Hitler youth movement and have been told that they are expected to switch over to the German language in the near future.



Voice of the North

There are times when we need some guidance to focus the happenings of the world to our own daily lives. Why not look for that guidance in *The Yorkshire Post*? Its fearless criticisms, its forthright and independent opinions and its responsible judgments have earned it the respect of all who read it regularly.

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Y.P.S.

Letter to the Editor

The Rise of Brutality

TO THE EDITOR OF THE ECONOMIST

SIR,—In my previous letter I stated definitely that your correspondent's article on Vansittartism was based on a series of definite falsehoods, and I invited him or you to substantiate them by anything I have said or written. You decline to do so, and you are wise, because you could not do so.

What your footnote to my letter says is this: "If a man writes he must expect to be misrepresented, and we cannot agree that this attitude is unfair." For my part, I cannot agree with this attitude.

In the interest of clean controversy, I therefore repeat my challenge. If you will not meet it, the least that you can do is to withdraw the three flat untruths on which your anonymous correspondent based his article.

I should add that I am not a reader of *The Economist*, and, therefore, could not be aware that all your articles are anonymous. If, however, that is your principle, I withdraw my suggestion that your correspondent should come into the open, but I maintain my legitimate request that he should define and substantiate it.

Yours faithfully,

VANSITTART.

[There is no justification for Lord Vansittart's indignation. Only two words were attributed to him in the article in *The Economist*. These two words were "butcher birds," and it is to be presumed that Lord Vansittart was not referring to them as "flat untruths." For the rest, the article made certain statements about the effect of Lord Vansittart's writings, and about an attitude of mind to which the name of Vansittartism was applied. The first point—the effect of Lord Vansittart's writings—is one on which it must be said, with respect, that other people are perhaps better able to judge than Lord Vansittart himself. As for "Vansittartism," if Lord Vansittart wishes to be convinced (a) that there is a school of thought answering to the description of it in our correspondent's article, and (b) that it takes its inspiration from his own writings, he need look no farther than the leading articles and correspondence of the Sunday newspaper in which his own signed contributions also appear. And if, when he has convinced himself, he would publicly and specifically disown the opinions which he now so indignantly repudiates, he would be adding to his great services to the country.—EDITOR.]

Books and Publications

Shorter Notices

"Butterworth's Emergency Legislation Service." King and Moore's Excess Profits Tax Supplement. Butterworth and Co. (Publishers) Ltd. 5s. Original work together with cumulative pocket supplement, 45s. Postage 1s.

The cumulative supplement to Butterworth's Emergency Legislation Service is prepared in two parts. The first provides explanatory addenda relating to those parts of the original work which covered NDC and EPT legislation. The second part brings the work up to date by summarising the relevant sections of the Finance Act, 1941, and subsequent Excess Profits Tax Regulations. As in the original work, a preliminary note is followed by textual reproduction of the relevant clauses of the legislation in question and critically annotated. The supplement completes a production which is unquestionably the most full, lucid and informative presentation of EPT legislation which has yet appeared.

"Financial Post Survey of Mines, 1941-42." The Maclean Publishing Co. Ltd. \$2.00.

The sixteenth annual edition of the Financial Post Survey of Mines is now the most comprehensive review of Canadian mining activities on the market. It provides details of ore reserves, earnings, dividends, prices and directorships for the whole field of Canadian mining and furnishes indispensable information at a time when

Canadian mineral resources are being developed with increasing intensity in response to the demands of war output.

The Financial Post Survey of Corporate Securities, 1941
The Maclean Publishing Company of Great Britain
9s.

The 1941 edition provides an invaluable guide to Canadian securities, covering the capital, profit and dividend position of 1,500 companies in a wide investment field.

Books Received

This is England To-day. By Allan Nevins. (New York) Scribners. 164 pages. \$1.25.

Marketing Organization and Technique. Edited by J. McKee. (London) H. Milford. 121 pages. 11s. 6d. net. Paper cover.

Mediterranean Cross-Currents. By M. Boveri. (London) H. Milford. 451 pages. New cheap edition. 7s. 6d. net.

Minaret and Pipe-Line. By M. Boveri. (London) H. Milford. 422 pages. New cheap edition. 7s. 6d. net.

French Interests and Policies in the Far East. By R. Levy, G. Lacam and A. Roth. (London) Allen and Unwin. 209 pages. 10s. net.

The Oxford War Atlas. The First Two Years, September, 1939-September, 1941. By J. H. Stenbridge. (London) H. Milford. 2s. 6d. net.

Principles of Foreign Policy under the Cleveland Administrations. By G. R. Dulebohn. (Philadelphia) University Press. 102 pages. No price stated.

A History of Ukraine. By M. Hrushevsky. (London) H. Milford. 629 pages. 24s. net.

Fiscal Policy and Business Cycles. A. H. Hansen. (London) Allen and Unwin. 462 pages. 18s. net.

Exchange Control in Central Europe. By H. S. Ellis. (London) H. Milford. 413 pages. 22s. 6d. net.

Banking Studies. By Members of the Staff Board of Governors of the Federal Reserve System (Washington, D.C.), Board of Governors of the Federal System. 496 pages. No price stated.

Lord Liverpool and Liberal Toryism, 1820-1827. By W. R. Brock. (London) Cambridge University Press. 298 pages. 8s. 6d. net.

Excess Profits Tax. By C. L. King and M. Moore. (London) Butterworth. 403 pages. 45s. net, including supplements, postage extra.

Argentina and the United States. By C. H. Haring. (Boston) World Peace Foundation. 75 pages. \$0.50.

Anglo-Dutch Commerce and Finance in the Eighteenth Century. By C. Wilson. (London) Cambridge University Press. 235 pages. 15s. net.

Southern Industry and Regional Development. By H. L. Herrin. (London) H. Milford. 103 pages. 6s. net.

The Beggar. By H. W. Gilmore. (London) H. Milford. 252 pages. 15s. 6d. net.

The Flight from the Flag: The Continuing Effect of the Civil War upon the American Carrying Trade. By G. W. Daltzell. (London) H. Milford. 292 pages. 21s. 6d. net.

The Rice Economy of Monsoon Asia. By V. D. Wickizer and M. K. Bennett. (Stanford, Cal.) Food Research Institute, Stanford University. 358 pages. \$3.50.

Business and Slavery. By P. S. Foner. (London) H. Milford. 356 pages. 24s. net.

Sixty Years of Indian Affairs, 1789-1850. By G. D. Harmon. (London) H. Milford. 428 pages. 30s. net.

Japan's Kampf. By J. Deva. (London) Gollancz. 192 pages. 6s. net.

The United States: A Brief History. By Allan Nevins. (London) H. Milford. 144 pages. 3s. 6d. net.

New Zealand Official Year-Book, 1941. (Wellington) Government Printer. 928 pages. 7s. 6d. net.

The Land Settlement Association, Limited. Sixth Annual Report, 1940-41. (London, S.W.7) The Association, 43, Cromwell Road. 35 pages.

The War: First Year. By E. McInnis. (London) H. Milford. 312 pages. 7s. 6d. net.

I Find Treason. By R. Rollins. (London) Harrap. 234 pages. 10s. 6d. net.

Provincial Debt Legislation in Relation to Rural Credit. By N. A. Abhyankar. (New Delhi) Federation of Indian Chambers of Commerce. 100 pages. No price stated.

Britain's "New Order." By T. W. Wyatt and D. Caradog Jones. (Birkenhead) John Woolman and Sons, Dacre Street. 31 pages. 9d. net.

German Europe

Insurance Survey

CHEAP money has created difficulties for Germany's insurance industry. Successive reductions in the interest rate have diminished the income of companies from investments, but premium tariffs in life assurance have remained almost unchanged. Since the beginning of the war, insurance companies have had scarcely any alternative but to invest their capital in Treasury Bonds and Reich Loans. Even a considerable increase in total investments did not prevent a fall in the investment income of the life companies, which was particularly marked in 1940.

The average yield on investments of the leading company Allianz decreased from 6.2 per cent in 1932 to 4.98 per cent in 1936, 4.86 per cent in 1939 and 4.64 per cent in 1940, when interest yields on investments amounted to roughly 25 per cent of the premium income. This explains why the Reich Control Board of the insurance industry gave permission for an increase in premiums for new contracts. From January 1, 1942, the tariffs will be calculated on the basis of the altered interest position. At the same time, the companies will continue to reduce the distribution of bonuses to policy holders; there is no doubt that the cost of insurance will increase for the holders of old policies, although the tariff for old policies will not be increased.

The following comprehensive figures of life assurance business were published a short time ago, showing a considerable increase during the war:

LIFE ASSURANCE (OLD REICH)

	Number of Policies in Millions	Value of Policies in Million Rm.
1938	35.98	29.77
1939	38.30	33.51
1940	41.86	36.21
1941 (1st quarter)	40.97	37.02
1941 (2nd quarter)	42.65	37.80

The total income from premiums in 1941 may be estimated at Rm.1,600 millions. Over the whole period, the number of policies increased by 18.6 per cent and the total value of policies by 26.6 per cent. Detailed figures show that the number of policies exceeding Rm.1,000 declined, although the total value of all policies increased so considerably. The average value of policies below Rm.1,000 also showed an increase. There is hardly any doubt that the rationing of civilian consumption is at the root of this striking development; group insurance in factories, for example, was officially favoured for the purpose of mopping up purchasing power. The number of group insurance policies increased from 9.13 millions in 1938 to 11.38 millions in the second quarter of 1941.

During 1940, life companies invested Rm.1,300 millions in Treasury bonds and Reich Loans. In 1941, the annual investments may have reached at least Rm.1,500 millions. A detailed analysis of the leading companies shows that new investments in 1940 in securities, mainly Reich loans, exceeded the total increase in investments, which at first sight seems impossible. The explanation is that a considerable number of mortgages and loans on policies were paid back during the year, and the companies had no opportunity of investing capital in mortgages, because of the standstill in private building; greater financial liquidity also reduced the demand for loans on policies. Under the pressure of the general policy of cheap money, the companies were forced to reduce interest on mortgages to the general rate of 4½ per cent.

The fire, accident and marine insurance companies were not able to maintain their activities at the pre-war level. All leading companies show reductions, but some were compensated by expanding into occupied and dependent countries. According to a survey published by the *Essener National Zeitung*, there are at present 30 German companies operating in France, 40 in Belgium, 44 in Holland, 5 in Roumania, and 10 in Greece. German companies operating in Scandinavian countries number from 5 to 14. In the Balkan countries, particularly in Croatia, there is some competition between German and Italian companies. A Vienna company was able to secure the portfolios of two companies domiciled in Zagreb. The company *Danubia*, affiliated to the Vienna Mutual Insurance Society, acquired

interests of Roumanian companies in the territories ceded to Hungary, and the same company opened a branch in Bucharest. The most interesting fact is that Hamburg insurance companies are now entrenched in the Balkans, which is a result of the growing interest of Hamburg in Balkan trade as a substitute for lost overseas trade. Italian companies domiciled in Trieste have been able to get permission to operate in Lower Styria, that is, the part of Yugoslavia incorporated in Germany. German companies situated in Cologne took over the business of French companies in Alsace-Lorraine and of Belgian companies in the Eupen-Malmedy district.

In accordance with the general policy of increasing the capital of joint stock companies, facilitated by the limit on dividends, twelve insurance companies increased their capital of Rm.72.6 millions by Rm.45.28 millions, or 62 per cent; the new capital was mainly supplied from reserves. The percentage of outstanding capital, a peculiar feature in Germany's insurance business, was at the same time considerably reduced. It is explained that greater capital is necessary because of the expanded business in occupied and dependent countries. There were, however, no capital increases by life companies.

Iron Savings Extended.—Originally the "iron savings" scheme (*The Economist*, November 29th, page 654) only applied to regular weekly wages and to Christmas bonuses. In future, holiday pay and any bonus or other additional pay may be saved under the scheme, in addition. Facilities have also been introduced which allow of a temporary suspension of commitments under the scheme in certain circumstances, for example, during a period of sickness. At an emergency, such as death, marriage, or the birth of a child, it will be possible to withdraw from the "iron savings" account as much money as is needed for the extra expenses. A worker who saves under the scheme not only reduces the taxable amount of his wages, but also his contributions to social insurances—which means that his benefits from the insurances are also reduced; and it is possible for the worker to elect to pay higher contributions in order to get the higher benefits.

Interchange of Workers.—The interchange on loan of machine tools and factory space was practised very early in the war in Germany. Recently, even workers have been lent by one factory to another. The Minister of Labour, however, has forbidden the loan of workers as "undesirable," socially and financially; it seems possible that the labour exchanges may have lost some of their control over the allocation of labour. Where an exchange of workers is necessary, it must be sanctioned by the labour exchange; and the workers must make a new contract. If a manager refuses the exchange, the compulsory labour service law can be used for the transfer.

Crop Failure.—The Finnish harvest in 1941 was a complete failure. Weather conditions were unfavourable; snow and frost began earlier than usual. Mobilisation reduced the number of horses and workers; and a shortage of fuel oil for agricultural machinery is reported. The harvest of bread grain amounted to 530,000 tons against 630,000 tons in 1940; the normal harvest before the war was about 750,000 tons. In 1938, the oats harvest amounted to 830,000 tons, and in 1941 to only 486,000 tons. The potato crop was also disappointing.

Roumanian Exports.—The Bucharest paper *Bursa* reports that total exports of cereals during the period January/October, 1941, amounted to 250,000 tons against 1,078,000 tons during the corresponding period in 1940. There was no export of wheat. Exports of maize fell from 552,000 tons in 1940 to 118,000 in 1941. There was, however, a slight increase in exports of pulse, oilcake, and bran. Exports of cereals to Germany fell from 610,900 tons to 181,200. Italy received 16,600 tons against 164,700 tons in 1940; Bohemia-Moravia 3,500 tons against 23,200 tons; and Switzerland 22,500 tons against 23,200 during the first nine months in 1940.

THE BUSINESS WORLD

The Banking Position—1

The Growth of Liquidity

THE feature which, above all others, distinguishes the trend of British banking figures during 1941 is the persistently increasing liquidity of the position they reveal. The ratio of the clearing banks' "quick assets" (i.e., cash, short loans, bills and Treasury deposits), to net deposits (i.e., total deposits less items in transit and cheques in course of collection), rose over the year from 39.9 to 45.3 per cent. It was in the early months of 1939, the period of the Treasury bill famine which accompanied the abnormal losses of gold by the Exchange Equalisation Account, that this ratio sank below the arbitrary but traditionally significant safety line of 30 per cent. The recovery to over 45 per cent (and the trend is still steeply upward) may, in its first phase, have been a highly welcome phenomenon to the banks; but from some points of view the pendulum is now swinging too far in the other direction. It is, however, well-nigh inevitable that this tendency towards excessive liquidity should occur in a period of expanding credit, contracting civilian industry and growing intrusion of direct Government finance into war industries and commodity markets. In these conditions, bank advances inevitably contract—as they have done during the past year—and the banks will be left to utilise the resources liberated by these repayments as well as those brought into existence by credit expansion in one form or other of Government paper.

This, however, would not of itself make for excessive liquidity, since the banks could, in theory, have converted into longer-term Government securities a larger proportion of the funds made available to the Government in the first place by way of six-months Treasury deposits. As will be seen by comparing the aggregate clearing bank balance sheet figures for the end of 1940 and 1941, loans and advances fell by £99,000,000 last year. The whole of the resources thus liberated may be said to have gone into investments, which during the year rose by £227,000,000. Over the same period Treasury deposits increased by £444,000,000. To some extent this was merely in replacement of Treasury bills and money market assets, the bill portfolio and short loans having fallen by £112,000,000 over the year. But the banks could have maintained a liquidity ratio well above the traditional minimum and yet have exercised to a greater extent their right to convert Treasury deposits into one or other of the longer-term tap issues of the Government. Lord Wardington explained that, in the case of Lloyds Bank, the obvious temptation to do so had been resisted in recognition of the capital risks inevitably involved in unduly expanding the holding of investments of more than short currency. Incidentally, Lord Wardington and Mr Edwin Fisher, at Barclays meeting, both confirmed the general impression that the increase in the banks' investments consisted in the main of the new Government issues and, in particular, of National War Bonds. Sir R. Noton Barclay at the District Bank went further and announced that his bank would be taking up further amounts of Government stock in the course of the Warships Weeks campaign which will soon be in full swing.

Mr McKenna justified the exceptionally high figure to which the Midland Bank's ratio of liquid assets had risen by another argument, namely, the need to maintain such abnormal liquidity in view of a prospective reduction in deposits in the post-war period, to whose problems he devoted part of his speech. Though in his view "there has been little inflation so far," it is in the immediate post-war years that we must look (as after the last war) for the being sown. Hence his request that, while the essential force of private enterprise should be used to the full, there should be no hasty abandonment of the necessary financial controls, particularly of the capital market and of foreign exchange transactions.

To these two explanations of the banks' liquidity policy

another and perhaps more decisive reason can be added. Any other course and, in particular, larger conversions of 1½ per cent Treasury deposits into 2½ per cent National War Bonds would have met with official disapproval of effectively deterrent character. As Mr McKenna pointed out, "it is rightly no part of Government policy to help the banks make additional profits." To have encouraged the banks to maintain no more than their normal ratio of liquid and low-earning assets in the face of the substantial expansion in bank credit which has been engineered by the authorities would, in fact, have been to step banking profits right up to their EPT standards. In fact, no charge of profiteering against the banks can be sustained. The net profits of the clearing banks (other than Glyn Mills, Cutts and the National Bank), shown before deduction of income tax on dividends, totalled £13,345,000 for 1941, compared with £12,981,000 for 1940. The increase of 2.9 per cent compares with an expansion of 18.4 per cent in the average level of bank deposits in 1941, against the 1940 average figure. The redistribution of assets, in particular the trend to-

	Dec. 1940	Aug. 1941	Sept. 1941	Oct. 1941	Nov. 1941	Dec. 1941
Capital and reserves	140.2	140.2	140.2	140.2	140.2	140.3
Acceptances, etc.	108.2	100.5	101.5	104.2	108.6	111.1
Notes in circulation	1.4	1.4	1.4	1.5	1.5	1.5
Current deposit and other accounts	2,800.0	2,997.1	3,114.5	3,175.5	3,208.2	3,329.1
Total liabilities	3,049.8	3,239.2	3,357.6	3,421.4	3,458.5	3,582.0
Cash	324.4	316.2	330.0	328.2	331.7	365.9
Cheques, balances, and items in transit	134.8	107.6	112.7	114.8	119.3	162.0
Money at call	158.5	139.5	134.0	131.9	126.5	141.3
Discounts	264.9	265.9	315.1	269.9	245.7	171.1
Treasury deposit receipts	313.5	468.5	315.0	595.5	651.0	758.0
Investments	771.5	935.2	939.3	985.9	998.7	998.6
Loans and advances	906.0	838.0	826.2	823.2	809.3	806.7
Investments in affiliated banks	23.7	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	152.5	144.5	145.5	148.2	152.5	154.6
Total assets	3,049.8	3,239.2	3,357.6	3,421.4	3,458.5	3,582.0

wards increasing liquidity and the reduction in advances, the most remunerative type of asset, largely explains the discrepancy between the rise in the banks' total resources and the expansion in their earnings. For the eight clearing banks in question, the gross earnings for 1941 (assuming a return of 1 per cent on bills and short loans, of 1½ per cent on Treasury deposits, of 2½ per cent on new investments and of 4 per cent on the repaid loans and advances), should have been some £5,000,000 or 9 per cent higher than those for 1940. Higher costs have all but absorbed the whole of these additional gross earnings. But even so, super-net earnings for last year must have been in general very close to, and in some cases above, the EPT standards indicated by disclosed profits in the base years. The supervening evidence of published bank profits can, however, be very deceptive. It can be stated that the banks have not been called upon to pay EPT in respect of 1941. The deduction to be drawn from this is that the understatement of published profits in the standard period 1935-37 must have been greater than in respect of the past year. This, coming out of the peculiar circumstances created by the war. Two bank chairmen, Mr Rupert Beckett at the Westminster Bank meeting and Mr Colin Campbell at the National Provincial Bank meeting, went out of their way to exhort depositors to take up more Government loans, including the new Tax Reserve Certificates, an exhortation which, if followed, must have the effect of curtailing the banks' resources and earnings potential.

The banks composite balance sheet at the end of 1941 has come to present a picture in which Government paper is now the overpoweringly dominant feature. That dominance will assuredly grow as long as the war lasts. Investments had, by the end of 1941, come to employ 30 per cent of the resources deposited with the banks. Another 24.2 per cent was represented by Treasury deposits, while bills and short loans (representing Treasury bills directly or through collateral to the virtual exclusion of all other paper) provided another 9.3 per cent between them. This sum total of 63.5 per cent compares with a corresponding figure of 45 per cent at the outbreak of the war. This distortion in the normal structure of banking assets has far

from reached its peak. Advances have been falling steadily. Ousted by investments from the first place in the ranking of banking assets, they seem destined within a few months to yield second place to Treasury deposits. At the end of the year these deposits were within £49,000,000 of the total of advances and were gaining fast on them. These changes in the composition of bank assets provide some measure of the revolution which has occurred in the course of translating the banks' functions from a relatively free peacetime economy to the effectively controlled war economy of to-day. It is a revolution which raises many points and questions about the future of banking in this country. These will be discussed in a second article.

London Property Companies

THE stocks of the London property companies were, in time of peace, a favourite medium of the more conservative type of investor. The term "property company" covers almost as many different types of enterprise, as its first cousin, the "finance company," and in the 1920's and '30's the list of quoted stocks was considerably augmented by the creation of numerous property-owning offshoots of large-scale enterprises in trades like printing, retail distribution, etc. The type of concern, however, which comes to the mind of the average investor when the term is mentioned, specialises in the ownership and management of residential, office and shop property, let out usually on short or medium, rather than long, leases, and fairly sharply localised in one or more districts in Greater London. The capital of the best known of these companies generally runs into several millions, and it is usual to find that the Articles of Association give the directors power to borrow at least up to the amount of the issued share capital, and sometimes up to three or four times that total. Thus, normally, the capital structure includes a substantial total of debentures, amply secured in the case of these concerns on well-managed properties, a moderate total in one or more higher yielding preference issues, and, finally, a block of ordinary shares large enough to have a relatively free market and sound enough to rank in peacetime among low-yielding equities. Some of the companies are mid-Victorian registrations, others amalgamations of concerns with a considerable history and not a few are of quite recent creation. They form, as a whole, a distinct group of substantial, well-managed and, normally, prosperous concerns, whose interests may include everything from a worker's dwelling to the most expensive type of West End luxury flat, and they have tended to expand in numbers and individual stature with the growth of the Metropolis, particularly during the last twenty years.

The war, inevitably, has presented these companies with unique and formidable financial problems. Even if not a single bomb had fallen on London, their revenue would have suffered through the general desire of tenants—particularly those whose position invested them with a certain freedom of choice—to vacate a densely populated area. Air warfare, when it came, resulted in the physical destruction or impairment of some properties—though not, as a rule, on a scale sufficient to reduce earning power really disastrously. Both these difficulties were foreseen, and in most cases those concerned would admit that their effect, up to now, has been, if anything, rather less than might have been feared. The worst blow has come from an unexpected quarter; for the companies, with their diminished revenue, have been made liable for the payment of relatively heavy contributions, for at least five years, under the War Damage Act, while they have been denied relief from their debenture and mortgage obligations. The impact of all this has fallen, of course, primarily on ordinary shareholders, who, in effect, are bearing, in addition to their own wartime losses of income, the special burden of maintaining the post-war integrity of the debenture-holders' security.

The result, in terms of reduced profits and dividends, is shown below, for a representative list of London property companies. Total receipts of five of these, reporting to various dates in 1941 (excluding Artizans and General Dwellings, whose 1941 report is not yet available), were £1,565,000 in 1939, £1,447,000 in 1940 and £1,053,000 in 1941. The first of these years was, in every case, clear of the war; the second was, broadly, half war and half peace; and the third was a war year, which included the greater

EARNINGS AND DIVIDENDS

Company (and Balance Sheet Date)	Total Receipts (£'000)	Earnings after Dep. Interest (£'000)	% Earned on Ord.	% Paid on Ord.
Artizans & General Dwellings (Dec. 31)	1938 423 1939 426 1940 418	165 151 127	9.9 9.6 9.5	7 6 6
Assoc. London Props. (June 24)	1939 170 1940 166 1941 148	44 14 12	6 Nil Nil	4 Nil Nil
City of Lond. Real Prop. (April 12)	1939 379 1940 354 1941 260	282 247 148	4.2 4.1 2.8	4 4 Nil
City & West End Props. (Mar. 25)	1939 217 1940 211 1941 173	51 41 29	9.0 7.1 4.6	9 7 4
London County Freehold (Mar. 31)	1939 627 1940 583 1941 377	335* 294* 96*	12.8† 12.3† 5.5†	11 8 Nil
Metropolitan Housing (Mar. 31)	1939 172 1940 133 1941 95	65 30 3	7.3 2.1 Nil	7 Nil Nil

* After charging £14,000 NDC, reserve in 1939, £10,000 in 1940, and £3,000 in 1941.

† Earned rates before charging transfers to Repairs and Maintenance Reserve were equivalent to 14.0% in 1939, 13.3% in 1940, and 6.3% in 1941.

part of the period of heavy enemy bombing. As the ratio between the three totals was 100:92.5:67.3 it is clear that, broadly speaking, gross earnings were only slightly reduced in the "quiet" months following the war's outbreak, but fell to about two-thirds of the immediate pre-war level in the "blitz" period. The effect on earnings available after paying debenture interest, however, was more serious, owing to the existence of a fairly heavy corpus of fixed interest obligations. The totals for the five companies were £777,000 in 1939, £626,000 in 1940 and £288,000 in 1941, or 100:80.6:37.1. Thus, for the latest year, earnings available for all shareholders, preference and ordinary, were only about one-third of those for the pre-war year. It is hardly surprising, therefore, that all the companies shown in the table have reduced their ordinary dividends since the war, and that four out of the six passed them altogether last year. Actually, one company has ceased to pay its preference dividends, and another has made no preference declaration since September, 1940.

In these conditions, the question of capital "gearing" has obvious importance for shareholders. In fact, the proportions of debenture, preference and ordinary capital to the total vary widely between different companies, as the next table reveals.

CAPITAL STRUCTURE

Company	Capital Outstanding			Per Cent. of Total Capital (at par), represented by			Earnings Cover for Deb. & Pref. (1941) (No. of Times Covered)†	
	Deb.	Pref.	Ord.	Deb.	Pref.	Ord.	Deb.	Pref.
Artizans & Gen.	Nil	1,180,570	1,758,660	...	40	60	...	4.2
Assoc. London	980,345	600,000	400,775	50	30	20	1.3	0.9
City of London	1,750,000	935,960	8,000,000	16	9	75	4.3	2.1
City & W. End	284,900	292,500	530,250	26	26	48	2.5	1.3
London County	4,785,007	521,000	2,479,000	61	7	32	1.5	1.3
Met. Housing	1,209,409	437,500	812,500	49	18	33	2.0	1.5

† By "cumulative" calculation.

It will be seen that, while Artizans & General has no debenture capital, London County Freehold has as much as 61 per cent (at par value) in debenture form and in two other instances the proportion is around 50 per cent. On the other hand, two companies—Artizans & General and City of London—have their capital predominantly in equity form, while in two other cases the proportion of equity capital is as low as one-third and, in one case, as low as one-fifth of the total (including debenture stock). For investors, this factor is at least as important as that of the geographical situation of properties in relation to the potential intensity of enemy attack. As the last two columns of the table show, the "cover" for debenture interest—and still more for preference dividends—in the latest year, varied considerably between the different companies. And, as the ordinary earnings and dividend figures set out in the first table suggest, the equity shares of the highest geared companies are most vulnerable to the depressing effects of war-time.

The prices and current yields of the issued stocks of the companies are given in a final table.

STOCK EXCHANGE PRICES AND YIELDS

Company	Stock	Price Range, 1935-38		Present Price	Yield %
		Highest	Lowest		
Artizans & Gen.	4½% Non-Cum. Pref. Stk., 1879	114½	103½	80	5.6
	ditto 1884	114½	102	79½	5.7
	Ordinary Stk.	164	127	97½	6.2
Assoc. London.	5% Deb. Stk.	105	97	51	9.8
	5% "B" Deb. Stk.	105½	96	50½	9.9
	4% Deb. Stk.	100½	94	40	10.0
	6% Cum. Pref. Stk. (£1)	23/3	15/-	7/1½	Nil
	6% 2nd Cum. Pref. Stk. (£1)	22/9	13/-	4/9	Nil
City of London	Ordinary Stk. (£1)	20/1	11/-	5/4½	Nil
	3½% Deb. Stk.	105½	95½	76½	4.9
	3½% Deb. Stk.	99½	87	74	4.5
	3% Deb. Stk.	85	76	68	4.4
	4% (tax free) Cum. Pref. (£1)	27/6	23/6	23/-	3.5½
City & W. End	Ord. Stk. (£1)	19/6	12/9	7/9	Nil
	4% Deb. Stk.	102	97½	80	5.0
	5½% Cum. Pref. Stk. (£1)	25/-	20/-	13/9	7.6
London County	Ord. Stk. (£1)	38/9	22/-	8/9	9.1
	4% Deb. Stk.	108	95	81½	4.9
	3½% Deb. Stk.	103½	94	78½	4.8
	6½% Cum. Pref. Stk. (£1)	28/9	20/-	17/6	6.3
	Ord. Stk. (10/-)	24/6	14/6	8/6	Nil
Met. Housing	5½% Deb. Stk.	112½	101½	83	6.6
	4% Deb. Stk.	101½	99½	81½	4.9
	7% Cum. Pref. Stk. (£1)	33/3	28/4	10/6	+
	Ord. Stk. (£1)	35/9	18/6	6/6	Nil

† Free of Tax.

‡ Only half-year's dividend paid to Sept., 1940.

"Income risk" considerations have clearly depressed the value even of the debenture stocks of the large property companies. Although the trend of general interest rates has been downwards since the war, there is no single debenture stock in the table which, to-day, is not standing considerably below the lowest market price of 1935-8, and the

fall from the highest figure of those years is anything from 20 to 50 points. In view of the wide differences in the extent to which the earnings of individual companies could fall further, without "uncovering" any part of the annual debenture service, a policy of selectivity on the part of investors is evidently called for.

Broadly, however, those who take a relatively favourable personal view of the risk of large-scale renewal of enemy bombing will probably conclude that property company debentures, as a long term holding, can be acquired a good deal more cheaply during the war than they are likely to be when peace returns. For the specialist in wartime securities with a strong peace-time "recovery appeal," however, the ordinary stocks hold out somewhat intriguing possibilities. They are purchasable, to-day, at something between one-quarter and one-half of their par value. Their prospects of receiving a dividend so long as the war lasts, in cases where payments have already been suspended seem, frankly, negligible. But their rehabilitation when the war is over is exceedingly probable, having regard to the strength of the demand for property which will arise immediately on the cessation of hostilities—provided the companies can keep their finances reasonably liquid in the meantime.

The proviso is particularly important, because it is unlikely that the bottom of the fall in revenue has yet been seen. The interruption of enemy air activity has brought an increased enquiry for lettings of available property of the smaller and medium types. There have, as yet, however, been few signs of a tendency on the part of the more wealthy class of tenant to return to the Metropolis from which he departed many months ago. The companies, moreover, are going more than halfway to meet the contemporary demand for short tenancies, in order to keep their hands as free as possible if property values change at all violently with the first return of peace.

On the other hand, the immediate cash position is being helped by the Government Order which stringently limits the amount of decoration and repairs which can be carried out. A good deal of internal decoration is effected normally, by landlords primarily to meet the aesthetic wishes of tenants—particularly incoming tenants. Much of this is, in effect, a species of "sales expense," and, if it is omitted during the war, it may never have to be incurred at all. Current receipts are also helped by incidents like the falling in of leases with a "dilapidations" clause. But the need of the companies to conserve their liquid resources must nevertheless remain pressing, quite apart from their obligations under the War Damage Act—that two-handed engine at the door which, unfortunately, does not stand ready to smite once and smite no more, but is scheduled to make contact in each of the next four years. Thus, the ordinary stocks of London property companies, with a few exceptions, have a definite lock-up character, while the war lasts. Their prospects during and after the post-war reconstruction period, however, stand out clearly.

Finance and Banking

Official Assistance for the Market

The money market has again had to endure a difficult week. Until Wednesday the banks found themselves short of cash owing, in the main, to a continuation of heavy tax payments. As some of the clearing banks were making up this week, they almost suspended their purchases of bills from the market. The market, for its part, had a moderate amount of bills to take up. Last week's tender was for the reduced total of £65,000,000 of Treasury bills, and even this was under-allotted to the extent of £5,000,000. The syndicate only obtained a 17 per cent allotment, but even this task necessitated some official assistance, which was provided by purchases of February and March bills. Some indication of the magnitude of these operations may be provided by the Bank return, which shows an increase of £14,710,000 in Government securities. By Wednesday evening the cash position had been considerably eased, and the total of bankers' deposits appears in the latest return at £145,450,000, an increase of £19,379,000 on the week, and a figure which certainly does not tally with the market's experience of short loan conditions in the earlier part of the week. By Thursday the credit position had eased considerably.

Conversion of Treasury Deposits

Some information about Treasury deposits and the other forms of Government short-term borrowing was given by the Chancellor of the Exchequer in reply to questions in the House of Commons this week. He pointed out that since July 1, 1940, when the system of Treasury deposit receipts was initiated, approximately £269,000,000 of such deposits had been repaid prior to maturity to enable the banks to subscribe for National War Bonds and Savings Bonds on their own account and on behalf of customers. The clearing banks' investments have over this period risen by some £362,000,000, and it would seem that a considerable proportion of these subscriptions to new Government loans was effected by the conversion of Treasury deposits. Sir Kingsley Wood added that the amount required from the banks by way of Treasury deposits and from the market by way of Treasury bills was fixed by the Treasury in consultation with the Bank of England. Day-to-day fluctuations in the Exchequer balances are, Sir Kingsley Wood explained, "ironed out" by means of Bank of England Ways and Means advances. In present conditions, he said these advances "are in substance automatic" suggesting that their extension is a far more normal occurrence than it was in pre-war days.

Banks and the Press

British banks have been notoriously shy of publicity—not because they have had anything fearsome to hide, but rather by reason of their obsession with the fear of infringing that sternest of banking rules: the secrecy of their customers' business. With the integration of the banks in comparatively few powerful units liable to receive the shafts of political criticism, this protective barrier of silence and unapproachability has had to be broken down. But behind it there has too often remained an inarticulateness which has given undeserved impunity to the most irresponsible criticism of the banks, and which has left unsatisfied reasonable public curiosity about their activities. Fortunately, all this is changing—albeit slowly. The banks are learning the gentle art of public relations. Last year the Bank of England startled the City by establishing a special department for the collection and dissemination of information, an innovation which has already given the Press ample cause for satisfaction. This week comes the news that five of the clearing banks have established a Banking Information Service which will be directed by Mr Arthur Barber, until recently a director of the firm of Glyn Mills and Company. The move is in the right direction, and the Press can but wish it well.

Danish-German Exchange Rate

An exchange movement adverse to the Reichsmark had been unheard of and undreamt of in German-occupied Europe until news came from Denmark at the end of last week that the Danish currency had been appreciated by 8 per cent in terms of Reichsmarks. The whole of the trade between Denmark and Germany is centralised through a clearing account, and the alteration in the rate at which this account is operated provides an indication of its hopelessly unbalanced condition. The position of German-Danish trade is described with telling objectivity in the last report of the Bank for International Settlements. "Danish exporters," it is stated, "are paid directly through the clearing and the foreign claims taken over by the National Bank. A large surplus of exports of agricultural

products to Germany has led to a piling-up of clearing claims against which imports have not been made. In March, 1941, there were net foreign exchange and clearing assets of 513 million kroner against all countries, compared with a net debt of 36 million a year before. The item 'Sundry debtors,' which includes the claims on the Reichskreditkassen for Kassenscheine redeemed by the National Bank and also the financing of occupation costs, has grown in a similar measure. Together the two items have risen by over 1,000 million kroner during the year to March, 1941." The BIS report only takes the story up to March 31st last. By September last Germany's clearing debt to Denmark had risen to 704 million kroner and the "Sundry debtors" to over 800 million kroner. By now the combined debt owing on these two counts alone by Germany to Denmark must be running in the neighbourhood of 2,000 million kroner. In the face of this staggering progression, with its measurement of the extent to which Danish economy is being bled by the occupying power, the decision of the Danish authorities to move the clearing rate in their favour by 8 per cent is a meek enough gesture. It is none the less significant as the first indication of revolt in occupied Europe against the economic domination of Germany, of which the over-valuation of the Reichsmark has been one of the most effective weapons.

South African Gold Sales

Insufficiently detailed reports of Mr Hofmeyr's 1941 Budget speech, in which he announced the terms of the new agreement for the purchase of South African gold by Great Britain, have caused a generally erroneous impression of this agreement to prevail here. It was by this agreement that the Bank of England, acting on behalf of the Treasury, undertook to pay 168s. per fine ounce for South African gold delivered in South Africa, the producers being given the full market price less realisation charges. The impression conveyed by Mr Hofmeyr's remarks at the time was that the whole of the South African gold output was covered by this agreement. When, therefore, it was seen that the

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As at 30th June, 1941:—General Bank Balances ... £130,752,179
Savings Bank Balances ... 150,553,865
Note Issue Department ... 77,144,818
Rural Credits Department ... 2,389,454
Other items ... 19,795,546
£380,635,862

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ANNUAL INCOME EXCEEDS - £13,000,000

ASSETS EXCEED - £74,000,000

CLAIMS PAID EXCEED - £133,000,000

(1940 Accounts)

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Cawnpore	Madras	Nairobi	
Chittagong	Mandalay	Nakuru	
Cochin (S. India)	Nuwara	Entebbe	Uganda
Colombo	Elva	Jinja	
	Rangoon	Kampala	

Dar-es-salaam Mwanza Tanga ... Tanganyika Territory.

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

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(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

AUTHORISED CAPITAL - - - \$50,000,000

ISSUED AND FULLY PAID-UP - - - \$20,000,000

RESERVE FUNDS (STERLING) - - - £6,500,000

HONGKONG CURRENCY \$10,000,000

RESERVE LIABILITY OF PROPRIETORS \$20,000,000

Head Office, HONGKONG,

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Acting Chief Manager: A. MORSE.

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Reserve Bank of South Africa was increasing its gold holding, it was assumed that the Union was utilising its creditor balance of payments with the United Kingdom, after allowing for capital items, to repurchase its gold from the Bank of England. This, it now appears, is not the case. The monopolistic position enjoyed by the Bank of England as buyer of South African gold applies only to the gold exported from the Union. The Union authorities, in other words, have first pick. The distinction is of some importance

Investment

No Change in "Tap" Loans

The markets during the past week have presented a picture of reasonable activity unaccompanied by any considerable change in most prices, except in a few instances where company results, such as those of Woolworth, have drawn attention to the changed position of a given section of industry. It is possible to argue that the increased successes in Russia have almost balanced the ill news from the Pacific and Libya and that there is really very little to "go for." Incidentally, the maintaining of the volume of business is very strong evidence that the call for sweeping changes in the Government is restricted to political circles, and that the public at large neither supports it nor believes in the success of the agitators. There are few things so liable to paralyse investment business as a political upheaval. One section of securities which has suffered heavily during the past few days, and that as much from the clamour of politicians as from the actual developments on the ground, is Australasian stocks, most of which are now hard on their minima. This fact alone will tend to divert investment into the remaining securities of trustee status, and the Canada vesting will also cause a further demand, which will fall mainly in that section. Further, the statement of the Chancellor that there is to be no change in the terms of the "tap" issues in the immediate future may mean a slackening in the demand for this type of security and a transfer of buying power to the market. On the whole, it is probable that events will combine to bring about a further slight advance in fixed interest securities as against equities, and this movement may be slightly accentuated by the stress which the Prime Minister, and other official spokesmen, have laid on the troubles to come and the resultant strengthening of the view that the duration of the war must be more considerable than was commonly thought probable by the public.

Payments to Canada

Simultaneously with the announcement of the Canadian decision to deal with the bulk of this country's debts to Canada, either by a loan, free of interest for the period of the war, from that country, or by an outright gift of materials, there is announced the decision of the Treasury to take over two other blocks of Canadian securities held in this country, whose value is, according to a Canadian estimate, some £65,000,000. Under a new Restrictions and Returns Order, holders of Dominion of Canada 2½ per cent stock, 1947, and of twenty-one stocks of railways in the Canadian National system are required to register their holdings forthwith. These stocks are all sterling securities. They, together with a long list of dollar stocks of the Dominion already registered, are to be vested in the Treasury at prices based on those of Monday last with the addition of some eight weeks' interest to March 23rd, which is the first date of payment. The usual arrangements are made for lodging stocks either at the Bank of England, or for stocks already registered, in Montreal, and for making payment, at the tap. It is evident that the stocks to be taken over make a considerable contribution towards meeting the huge payments due to Canada on a strict accounting basis and the case that there remain other stocks of considerable value which have not been taken over. In fact, the Dominion Government has only taken stocks for which it is itself responsible, and holders of other securities will naturally ask themselves whether it will not be their turn next. Evidently, the operation of acquiring stocks, which would presumably have to be realised instead of cancelled, is more

in practice, since it is quite conceivable that South African gold once sold to this country might not be available for resale to the Union. In fact, the vast bulk of the gold produced in South Africa has been sold to the British authorities, as may be seen from the fact that whereas South African gold output from the beginning of the war to the end of 1941 amounted to £260,000,000, the Reserve Bank's holding over that period has risen by £28,000,000 only.

complicated, but, in view of the size of the loans which Canada is likely to have to make, it is not impossible that these remaining shares, which are much more widely held in this country, may in fact be taken over. Meanwhile, the new vesting order may be expected to strengthen the demand for stocks of trustee, or near trustee status on this side.

Insurance Share Index

The accompanying table shows the position of *The Economist* index of insurance shares at December 31, 1941, with comparative figures at six-monthly intervals since the end of 1939. The calculations are based on the investment of £1,000 in each of twenty-four representative securities in 1913. Whereas up to June, 1941, insurance shares displayed a measure of recovery from the low prices of 1940 below the general run of industrial concerns, in the

Company	Dec. 31, 1939	June 30, 1940	Dec. 31, 1940	June 30, 1941	Dec. 31, 1941
Alliance	1,596	1,260	1,512	1,554	1,848
Atlas	2,857	2,159	2,476	2,667	3,016
Caledonian	3,900	2,768	3,271	3,397	3,963
Commercial Union	3,047	2,177	2,993	2,939	3,320
Employers' Liability	2,432	1,892	2,297	2,252	2,486
Equity & Law	3,300	1,155	1,155	2,252	1,155
General Accident	10,000	6,667	8,667	8,833	11,000
Gresham Fire	3,353	2,381	2,381	2,381	2,857
Guardian	2,692	2,128	2,487	2,500	2,961
Legal & General	7,650	4,918	5,874	6,421	7,215
Life Assn. of Scotland	2,401	2,259	1,664	1,426	1,640
London & Lancashire	3,539	2,692	3,539	3,615	4,000
London Assurance	2,329	1,795	2,183	2,426	2,620
North British & Mercantile	4,968	3,822	4,204	4,140	4,777
Northern	1,731	1,150	1,353	1,421	1,624
Phoenix	1,590	1,313	1,522	1,493	1,731
Prudential	2,158	1,679	1,918	1,798	2,182
Royal	3,697	2,588	3,573	3,573	4,128
Scottish Life	2,538	1,979	2,624	2,538	2,839
Scottish Union & National	3,485	2,584	2,360	2,247	2,458
Sun Fire	3,697	2,566	2,588	2,366	2,625
Sun Life	2,488	1,822	2,311	2,311	2,604
Yorkshire	2,619	1,814	2,217	2,217	2,519
Average	2,989	2,164	2,474	2,525	3,041

last half of the year the reverse applies. The index shows an appreciation between June 30, 1941, and December 31, 1941, of some 11 per cent, or nearly twice the average for variable dividend securities. This appreciation is common to all the component shares of the index, and seems to indicate a restoration of insurance shares to popular favour.

An Equitable Scheme

The submission of a fresh scheme for meeting arrears of preference and preferred ordinary dividends by the Fine Cotton Spinners and Doublers' Association is interesting from more than one point of view. It suggests that, despite the difficulties of wartime production, the board sees a reasonable prospect of fairly stable earnings, and it demonstrates the soundness of the opposition to the earlier scheme submitted in 1938, which, nevertheless, secured the assent of holders of almost two-thirds of the preference capital. The earlier scheme, severely criticised in *The Economist*, suggested the cancellation of arrears of interest and the substantial allotment of equity shares. The new scheme provides for the satisfaction of eight years' arrears of preference dividend, amounting to 8s., by the payment of 2s., tax free, in cash, and 2s. in funding certificates, bearing interest at 5 per cent. The arrears of preferred ordinary dividend are to be cancelled, and that class of capital converted into ordinary shares, but, as compensation, holders receive in all £210 of ordinary for every £100 of their present holdings. This is

achieved by writing down existing holdings of ordinary by 25 per cent. The net effect is that existing preferred ordinary holders receive some 38 per cent of the equity. This seems to be a simple, businesslike and equitable arrangement, and the general body of preference shareholders should be grateful to those who opposed the much less attractive scheme of 1938, which experience has shown to be at least as unsatisfactory as was anticipated at the time. The directors, in submitting the scheme, express their belief that profits will be substantially reduced by controls for a period of years, the comparison being, presumably, with those of 1940-41. For that period, 15.8 per cent was earned on the ordinary capital, equivalent to almost 14 per cent on the new capital under the scheme. The effect of the announcement was to raise the quotations for the preference and preferred ordinary by 2s. to 19s. and by 3s. 3d. to 14s. respectively, while the ordinary for each share, while ordinary shares are reduced by only a few pence to 6s. 6d. In view of the terms put forward, there seems a grave disparity in the quotations for these two classes. The price of the preference gives a return on the full 5 per cent dividend of just over five guineas per cent.

Company Notes

Woolworth Pay Less

The preliminary results of F. W. Woolworth for 1941 show for the first time a reversal of the upward trend in net profit before tax. The setback is sharp, from £7,958,160 to £6,404,759, which just exceeds the level of 1937. The fall is equivalent to 20 per cent on the ordinary capital, but, fortunately for holders of that class, there is a welcome relief in a drop from £4,310,910 to £3,557,206 in the tax provisions, and the dividend is maintained, while the cash bonus is cut from 15 to 5 per cent, making 55 per cent in all, against 65 in each of the three preceding years. The transfer to building reserve is unchanged at £250,000, and £275,054 added to the carry forward, raising it to £7,057,795. The earnings for the ordinary shares amount to 69 per cent against 78 per cent for 1940 and 87.2 per cent for the preceding year. Looked at in another way, of the total available for distribution, one-fifth has been retained this year as compared with one-sixth twelve months ago. In the absence of anything more nearly related to turnover than the net profit, it is difficult to be certain as to the reasons for the fall in that figure, but the fact that taxation represents only some 10 per cent, or £355,000, more than the full standard rate of 10s. in the pound on disclosed profits, whereas a year ago this provision showed an excess of some £910,000, suggests strongly that there

was a sharp decline in assessable profits and that a great part of the difference was due to a heavy charge for EPT in 1940, which has largely been avoided in the year just ended. It is tempting to suggest that, if the whole of the difference in net profit were due to the fact that £1,500,000 was paid in EPT for 1940 and none last year, the figures would square up fairly closely, but it is futile to attempt to tread the maze of allowances and tax appropriations with no better guide than the figures given.

Whatever the reason, it is clear that earnings were less, and it is probably a fair inference that turnover was also down. If it was not, then the management would have achieved even more remarkable results than those of 1940, when, in face of the beginning of restriction and two months of purchase tax, they secured a rise in pre-tax profits of £345,550, which was converted into a decline, after tax, of almost £1,000,000. It is reasonable to assume that the wide geographical spread of the business enabled it to benefit to the full from any expansion in purchasing power which was allowed to become effective. It is also probable that this type of store will have continued to attract custom away from those where a substantial part of the price was paid for *cachet*, or service. But, like all other shops, the Woolworth stores must have suffered from shortage of goods to sell and difficulties in obtaining staff to sell them. This state of affairs will, in all probability, become worse during the current year, but there are no signs that inability to supply is occasioning any loss of goodwill. The investor appears to regard the setback as temporary. The 5s. units fell about 3s. 6d. on the news to 55s. 6d., which is still above the level of a year ago, and the yield is some £5 os. 8d. per cent less tax. A year ago the return was 17s. 6d. per cent higher.

Imperial Tobacco Dividends

The preliminary statement of the Imperial Tobacco Company for the year to October 31st reveals that the final payment on ordinary capital will be maintained at 7½ per cent tax free, but that the bonus will be halved at 2½ per cent tax free, making a total of 17½ against 20 per cent tax free. General reserve receives £500,000, as in the three previous years, and the carry forward is raised from £1,620,937 to, approximately, £1,666,000. Thus, it is possible to estimate that net profits, after all tax except that on preference dividends, are down from £8,872,829 to £7,970,805 and that equity earnings amount to £7,118,596 against £8,020,620. The rate of tax-free earnings is reduced from 21.4 to 19.0 per cent, equivalent to 38.0 against 37.2 per

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MONEY AT CALL AND SHORT NOTICE	6,080,900
BILLS DISCOUNTED	1,657,829
TREASURY DEPOSIT RECEIPTS	13,500,000
INVESTMENTS	20,060,812
ADVANCES	11,659,399

31st December, 1941.

cent less tax. The management has felt able to raise the ordinary distribution, less tax, which is up from 34.7 to 35 per cent. The ability to maintain distributable profits suggests that whatever rise there has been in costs of manufacturing and wholesale distribution has been fully offset by the increased sales. If this state of affairs continues, the outlook is good. It appears to be the settled policy of the Government that both beer and tobacco are essential in very large quantities to the successful prosecution of the war, a view which is not uninfluenced by the very high proportion of the total price which goes in Customs and Excise. It is therefore explicable that the price of the shares has risen by over 30 per cent on the year to 133s. 1½d., at which they yield £5 7s. 2d. per cent, subject to tax, compared with some 7 per cent a year ago.

* * *

Orient Steam Improvement

Orient Steam Navigation, an affiliate of P. & O., shows a rise in total income, including £13,157 profit on sale of investments, from £580,285 to £599,301, a record for the decade to June 30th last. The increase is, in part, due to higher investment earnings. Depreciation received £300,000 against £400,000, while £50,000 against nil was transferred to pensions reserve. After meeting preference charges, equity earnings were almost £70,000 higher at £167,041. The ordinary shareholders receive the customary 5 per cent tax free, equivalent to 10 against 8.7 per cent tax free, and tax-free earnings are up from 9.4 to 16.0 per cent, equivalent to 32 against 16.3 per cent less tax. The company is able to transfer £100,000 to general reserve, against nil in the previous year and a withdrawal of £25,000 in 1938-39, and to raise the carry forward from £65,946 to £80,944. The balance sheet reflects the payment of insurance claims in respect of lost steamers. Thus, debtors are down from some £2,229,000 to £703,000 and investments are up from £1,394,000 to £3,947,000. Cash holdings are some £160,000 lower at £216,000. Reserve for replacement of ships stands at £1,258,000, including £410,000 on Government tonnage replacement account, while general reserve, after the transfer from current profits, stands at £1,900,000. The chairman, Mr I. C. Geddes, points out that the whole of the company's fleet is under Government requisition, an arrangement which places a very definite upper limit on earnings. The company has not been liable for EPT up to June 30th last, and provision has already been made for part tax liability in the current year. The post-war reconstruction prospects, as the chairman indicates, must be significantly affected by the scale of demand for first-class accommodation, which, for the present, remains a completely unknown factor. The £1 ordinary shares, at 30s., ex-dividend, yield £3 13s. 4d. per cent tax free.

* * *

Boot and Shoe Earnings

Recent reports of boot and shoe manufacturers in 1941 show a remarkable stability of net earnings. The latest accounts of five representative concerns are analysed in the following table. Only one company, *Bignells, Ltd.*, suffered a fall in gross income, which, at £37,682 against £44,551, permits equity earnings of 6.1 against 7.5 per cent, still covering the ordinary payment maintained at 6 per cent. *William Timpson* shows profits of £197,895 against £202,002, after payment of EPT in each case. Here, equity earnings are reduced from a rate of 29.8 to 25.6 per cent, but the dividend is maintained at 15 per cent. The largest rise in gross earnings is realised by *Lotus* with a jump from £149,054 to £221,810. Since tax provision is up from £77,404 to £157,000, there is a reduction in the earned rate from 12.8 to 11.1 per cent, but the directors feel able to raise the ordinary payment from 9

to 10 per cent. There is also a ½ per cent rise to 9 per cent in the ordinary dividend declared by *L. J. Weber and Phillips*, whose gross earnings are up from £19,118 to £27,201, with an increase in the earned rate from 9.6 to 12.4 per cent. The preliminary statement of *John White (Impregnable Boots)* shows a reduction in net profits from £52,114 to £36,652, but the ordinary dividend is maintained at the 17½ per cent to which it was raised from 15 per cent in 1939. Thus, despite three out of four reductions in equity earnings, for which higher tax liability must largely be held responsible, none of the companies has been obliged to

Company and Date of Accounts	Total Disclosed Profits	Earned for Ordinary		Ord. Div.	Present	
		Amount	Rate		Price Ex Div	Yield
<i>Bignells</i> (Nov. 29)...	£	£	%	%		£ s. d.
1939.....	23,490	8,359	17.1	Nil	(a) 1/6	8 0 0
1940.....	44,551	3,426	7.5	6		
1941.....	37,682	2,289	6.1	6		
<i>Lotus</i> (Dec. 31)					(b) 23/9	5 17 10
1939.....	97,769	35,521	7.8	7		
1940.....	149,054	51,224	12.8	9		
1941.....	221,810	37,652	11.1	10		
<i>William Timpson</i> (Dec. 31)					(b) 28/0	5 0 0
1939.....	190,955	85,351	25.3	15		
1940.....	202,002	85,872	29.8	15		
1941.....	197,895	64,096	25.6	15		
<i>L. J. Weber & Phillips</i> (Dec. 31)					(c) 8/1½	11 1 6
1939.....	17,726*	16,326	9.5	7½		
1940.....	19,118	16,924	9.6	8½		
1941.....	27,201	19,948	12.4	9		
<i>John White (Impregnable Boots) Ltd.</i> (Dec. 31)					(d)	(d)
1939.....	£50,490	21,333	18.3	15		
1940.....	£52,114	27,435	25.3	17½		
1941.....	£36,652	...	...	17½		

(a) 2/- Shares. (b) 7% Cum. Pref. £1. (c) After E.P.T. (d) Not quoted.

reduce its ordinary dividend and none of these payments has been underearned. No doubt, the trade continued to receive adequate, if not generous, supplies of raw materials last year. Reductions in stocks in the balance sheets of the four companies are by no means general. Production on Government contract has probably assumed greater relative importance, especially since the advent of clothes rationing halfway through the year in question. But the unchecked rise in retail prices should have done much to offset a possible reduction in turnover, particularly for those concerns which, like *Lotus*, have both manufacturing and distributive interests.

* * *

British Industrial Plastics

The preliminary figures of British Industrial Plastics for the year to September 30th last show a small rise in gross profits from £163,069 to £169,124. After meeting preference dividends, equity earnings are down from £29,385 to £14,507, a fall which is due partly to the rise in tax provision from £56,500 to £71,200, and partly to an increase in the total of general expenses, and sums written off research patent charges and experimental outlay from £60,325 to £70,180. The earned rate, at 6.5 against 10.3 per cent after ARP, provides narrow cover for the ordinary payment, which is reduced from 8 to 6 per cent. The carry forward is raised by less than the amount of the surplus from £5,681 to £6,288, but the nature of the allocation is not disclosed in the preliminary statement. It is possible that this relates to ARP expenditure, or some cost which should be charged against profits, in which case equity earnings are, of course, less than the estimated 6.5 per cent. The most striking fact about the preliminary figures is the smallness of the rise in gross profits. The group owns an imposing array of patent rights, and there should be ample opportunity for increased sales of many products in substitution for glass, china and other wares, of which neither the finished products nor the raw materials can now be imported. Probably, shortage of material is the main difficulty, although it is possible that profit margins have been considerably reduced. The 2s. ordinary shares, at 3s. 4½d. ex dividend, show little change on the result, and give a yield of some £3 11s. 1d. per cent, which appears fully to discount any improvement likely to mature for some time to come.

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Industry and Trade

Joint Production Committees

The movement towards the extension of factory committees consisting of workers' and management representatives is gathering force. A conference of shop stewards in Birmingham last Sunday suggested that committees should be set up in every factory. Moreover, the trade unions, hitherto not too favourably disposed towards the movement, have now decided to support it. On Saturday last week, a plan for the organised and recognised establishment of shop committees, with full co-operation between workers and employers, was outlined to some 200 branch delegates of the TUC. Mr A. Conley, a member of the executive, pointed out that the scheme had been submitted to the engineering industry, that it was applicable to the trade union movement generally, and that it had been brought before the Cabinet. There are indications that the negotiations between labour and management in the engineering industry, and between the TUC and the Government, are likely to be successful, and that the establishment of joint production committees may be made obligatory in engineering workshops. It is to be hoped, however, that recognition by the trade unions will not in any way impede the proper functioning of the committees. The committees' job is to seek means of increasing production, by acting as a channel for suggestions from workers and for explaining to them the causes of inevitable hitches and delays; the usual function of the unions, on the other hand, is to protect the rights and improve the position of workers. True, the trade unions must be represented on the committees, for unsatisfactory production is often due to causes, such as dissatisfaction with piece-rates, whose elimination is their concern, in the framework of collective bargaining. But it would be regrettable if the committees should lose the character given them by the spontaneous democratic—and local and personal—initiative that called them into life.

* * *

Mechanisation of Agriculture

The mechanisation of agriculture has made rapid progress since the outbreak of war. Owing to the scarcity of labour and the need for a big increase in the acreage under cultivation, additional farm machinery has been essential. The extent of mechanisation is revealed by the fact that the number of tractors on farms in the United Kingdom has been doubled since June, 1939, when 52,000 were in use. There has also been a big increase in the number of tractor ploughs, disc harrows, corn drills, artificial manure distributors, binders, threshing machines, potato diggers, milking machines and of the whole range of barn machinery. Transport on farms has also been increasingly mechanised by the provision of tractor trailers and lorries. But many farming operations, such as the harvesting of corn, potatoes and sugar beet, and the movement of farmyard manure from yard to field, are still inadequately mechanised. While the greater part of the new machinery has been supplied by the British agricultural engineering industry, substantial quantities—much of it specialised equipment—have hitherto been obtained from the United States, Canada and Australia. But imports are expected to be reduced as a result of the extension of the war to the Pacific and the consequent conversion of the manufacturing facilities of the three countries to the production of war equipment. At the same time, the extension of the war has considerably accentuated the strain on Allied shipping tonnage and has rendered the increase of domestic food production more urgent than ever. The possibilities of expanding the output of agricultural machinery in this country are limited, but steps have been taken to use the agricultural engineering industry's resources to the best advantage. The industry has formed a Joint Standing Committee, able to speak for all manufacturers, to improve methods of consultation and collaboration. Moreover, the Ministry of Agriculture has set up an Agricultural Machinery Development Board, composed of leading farmers, manufacturers and engineers, to guide and direct the improvement of existing and new machines. To ensure the distribution of new tractors to those farmers and contractors who need them most urgently, the Ford Motor Company has agreed to collaborate with the Ministry. But equally urgent as the provision of as much as possible of the right kind of new machinery is the need for using existing implements more intensively.

Control of Rayon

The rayon industry has been nominally under the control of the Ministry of Supply ever since the outbreak of war, when an official Rayon Control was established with headquarters at Macclesfield. In practice, little control has actually been exercised, for rayon producers have been able to deal with the allocation of supplies to customers by voluntary arrangements. Wood-pulp for rayon is allocated to the industry in bulk by the Paper Control, but it is shared among rayon producers on the basis of a voluntary scheme. Certain chemicals are handled by other controls, and the utilisation of cotton linters by the acetate branch, and to a smaller extent by viscose producers, is supervised by the Cotton Control. In recent months there has been an increasing pressure on rayon yarn supplies, owing to the disappearance of silk and the shortage of cotton and wool for civilian purposes. It has, therefore, been found necessary to revise the methods of distribution and to exercise closer control. The actual approval of individual orders for rayon and rayon mixture woven cloths for both home and export trade will be in the hands of the Cotton Control, but the rayon producers will distribute the yarn for those orders through the Rayon Allocation Office created by them. The fact that this system has to be worked by the Cotton Control illustrates the very close connection between the two fibres. It would have been unwise to set up another organisation, for the rayon weavers are almost all also weavers of cotton cloth, and used to the methods employed in that trade. The new arrangement should have little effect upon the course of trade, but it will ally rayon more closely to the war effort by reducing the export of goods to any market other than those approved by the Control. Production for the home trade will be similarly directed into the most essential channels.

* * *

Retail Wage Agreement

The agreement on wages and conditions of employment reached by the National Joint Industrial Council for the Retail Furnishing and Allied Trades is the third arising from the Retail Distributive Trades Conference. The trades covered are: Furniture and furnishing, ironmongery and turnery, china and glass, hardware, electrical goods, cycles and accessories, sports goods, radio, oils, paints and wall paper. The agreement is similar to the two preceding ones. These were concerned with the food and drapery trades and were described in *The Economist* of July 5th and October 4th, 1941, respectively. The weekly rates of pay prescribed are for a working week of 48 hours, exclusive of meal times, subject to an allowance of twenty minutes free from overtime payment for the purpose of clearing up the shop. Two weeks' holiday with pay is to be granted, except that where a shorter holiday has been the custom two weeks need not be given during the war. Wages of branch managers start at 70s. per week and of manageresses at 58s. in London, and the rate rises according to the weekly turnover in the shop. Male shop assistants, central warehouse staff, van salesmen and cashiers in London are to be paid 21s. 6d. a week at the age of 16, rising to 65s. at 25. Women's rates rise from 19s. 6d. at 16 to 43s. at 24. The rates for male employees, other than those specified, including porters, but excluding craftsmen, mechanics, productive staff and transport workers, will vary from 20s. 6d. at 16 to 60s. at 24. In all cases, "Provincial A" rates, which apply in towns with a population of more than 10,000, are 3s. a week less than in London, and in all other places ("Provincial B") 5s. less. Fourteen employers' organisations and three trade unions are represented on the Joint Industrial Council. This agreement will come into operation on February 2nd, but will not prejudice the payment of higher wages. The number of employees normally engaged in the trades covered by it is estimated

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to be between 250,000 and 300,000. Three other national joint industrial councils are negotiating agreements, for hairdressing, including beauty specialists, the meat trades, and retail bookselling, newsagencies, stationery, tobacco and confectionery. A joint committee of the six industrial councils is considering the question of transport workers engaged in the distributive trades. All these agreements lay down standards of employment for trades which have lagged behind others in setting up machinery for negotiations between employers and employed.

* * *

Cotton Trade Wages

After the outbreak of war the employers and trade unions in the Lancashire cotton industry began to discuss wages policy; it was agreed that rises and falls in wages should be governed by the cost-of-living index of the Ministry of Labour. Apart from this arrangement, an immediate advance of 12½ per cent on pre-war wage rates was granted. As wage rates have been advanced by 22½ per cent by the operation of the sliding scale scheme, they are now 35 per cent higher than in September, 1939. Some surprise was therefore expressed in trade circles this week when it became known that the Northern Counties Textile Trades' Federation, which represents all the operatives in the weaving branch of the industry, had applied to the Cotton Manufacturers' Association for a joint meeting to discuss a general advance in wages. The trade union representatives will apparently contend that the earnings of their members have been affected by alterations in the construction of cloths, and that during the change-over their earning capacity does not come up to standard for several weeks. The leaders of the operatives do not wish to interfere with the present sliding scale system of fixing wages, but it is being urged that some special concession should be granted to meet the particular circumstances and to bring the wages of the workpeople more into line with earnings in other industries.

* * *

Allied Rubber Supplies

The Japanese occupation of some of the world's most prolific rubber-producing areas in the Far East has reduced the supplies available to the Allies. Together, French Indo-China, Thailand, British Malaya and British territories in North Borneo, produced 702,000 tons of rubber in 1940, equivalent to one-half of the world's total output of 1,390,000 tons in that year. The remaining Far Eastern sources of supply are large, and so long as they remain accessible to the Allies, no difficulties will arise. But although Java and Sumatra, the two largest remaining sources, are probably not in immediate danger, the possibility of an interruption of shipments from them cannot be safely left out of account in Allied plans. In 1940, shipments of rubber from non-Pacific areas, mainly from Ceylon, Brazil and Africa, amounted to 140,000 tons, or about 10 per cent of the world's total. Possibilities of expansion are limited, though increased tapping in some of the areas may raise the quantity available to 160,000 tons or even more. But this quantity can satisfy only a small proportion of Allied needs. According to the *Statistical Bulletin* of the International Rubber Regulation Committee, the United States and Great Britain together consumed 795,000 tons of crude rubber and some 200,000 tons of reclaimed rubber in 1940. In the same year, Canada, Australia and South Africa imported 80,000 tons. Russia's imports averaged about 30,000 a year between 1936 and 1938. The combined consumption of the Allies therefore amounted to about 1,100,000 tons, of which 200,000 were reclaimed rubber. It may be possible to satisfy their vital needs with 700,000 tons a year. But even then the deficiency would remain substantial and, on the basis of the output of reclaimed rubber in 1940 and of crude rubber in non-Pacific countries, it would amount to about 350,000 per annum. Steps have been taken to bridge the gap; the output of reclaimed rubber is to be increased and facilities are to be provided in the United States for the production of 400,000 tons of synthetic rubber a year. In fact, the consumption of reclaimed rubber in the United States rose rapidly last year and exceeded the annual rate of 300,000 tons in October; supplies of waste rubber are large enough to permit a further increase in production. Moreover, stocks of 600,000 tons, and Great Britain also holds substantial reserves. A shortage of rubber for vital Allied needs is therefore unlikely pending the completion of the synthetic plants in the United States.

The Oil of the Indies

Japan, though possessing large stocks, is very poorly endowed with mineral oil; it is therefore of the utmost importance that the aggressor in the Far East should be deprived of the fruits of his conquests. Evidence of Dutch determination in this matter is provided by their destruction, announced on Thursday of last week, of the oil wells and installations in the Balikpapan region of Dutch Borneo. The object was to forestall any attempt at a seizure by the enemy—and the subsequent landing of Japanese troops in the area proves that the precaution was timely. It followed the invasion in the previous week of the island of Tarakan, off the north-east coast of Borneo; its rich oil wells were also rendered useless before the garrison was overpowered. It is to be hoped that the work of destruction was carried out with similar thoroughness in Sarawak and Brunei, the British protectorates which were overrun by the Japanese last month. If so, considerable time must elapse before his ill-gotten conquests can bring any appreciable relief to the enemy's oil position. It seems likely that his attempts at restoration will be directed in the first place to Tarakan, for its crude oil can be used as fuel oil—the major item in Japanese oil consumption—without the necessity for refining. Crude oil from British and Dutch Borneo, on the other hand, must be treated, and the destruction of the refineries at Lutong and Balikpapan has deprived the Japanese of the local facilities. If they were able to obtain any crude oil from these sources, the Japanese would thus have to transport it to their own country, where they have a considerable surplus of refining capacity. Six months would probably be sufficient for a partial restoration of production at Tarakan—assuming that the enemy is left in undisturbed possession—but a considerably longer period would almost certainly be required for the rebuilding of refineries, even if the necessary equipment and materials could be provided. Allied losses in British and Dutch Borneo represent an annual output of about 2,750,000 tons of crude oil, together with a corresponding refinery capacity. Strategically, this loss is unimportant to the Allies, for Sumatra and Java have a combined output of well over 5,500,000 tons a year, which is more than sufficient to supply all their local requirements. The principal producing fields are in the Palembang-Jambi and Medan districts of Sumatra and near Surabaya in Java; the main refineries are at Palembang (Sumatra) and Tjepoe (Java). The loss of these sources of production would be a much more serious matter, for they supply the bulk of Australian and New Zealand oil requirements.

* * *

Secondary Tin

The loss of tin supplies from Malaya and the threat to other Pacific mining areas has prompted the Ministry of Supply to initiate a drive for the recovery of tin from waste products. As in the case of rubber, plentiful supplies of new tin from British-owned mines, but also the high labour cost of recovery, largely explain why reclaiming has played a less important role in Great Britain than in Germany and in the United States. During the five years preceding this war Germany recovered between 6,000 and 10,000 tons of secondary tin per year, a large part from imported material. In the United States secondary tin recovery has recently fluctuated between 25,000 and 30,000 tons per year; it rose to 33,222 short tons in 1940, against 29,160 tons in 1939. There are no returns for this country, but industrial reports indicate that the quantity recovered in recent years may have to be counted in hundreds rather than in thousands of tons. The comparatively large output of secondary tin in Germany and in the United States has not been obtained mainly by the de-tinning of used containers. In the United States, where the Bureau of Mines has for many years past compiled regular surveys of the recovery of secondary metals, new tinplate clippings, tin pipes, foil, scruff and dross, pewter, bearing metals, residues, condensers, and a number of tin alloys have always been the chief works recovered only 4,844 short tons of secondary tin (both in metallic form and as chemical compounds), which is slightly less than 15 per cent of the total quantity recovered. In order to secure this output, the de-tinning works used 268,269 tons of new tinplate clippings, and only 4,963 tons of old tin containers. The relatively small importance of old containers in the recovery of secondary tin does not diminish the need for their collection, for they also provide scrap for the steel furnaces; but it is a reminder that the collection of other tin scrap should not be neglected.

COMPANY MEETINGS

DISTRICT BANK LIMITED

EFFECTS OF WARTIME CONDITIONS

RECORD FIGURES

DANGER OF INCREASED PUBLIC SPENDING

SIR R. NOTON BARCLAY ON POST-WAR PROBLEMS

The one hundred-and-twelfth annual meeting of shareholders of District Bank, Limited, was held on the 30th instant at the head office, Spring Gardens, Manchester.

Sir R. Noton Barclay, the chairman, presided.

The following is the statement of the chairman, circulated with the report and accounts:—

I am repeating last year's procedure and sending a copy of my annual statement with the accounts. At the request of the Government a number of our directors have undertaken special responsibilities which are making heavy demands on their time and energy. I know you will join with me in extending to them our good wishes in their exacting duties.

In the administration of the bank I have some recent changes to report. After long service Mr Robert Crerar, one of the joint general managers, has retired on pension, and we wish him health and happiness in his well-earned retirement. Mr W. F. Lonsdale, an assistant general manager and manager of head office, has been appointed a joint general manager, and he is succeeded as manager at head office by the sub-manager, Mr Clifford Butterworth.

THE BALANCE SHEET

The annual report and balance-sheet are presented in the third year of war, and the accounts indicate the abnormal conditions. With remarkable consistency the resources of all the banks have increased throughout the year, and we find ourselves with record balance-sheet figures of nearly £141 millions. On the liabilities side deposits are increased by over £25 millions, a large part of the increase being the direct outcome of the war, although the circumstances giving rise to this are by no means uniform or static. Last year I mentioned several reasons for the increased lodgments, and these causes still obtain, though delays in postal services are now of less importance, while the effects of the Government's war disbursements have become more pronounced.

Gradually the action of the authorities has dominated the situation, and it now looks as if Government disbursements, rather than the other factors to which I referred a year ago, will continue to expand banking figures. Our deposits come to us from a very wide and growing public, as is indicated by the progressive increase in the number of our accounts as well as from important trading units possessed of more liquid resources. These resources have expanded as a result of Government expenditure, a general reduction of trading stocks, and an accumulation of funds as provision against taxation liabilities. It is anticipated that in future this last-mentioned factor will exercise less influence than hitherto by reason of the method offered by the new Tax Reserve Certificates for dealing with such funds.

CHANGED DISTRIBUTION OF ASSETS

A year which has increased balance-sheet totals by approximately 22 per cent. naturally produces notable changes in the distribution of our assets. An outstanding feature of this war-time situation is the item Treasury deposit receipts, the total of which is more than double that of last year. Broadly speaking, this higher figure indicates an earmarking for the Government's use of much of the increase in our assets. These receipts, some of which mature almost every week, the maximum life being six months, are included in our short assets, bringing them to a total of nearly £63 millions, representing the high ratio of 48 per cent. of deposit liabilities.

Investments, which, as usual, are shown in the balance-sheet at much below their market value figure at £48,852,551, being

over £15 millions up on last year. Our effective help to the Government through short, medium, and long-term securities approaches £86 millions or 66 per cent. of our depositors' money.

SUPPORT FOR SAVING SCHEMES

In this connection I should mention that the bank has given every assistance in its power to the local War Weapons Weeks held in the early part of 1941 and is now doing the same as regards the Warships Weeks by taking up stock and by encouraging customers to invest their savings in Government securities currently on tap. Beyond this, support for the war effort, though perhaps less direct, is afforded by loans and advances to industrial concerns for war production, and in this connection, subject to sound banking practice, we, of course, do what is in our power to assist all customers engaged in work of national importance.

Despite this, however, our lendings have declined and reasons put forward by me for the lower figures of last year—namely, a curtailment of the trade of non-essential industries through the restriction of supplies Government finance for bulk purchase of raw material, and repayment of private advances, still hold good as explanations for our present reduced totals. Since an important factor in the reduction of customers' borrowings is the repayment of loans relating to non-essential work the residue of our lendings is more and more directed to the war effort.

PROFIT AND LOSS ACCOUNT

The net profit for the year ended December 31st last, after payment of all expenses and after providing for bad and doubtful debts, contingencies, and taxation, amounted to £417,285, which is a reduction of £28,733 as compared with the figure for 1940 and is fully accounted for by increased taxation. I think you will agree this is a satisfactory result having regard to the increased expenses we have had to meet. As you are aware, we make up the pay of men who are called up for service to the salaries they were receiving when in the bank, and to take their places it has been necessary to engage a great number of temporary clerks. Expenses have also increased in other directions. Against this our earnings have expanded to some extent from increased resources, though, as much as of the latter is lent to the Government on short term, the average percentage yield on our assets records a marked decline on last year. Also in war-time we have to forgo much profitable business by reason of exchange regulations and by our having to decline accommodation for non-essential purposes.

To the profit for the year is added the amount brought forward from last year, £298,329 7s. 5d., making a total of £715,614 9s. 8d. The directors have appropriated £80,000 to pensions and annuities fund and £60,000 to bank property account. The interim dividend for the half-year ended June 30, 1941, on the "A" and "C" shares at the rate of 18½ per cent per annum, less income-tax, and on the "B" shares at the rate of 10 per cent. per annum, less income-tax, absorbed £129,836 5s. 8d., and the directors recommend final dividends for the year at the same rates, which will leave a balance to be carried forward to the next account of £315,941 18s. 4d.

FINANCE AND TRADE

I will touch upon the general situation within a few paragraphs. First, the underlying reasons I have already mentioned for the increase in bank deposits prompts me to digress for a moment on the vexed question of war-time inflation. No war, least of all this present one, so stupendous in its expenditure,

can be waged without a measure of inflation. Granted that to some extent the trend of bank deposits indicates inflation, as does that of the note issue, too much anxiety and foreboding can be read into these movements if proper allowance is not made for the vastness of our war production, and for the requisite finance, which, provided it is proportionate to the additional output, is not inflationary. Again, inflation can become a bogey if due consideration is not given to the many emergency needs for cash and bank credit which never really enter into spending.

EXPENDITURE ON CONSUMABLE GOODS

With these reservations, however, I will pass on to what is really disconcerting—namely, the present volume of spending on consumption goods, a condition plainly indicative of an excess of purchasing power still in the hands of the public, but, be it noted, a limited public, bearing in mind that far-reaching controls now restrict the spending of large numbers of people, also of many business concerns. The growth of spending is largely the result of the substantially increased cash incomes of wage earners, and these expanding figures, and their effect on consumption and prices, indicate that the problem has been created owing to the absence of a well-considered real, as distinct from monetary, wages policy. Unless some definite action to control wages is promptly taken inflation is inevitable, bringing in its train hardship to all classes, and not least to wage earners themselves. It is to be hoped the recent announcement that a Government committee has been appointed to consider wages policy indicates that this problem will now be boldly faced.

In the narrowing of the home markets, in the restrictions on exports and the necessary concentration of production, many industries have suffered greatly. Nevertheless, while those concerns engaged on what, under present circumstances, must be regarded as non-essential industries are most adversely affected, and in many cases are gradually being brought to a standstill, others, employed on Government requirements and production vital to the life of the nation, are enjoying a period of unwonted activity.

EXPORT TRADE PROSPECTS

For the time being it is inevitable that our export trade should be greatly restricted, and, as in the last war, this will largely stimulate local production in our overseas markets. Therefore, while immediately on the termination of hostilities we may look for great activity in order to make good the ravages of war, and replenish depleted stocks, it would seem likely that when trading conditions once again become normal we shall be faced with great difficulties in finding adequate outlets for our productions.

The promulgation of the Atlantic Charter, however, gives substantial promise for this more distant future, as, provided the economic clauses therein are fully implemented, we can hope for such an expansion of world trade as may absorb the output of industry, not only speedily but continuously, so that producers in all countries may look forward to an enduring demand for their products.

SERVICES OF OFFICIALS AND STAFF

It is with deep regret that I have to inform you that some of our staff have lost their lives while on active service. I know you will join with me in paying homage to their memory, honouring their great sacrifice, and extending to their relatives our sincere sympathy. Others of our employees have been reported missing, and more are prisoners of war. Our solicitude extends to each gallant man and to those anxious ones who are near and dear to him.

The continued call-up of men for active service, the training of those who take their place, and the proper observance of the numerous and complicated war duties required of the banks by the Government, places greater responsibilities and worry on those who remain, and particularly on those in authority. To release still more men we are continuing our policy of closing offices, and are reducing the hours of attendance at many others. In dealing with these problems every consideration is given, so far as circumstances permit, to the convenience of customers.

All members of the staff are to be congratulated on the skilful

execution of their difficult tasks. In the continued efficiency of our services we are justified in taking considerable pride, and to both the permanent and temporary staff I have pleasure in expressing our sincere appreciation. Beyond this I should, as last year, like to add a word of commendation and thanks to those who so loyally and conscientiously guard our premises by undertaking fire-watching duties, a work often done at great inconvenience, and which is worthy of all praise.

The report and accounts were adopted and the retiring directors were re-elected.

Messrs. Halliday, Pearson & Co., and Mr. Leslie Shaw, the retiring auditors, were re-appointed.

After the usual vote of thanks the proceedings terminated.

MIDLAND BANK LIMITED

ANNUAL MEETING OF SHAREHOLDERS

The ordinary general meeting of shareholders of the Midland Bank, Limited, was held on the 29th ult. at the head office, Poultry, London, E.C. 2.

The Right Hon. R. McKenna (chairman) presided and, after referring to his statement circulated with the annual report, and reproduced in these columns on January 24th, moved the adoption of the report and audited statement of accounts. The motion was seconded by Mr S. Christopherson (deputy chairman) and carried.

The following resolution was then moved by the chairman, seconded by Mr Christopherson, and carried:—

“That the meeting records with deepest regret the death on active service of 57 members of the staff, the posting of 10 others as missing and of 27 as prisoners of war, and the death by enemy action of 17 civilian members of the staff, and desires to express its sense of the loss the bank has sustained and its sympathy with the relatives.”

Further resolutions were carried, authorising the payment on February 2nd of a dividend of 8 per cent. actual, less income-tax, for the half-year to December 31st last; re-electing the Right Hon. Lord McGowan, K.B.E., and Sir Bernard D. F. Docker, K.B.E., as directors; and re-appointing Messrs Whinney, Smith and Whinney as auditors for the ensuing year.

BARCLAYS BANK, LIMITED

ANNUAL MEETING OF SHAREHOLDERS

The forty-seventh ordinary general meeting of Barclays Bank, Limited, was held, on the 26th instant, at the head office of the bank, 54 Lombard Street, London, E.C. 3.

Mr Edwin Fisher (the chairman) presided.

Mr P. J. Diboll (the secretary) read the formal notice convening the meeting and the report of the auditors.

With the concurrence of the shareholders present, the report and accounts and also the statement by the chairman, which had been previously circulated, were taken as read.

The chairman moved:

“That the report of the directors produced, together with the annexed statement of the company's accounts as at December 31, 1941, duly audited, be received, approved and adopted, and that a final dividend of 5 per cent., making 10 per cent. for the year on the ‘A’ shares of £4 each fully paid, and a final dividend of 7 per cent., making 14 per cent. for the year, on the ‘B’ and ‘C’ shares of £1 each fully paid, less income-tax in each case, be declared, payable on the 9th proximo, to the shareholders registered in the books of the company on December 31st last.”

Mr W. M. Goodenough (deputy chairman) seconded the motion, which was carried.

The resolution, of which notice had been given, to convert into stock on February 10, 1942, the issued and fully-paid ‘A,’ ‘B’ and ‘C’ shares and any shares issued in the future, when fully paid, was proposed by the chairman, seconded by the deputy chairman and carried.

The retiring directors were re-elected and the auditors, Messrs Kemp, Chatteris, Nichols, Sendell and Company and Messrs Price, Waterhouse and Company, were reappointed for the ensuing year.

A vote of thanks to the chairman for presiding at the meeting was unanimously accorded, and the proceedings terminated.

BANK OF MONTREAL

CANADA'S WAR EFFORT

The one hundred and twenty-fourth annual general meeting of the Bank of Montreal was held on the 1st ultimo, in Montreal.

Mr Huntly R. Drummond (president of the bank), in the course of his address, said:—The bank lent Mr Spinney, our joint general manager, to the Government to organize its Victory Loan campaign and you all know its brilliant success was largely due to his organizing ability. In consequence, they have again requisitioned his services to organize the whole task of raising money in this country, in which he is now engaged.

When we say that business in Canada has reached a level unparalleled in the history of this country, we do but scant justice to the effort which has been put forth. Since the onset of the war an industrial and economic revolution has occurred in this country.

More and more our Government is entering the realm of business by building or financing the plants which our war effort is calling into existence. In the present circumstances a detailed review of business activity is not necessary. The Government has imposed ceilings on both prices and wages, necessary steps to avert inflation which proved so disastrous after the last war.

You will agree with me that the people of Canada are ready—more, they are eager—to make any sacrifice the Government calls for in their will to victory.

GOVERNMENT CONTROLS

When the war is over and Government purchasing disappears, it is essential that Government controls and regulation be removed with all possible speed, accompanied by the fullest amelioration in taxation that is allowable, for, if we are to continue in a system of free enterprise for which we are fighting, it is to private initiative that we must look for resumption of normal activities.

Through its taxation the Government has conscripted capital in all business enterprises; it controls the credit situation through the Bank of Canada, curbs instalment buying, limits the production of some goods such as automobiles, radios, etc., forbids wage increases except as the cost of living rises, and doubtless will have to go even further along similar lines.

Your bank pays in all taxes as much as it does in dividends; in other words, for the first six months of the year we work for Governments, the last six months for ourselves.

While Canada's foreign trade has increased to record levels, it has been conditioned almost entirely by the war. During the second full year of the war our exports rose to \$1,450,000,000 from \$1,130,000,000 during the first year; while imports were \$1,310,000,000, as compared with \$992,000,000. These figures do not include exports of non-monetary gold, which have amounted to more than \$200,000,000 in each of the years mentioned.

Democracy gives us great privileges but not for nothing; every privilege has its corresponding duty; to keep the privileges we must be prepared to sacrifice everything except ultimate freedom itself. Freedom is worth sacrificing everything else for.

THE GENERAL MANAGERS' ADDRESS

Mr Jackson Dodds, as joint general manager, speaking on behalf of himself and Mr Spinney, said, *inter alia*:—Important changes in the balance-sheet are as follows:—Total assets amount to \$1,046,600,000, compared with \$961,300,000 a year ago, the increase having occurred mainly in loans and discounts and in investments. Quick assets total \$706,000,000, or 72.78 per cent of all liabilities to the public. Current loans and discounts in Canada at \$253,500,000 are \$36,000,000 higher. Deposits by the public at \$814,100,000 are \$64,000,000 higher than a year ago.

In reviewing the part which we have played since the outbreak of war, the provision of additional credit is the most conspicuous feature of our operations which appears upon the balance-sheet. The plain fact is that our very ability to provide credit rests directly upon the knowledge of every one of our depositors that a deposit in this bank is as good as cash in his pocket. This a simple principle is the whole basis of bank credit. If it goes, a bank's ability to extend credit goes with it.

Elementary as the facts just mentioned may be, it is well to recall them just now, when the banks are faced with unusually heavy responsibilities, and when there are already signs that the more specious brands of so-called monetary reform are being relabelled with a view to the time when they will be advertised as remedies for our post-war problems. It will be clear from what

has been said that people who formulate theories concerning the use of bank credit, but who ignore the underlying fact that banks have to pay cash to their depositors when they ask for it, are simply building castles in the air upon non-existent foundations.

The 1941 wheat crop in the Prairie Provinces, officially estimated at 282,000,000 bushels, is the smallest produced since 1937. Canada's carry-over continues substantial. Our vast wheat reserves undoubtedly are regarded with satisfaction by the British Government as an important war contribution from Canada.

The report was unanimously adopted.

MARTINS BANK LIMITED

VITAL IMPORTANCE OF SAVINGS

Mr Frederick Alan Bates, MC, AFC, DL, chairman, presided over the one hundred and eleventh annual meeting of shareholders of Martins Bank Limited, held, on the 27th instant, at Liverpool.

The chairman said that in his statement which accompanied the directors' annual report he had reviewed the affairs of the bank and he had little to add.

There was, however, one subject upon which he would touch—the outstanding and most urgent necessity for every one individually, as well as companies and firms, large and small, to save systematically to keep down expenditure and to lend to the national Exchequer. The war will, in the end, be won, Mr Bates added, by our armies and navies and our air forces, but you will agree with me in the need for emphasis of the vital importance of the savings of the people to the economic health of the country.

The increasing circulation of money due to war production is providing the capacity for everyone to do his share of investment in Savings Certificates or other forms of security on issue by the Government, not only for the immediate requirements of the national effort, but in the interests of the people themselves in building up a bulwark of financial security for the future.

The chairman then moved the adoption of the report and accounts and declaration of a final dividend of 7½ per cent., making 15 per cent. for the year.

Mr A. Harold Bibby, DSO, DL, one of the deputy-chairmen, seconded, and the motion was approved.

Col. J. G. B. Beezley proposed the re-election of the Hon. David Bowes-Lyon, Mr E. R. Bowring, Mr H. Mancknells Walton, and Sir William Clare Lees, Bart, as directors. This was seconded by Mr W. Sutcliffe Rhodes and carried.

The auditors, Messrs Harmood Banner and Son, Liverpool, Messrs Peat, Marwick, Mitchell and Company, London, and Messrs Thomas Bowden, Sons and Nephew, Newcastle-upon-Tyne, were reappointed.

LLOYDS BANK LIMITED

The eighty-fourth ordinary general meeting of this bank was held, on the 30th instant, at the head office, 71, Lombard Street, London.

The notice convening the meeting and the auditors' report having been read, the chairman, the Right Hon. Lord Wardington, said that he assumed that the report and accounts which had been circulated would be taken as read as usual and that, as his address to shareholders had also been circulated, he did not propose to take up the time of the meeting by reading it.

The report and accounts were adopted, the usual business transacted and a resolution passed converting the issued and fully paid-up “B” shares in the company into “B” stock.

The proceedings ended with votes of thanks to the chairman and directors and to the staff.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, Brettenham House, Lancaster Place, W.C.2.

NATIONAL DISCOUNT COMPANY, LIMITED

DIVIDEND AND BONUS MAINTAINED

SIR SIGISMUND MENDEL ON AVOIDANCE OF INFLATION

The ordinary annual general meeting of the National Discount Company, Limited, was held on the 23rd instant at the offices of the company, 35 Cornhill, London, E.C.

Sir Sigismund Mendl, KBE, chairman of the company, presided. The secretary (Mr Wilfred Shepherd) having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen,—I will begin by stating briefly the results of the year. You will see by our profit and loss account that the gross profits for the year amounted to £235,208, a reduction of £7,393 on last year. As our profits are shown after providing for all forms of taxation, the small diminution may be considered satisfactory in view of the increase in the rate of income-tax from 8s. 6d. to 10s. To this has to be added a balance brought forward from last year of £202,719, making a total of £437,927. After deducting expenses amounting to £54,693 we propose to carry £383,234 to the reserve fund, to maintain the dividend and bonus at the same rate as last year, and to carry forward the sum of £237,101. This results in the carry-forward being increased by the sum of £34,382.

I should like to take this opportunity of pointing out to the shareholders that the additions to the reserve made in recent years from the annual profits constitute a basic factor in contributing to the credit of the company and to the intrinsic value of the shares, a factor which may stand us in good stead in the future.

BALANCE-SHEET FIGURES

With regard to the balance-sheet, the total, as compared with the previous year, shows an increase of just over £1,000,000, and now amounts to £57,500,000. The allocation of £50,000 to the reserve has increased that fund to £1,300,000. Deposits and other accounts amounting to nearly £51,000,000 show a small expansion over the previous year. Bills rediscounted are also slightly higher at over £4,000,000. On the assets side of the balance-sheet, cash at bankers shows a small increase. Investments at £15,000,000 are down by £3,500,000. This reduction is due to certain of our investments, owing to their early maturity, being included in the item "Bills and Short Bonds Discounted." The total of this item at over £40,000,000 is an increase of about £4,000,000 over the previous year.

The board has decided that it would be in conformity with other companies of this character for the interim dividend to approximate more closely to the final one than is the case at present. Therefore, subject to no exceptional circumstances arising between now and July, we propose to pay an interim dividend next summer of about the same amount as the final one we shall hope to pay at the end of the year, excluding, of course, any bonus.

CHANCELLOR'S SUCCESSFUL POLICY

In contrast to the general field of national events in 1941, the country's financial history is of a somewhat uneventful character, dominated as it necessarily has been at every turn by increasing war expenditure of well-nigh astronomical proportions. The successful policy of the Chancellor of the Exchequer in obtaining his money at low interest rates from all investors has continued throughout the year, and the money market has accordingly experienced an even lower level in the rates of Treasury bills than in 1940 and one providing nothing beyond the most meagre remuneration to companies like ourselves in respect of our holdings of bills.

The average rate of discount on Treasury bills during the year was £1 os. 1.55d. per cent., and as the cost of carrying these bills has been 1 per cent., you will appreciate that it is chiefly from our holdings of short-dated Government bonds and our operations in this market that it has been possible to attain the results which the board now present to the shareholders.

I referred last year to the inevitable increase in taxation in view of the large gap between subscriptions to the various Government loans and expenditure, and, as you know, the rate of income-tax was raised to the record rate of 10s. in the last Budget. We have also seen in 1941 a considerable increase in the various forms of rationing and in the control of goods and other measures to restrict consumption.

I ventured last year to indicate to you the view that, with the object of avoiding the ever-present danger of inflation, some restriction on spending power in the form of compulsory savings might become necessary. There is evidence in the last Budget that a step in that direction has been taken in the provision whereby the taxpayer receives a deferred credit to set against the reduction of his personal allowances. This is the thinnest possible end of the wedge, but will serve as a useful precedent if further restrictive measures appear necessary.

After all these restrictions have been applied, however, there still remains a gap between expenditure and taxation, plus savings, which must be bridged if the dangers of inflation are to be successfully faced and kept at bay. Too much stress cannot be laid on this very real peril to each and every class and individual, and more especially to the weekly wage-earners to whom it would be almost immediately manifested by a decline in the real, as compared with the nominal, value of their incomes, however much the latter might have apparently risen as indicated by the customary financial barometer of an increase in the circulation of currency.

IMPORTANCE OF FACING FACTS

The Chancellor of the Exchequer himself and many notable economic experts have been at pains to dwell on this aspect of our war-time economy, and all possible support should be given to the authorities in their efforts to drive home the vital and essential facts of the situation. Those facts are that increased monetary circulation, unless and only in so far as it is the result of increased production, which while we are at war is mainly of a non-permanent nature, must be carefully and constantly scrutinised and defended against the evil spectre of inflation ever lurking in the background.

You will, I think, agree with the board that the results of the year's operations in 1941 reflect much credit on the skill, assiduity and efficiency of the management, and that the best thanks of the shareholders should be, and I am sure they will be, given to Mr. Bate and his colleagues in the manager's room for the success they have achieved.

The report and accounts were unanimously adopted.

THE NATIONAL BANK LIMITED

SOUND AND LIQUID POSITION

The annual general meeting of the National Bank, Limited, was held at 13, Old Broad Street, London, E.C., on Thursday, the 29th inst., when Mr M. J. Cooke, chairman, presided. Before dealing with the business of the meeting, the chairman alluded with deep regret to the loss which had been sustained by the death of the Earl of Kenmare, who had been a director for over 30 years and had always taken a great interest in the bank's affairs. His geniality and ability was greatly missed at the board room table.

Proceeding with a review of the accounts, Mr Cooke referred to the increase of over £3,000,000 in the total deposit, current and other accounts, as compared with the figures of a year previously, and mentioned that this upward movement, which had been experienced by bankers generally, was in part due to the accumulation of funds which could not be employed in trade and commerce in prevailing conditions. The decline in normal business activity also accounted for the fall of £685,000 and £105,000 respectively in advances and bills discounted, and necessitated the increased deposits being partly diverted into Government securities which were higher by £2,364,000, although corporation, etc., investments showed a slight reduction.

The rise in the deposits resulted in a larger proportion of the bank's funds being kept in an immediately available form, and accordingly cash in hand and money at call showed increases of £533,000 and £1,111,000. The ratio of liquid assets to demand liabilities was 63 per cent. The remaining figures in the balance-sheet did not call for any special comment.

It was proposed to pay a dividend at the rate of 10 per cent. per annum, less income-tax, transfer £10,000 to contingencies account, and carry forward £42,464.

The chairman having alluded to the satisfactory increase in the number of the bank's customers, stated that good progress had been made in spite of the difficulties of the times and his review showed that the bank was in a very sound and liquid position.

The report and statement of accounts were unanimously adopted.

TURNER AND NEWALL LIMITED

GOOD DEMAND FOR GROUP'S PRODUCTS

NEW INSULATING MATERIAL

SIR SAMUEL TURNER'S ADDRESS

The annual general meeting of Turner and Newall, Limited, was held on the 23rd instant, in Manchester, Sir Samuel Turner, the chairman of the company, presiding. The secretary, Mr John L. Collins, read the notice convening the meeting and the report of the auditors, Messrs Deloitte, Plender, Griffiths and Company.

Before beginning to deal with the report and accounts for the last financial year, the chairman referred to the sad loss which the board has sustained in the death of Mr W. Norman Roberts, which occurred on December 6, 1941. Mr Roberts had been associated with the company from its early days and was a director from 1928 until his death. The chairman mentioned that his interest in the business was always a vital one, and was maintained even during the last few years of his long and serious illness borne with such exceptional courage and patience.

The chairman dealt with the accounts at some length as usual, and then stated that he would give a brief review of the company's activities during the year, although it would be appreciated that under to-day's conditions it was not possible for him to attempt to give his normal detailed survey. Accordingly, Sir Samuel Turner first referred to the mining companies in South Africa and Canada, and mentioned the fact that production at the mines in Southern Rhodesia and Swaziland which was somewhat curtailed as from October 1, 1940, had now been increased, and also mentioned a new method of milling raw asbestos evolved by the companies' technicians which has been operated already with great success at the Havelock Mine in Swaziland and has also been tested at the mines in Southern Rhodesia, where it is hoped it will be similarly successful.

ACTIVITIES IN U.K.

Dealing with the manufacturing companies situated in the United Kingdom, the Asbestos Textile Companies, namely Turner Brothers Asbestos Company, Limited, J. W. Roberts, Limited, and Ferodo, Limited, were referred to, all of whom had been fully occupied during the year, and in particular reference was made to the satisfactory development in the demand for "V" type rubber belting in the case of Turner Brothers Asbestos Company, Limited, the increased deliveries by J. W. Roberts, Limited, of their speciality Limpet Sprayed Asbestos to the home market, particularly in connection with work in ships, and the fact that important development work in connection with Ferodo non-metallic brake blocks for railway rolling stock had been completed and that these blocks are now being used on an increasing scale by British railways.

Turners Asbestos Cement Company had been busily engaged during the year in the production of the various materials required by the Government building programme, and, as in peace-time, asbestos cement roofings, notably Everite Bigsix corrugated sheets and Turnall Trafford tiles, continue to be in heavy demand for buildings of every kind; an additional factory has been acquired which is already producing asbestos cement roofing materials, and which it is anticipated will be very helpful and economical both in war and peace in supplying the large demand for roofing materials. The fact that certain asbestos cement materials, and in particular Everite pressure pipes, can be used as an alternative to timber in many ways was also mentioned.

The Washington Chemical Company and The Western Chemical Company (Paisley), Limited, had during the year been employed at a maximum output on production of chemicals, and an interesting minor development is the manufacture of an activated chalk which is used as a reinforcing agent in rubber materials, such material previously having to be obtained by the rubber industry from abroad. Newalls Insulation Company had been very busy during the year, and the chairman mentioned that they are now beginning to utilise, for refrigeration insulation purposes, a new product manufactured at Washington from indigenous materials, which has, for the purpose in question, the virtues of corkboard plus certain others; this material, which is identified by the registered name of Nicold, is based on English peat, and

reports issued by the National Physical Laboratory establish its thermal efficiency as fully equal to corkboard, and demonstrate that it is lighter in weight.

EXPORT BUSINESS

The chairman next referred to the company's export trade, and said:—

As was the case during the preceding year, our manufacturing companies operating in the United Kingdom have been rather handicapped in their export activities by the fact that almost all markets on the Continent of Europe are closed to them. Nevertheless, I am very glad to be able to say that export trade to the remaining markets of the world has been increased to a very satisfactory level, and indeed, in one or two cases, total exports have actually reached pre-war levels, notwithstanding the non-availability of European markets.

Shipping difficulties have naturally affected export trade to some extent, but on the whole, such difficulties have been less than might have been expected. Although the Government's attitude towards the maintaining of export trade has been necessarily somewhat modified during the year, we have no reason to feel that the curb on export activities is likely to affect our products, and we anticipate being able to maintain a substantial volume of export business, pending resumption of full activity in this respect after the war.

The chairman then referred to the manufacturing companies situated abroad, namely Keasbey and Mattison Company, Ferodo and Asbestos Incorporated and Asbestos Cement, Limited, and the substantial progress made by them during the year and then continued as follows:—

The pension scheme of the group has now completed its fifth year, with satisfaction to all concerned, and an actuarial valuation of the fund discloses a small surplus, which I consider is a very satisfactory feature, in view of the fact that the fund was so recently begun.

With regard to the Robert Turner Fund, the directors again recommend the contribution of £10,000 to the Turner and Newall Welfare Trust, Limited, for account of the trustees of this fund, which, as you know, is being built up to deal with exceptional cases not adequately covered by the pension scheme itself.

DIVIDEND POLICY

The dividend recommended by the board of 12½ per cent. for the year on the ordinary stock compares with a figure of 15 per cent. last year. I am sure that you will realise that under to-day's conditions there is necessarily a big margin between actual available profits and those which would have been available had we been operating on the same scale under peace-time conditions.

As it is however, although we are producing to what is effectively our maximum capacity, gross profits actually earned are affected by increased costs, which cannot always be reflected in increased selling prices, and net profits by taxation, as you are well aware. Under all the circumstances, your directors feel that you will consider a dividend of 12½ per cent. for the year to be satisfactory.

THE FUTURE

Forecasting even the immediate future in the middle of a war, is a task which I do not propose to attempt, and I am sure that I shall have your full approval in refraining from making any such effort. Difficulties there are, and will be in plenty. Shortage of labour, increased costs, delays in obtaining delivery of essential materials, necessary time spent on adjustments to comply with various Government Regulations—all these exist to-day, and will continue until after the war. It is, however, a function of management to deal with these and other problems in such a way that the operation of the business is not impeded, and to that end your directors will continue to strive.

We always endeavour, in determining our policy, to plan some

years ahead, and we are not abandoning that practice just because to-day's conditions do not permit a forward policy to be immediately operated. The fact that we have done this consistently in the past has enabled us to satisfy the urgent needs of our country right from the beginning of the war, and we are gratified to have been able to make this important contribution to the war effort.

Research, which we regard as a most vital part of our operations, continues with full vigour and, given a return to relatively normal conditions, will contribute in no small degree to the future strength of the company.

In conclusion, I would like again, on behalf of the board and on your behalf, to express to the officials and employees of our various undertakings, both in this country and abroad, our thanks for, and appreciation of their efforts, and to convey to them that we are satisfied that these efforts will continue unabated amongst present difficulties, to the ultimate benefit of all concerned.

The usual resolutions were then passed, approving and adopting the directors' report, the accounts for the year to September 30, 1941, and the balance-sheet as at that date, and authorising the payment of the ordinary dividend of 8½ per cent., making 12½ per cent. for the year, subject to income-tax, following which Messrs H. Rupert Turner and G. Stirling Newall, the retiring directors, were re-elected as directors of the company.

Messrs Deloitte, Plender, Griffiths and Company, chartered accountants, were reappointed as auditors for the current year.

LIEBIG'S EXTRACT OF MEAT COMPANY, LIMITED RECORD VOLUME OF TRADE

The annual general meeting of Liebig's Extract of Meat Company, Limited, was held, on the 29th instant, in London.

Mr Kenneth M. Carlisle (the chairman) said that the balance of net profit available for distribution was £215,000 in comparison with £232,000 in the previous year. The reduction failed to reflect in true perspective the trading profits of the group of companies, which, notwithstanding reduced margins owing to rising costs of production, had nevertheless been large, nor the volume of trade in which they had been engaged during the past year, which had surpassed all previous records, but it did connote in no uncertain measure the levies of taxation and the provision it had been considered necessary and prudent to make against eventual liability in that connection on the profits earned.

It was not without considerable disappointment to them that in a year in which the tide of the company's trade and earnings had swept to the highest flood mark attained in its long history the surplus actually left available for distribution, after providing for taxation, should figure at the lowest ebb touched since the crisis year of 1931.

SERVING THE NATION'S INTEREST

The directors had considered that not only would the wider interests of the nation best be served by expanding production to the maximum compatible with capital resources and the supply of raw materials but that they would be discharging the paramount duty of every citizen to assist in every way by contributing as largely as possible through the medium of excess profits tax towards the promotion and finance of the war effort. The company should stand to benefit in the long run from the wider custom which was being created. The insistent demand for the output of all their factories evinced the popularity of their products and it was felt that they were not only providing a public want in the present circumstances of meat rationing but were also building up a goodwill which would assuredly afford a more extended scope for their business in the future.

The reduction in the dividend from 10 per cent. to 8 per cent. tax free would have found shareholders not unprepared, for he had sounded a note of warning at the last two meetings to the effect that it would probably not prove feasible to maintain the same rate of dividend free of tax if there should be an increase in the income-tax.

The home front, the most important in respect of both volume and value, had been surveyed briefly in his address at the general meeting of Oxo, Limited, held at the end of December. Their overseas canning factories had again been fully engaged, to the limit of their capacities and in consonance with the supplies of cattle and other raw materials available, mainly in the production of canned meats and other foodstuffs for military and Government

requirements. They had had difficulties and setbacks to contend with in connection with delays and shortages in the deliveries of packing and other materials, but on the whole had come through well.

FARMING RESULTS

On the farming side of their business results had, as was customary, been patchy, but, when regard was had to the wide-spread areas covered and the variable climatic conditions under which operations were conducted, irregularity in performance was only to be expected. Generally speaking, conditions had been unpropitious due to excessive rainfall, but in the aggregate improving values of livestock and an active market had contributed towards offsetting the rather disappointing calving and mortality returns of some districts. The estancias had as usual fulfilled the useful function of supplying cattle for the factories.

In conclusion, he paid a warm tribute to the members of their staff at home and overseas. To their loyal collaboration they owed much, and without their wholehearted and efficient support in the many difficult and trying situations which had inevitably arisen in the course of the year production could not have reached the high level achieved or distribution been carried out with such regularity.

The report and accounts were unanimously adopted and at subsequent extraordinary meetings resolutions were passed approving the conversion of all the issued and fully paid capital of the company into stock and the adoption of new articles of association.

UNION BANK OF AUSTRALIA, LIMITED

GROWTH OF GOVERNMENT CONTROL

The annual general meeting of the Union Bank of Australia, Limited, was held, on the 26th instant, in London.

Major-General Sir John H. Davidson, KCMG, CB, DSO (the chairman), said that last year he had referred to various measures of control adopted by the Commonwealth and Dominion Governments. Since then Government control had been extended to almost every phase of activity.

Apart from the licensing of banks—a measure which had been a requirement in New Zealand for several years past—those regulations, according to official pronouncements, had been designed to secure effective use of the country's financial resources and to avoid uncontrolled inflation, and mainly provided that new and additional advances in future would be made to the public only in accordance with the policy laid down by the Commonwealth Bank from time to time, while a portion of the surplus "investible funds" of the trading banks were being deposited with that bank at a rate of interest which had not been determined.

No investment in Government securities could now be made without the consent of the Central Bank. What effect those regulations would have on the trading banks depended on the spirit and manner in which they were administered. In that connection he would like to draw attention to the fact that the net return to the shareholders on their funds in this bank was in the neighbourhood of 2 per cent. He trusted that the Australian authorities would bear that in mind when considering the imposition of burdens on the various categories of the community.

The net profit of the bank for the year was £188,129, to which must be added the amount brought forward, £159,809, making £347,938, which compared with £354,309 last year. They had declared a final dividend of 4 per cent., making 7 per cent. for the year.

The report and accounts were unanimously adopted.

RADIO RENTALS, LIMITED

DEMAND EXCEEDS SUPPLY

The fifth annual general meeting of Radio Rentals, Limited, was held, on the 26th instant, in London.

Mr H. F. Hunt (the chairman), who presided, said that the trading profit had again increased and amounted to £159,291, to which must be added commissions and interest receivable, amounting to £318, making a total of £159,609. From that figure must be deducted the amount written off stock of £88,017, depreciation of sundry assets, increased to £5,732, and directors' fees and com-

(Continued at foot of page 167)

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

UNFAVOURABLE news from the Pacific and Libyan war zones was not entirely offset by Russian gains and there was a slight contraction in the volume of business with, however, few price reductions. Re-investment demand on the further acquisition of Canadian securities has scarcely commented on the Premier's speech offered no new incentive to business. Thus, turnover in the gilt-edged market was of negligible proportions, some little selling being offset by fresh buying before the week-end, while on Tuesday some small and scattered losses effected the total absence of buyers. Among Dominion stocks, Australian issues were offered, and in the absence of demand, prices in some cases fell to minimum levels. Profit taking was general among South American bonds in the foreign bond market, Brazilian and Chilean loans being the chief sufferers, but declines were generally small. Chinese bonds were also sold, the 5 per cent, 1912, loan falling 2 points on Tuesday. Some slight selling in the home rail market before the week-end gave place to rather steadier conditions in the reopening, but movements were of little interest. Canadian Pacific preference shares advanced 2½ points on the Treasury requisitioning order, and 3½ in midweek, when there were a number of advances in some railway stocks.

Conditions in the industrial market were heavy and prices continue their downward trend, although occasional dividend announcements served to relieve the general inactivity. Thus the reduction in the Woolworth bonus resulted in a loss of 2s. on the announcement for the shares, which occasioned a decline in other leading chain store issues. The aircraft and motor group reflected mild activity in narrow movements, but brewery issues were lower where changed. Changes in the heavy industrial group were negligible. Small losses for shipping shares were general before the week-end, but the tone in the early part of the week was steady. Apart from the announcement by Fine Cotton Spinners of the proposed capital reconstruction, on which the senior shares improved, there was little of note in the textile group. Leading issues in the tobacco group fluctuated within narrow limits, but Imps improved ½ on the maintenance of the gross dividend. Among miscellaneous shares International Nickel and Brazilian Traction fell ½ and ¾ respectively on Tuesday, when Dunlop lost 9d. Phillips' Rubber Soles, however, advanced 2s. A rather better feeling later failed to produce higher prices.

As elsewhere, activity in the kaffir market was slight, and dividend-paying issues

were slightly easier. The tin market was generally steady, but Australian mining issues were lower on small selling. Apart from a loss of 2s. 6d. for Sungei Krian on the previous Friday the rubber market attracted little attention, and in the dull conditions prices were slightly easier. The oil market fluctuated with the tone of the war news, and the previous Friday's losses were recovered at the reopening, Shell rising 3½, Burmah 2½ and Anglo-Iranian 3½. The following day, however, both buyers and sellers held off and the leaders all eased 3½ among other small losses.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Jan. 22.....	2,767	2,468	81.0	133.7
" 23.....	2,819	2,161	80.8	133.6
" 26.....	3,635	2,340	80.7	133.6
" 27.....	2,669	2,857	80.6	133.7
" 28.....	2,844	1,754	80.7	133.7

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 83.2 (Dec. 2); lowest, 66.8 (April 24). 20 Fixed Int., 1941; highest, 132.5 (Dec. 5); lowest, 126.1 (Jan. 2).

New York

SENTIMENT on Wall Street before the week-end derived some encouragement from the war news, but trading generally remained slow and restricted. Far Eastern naval successes were reflected in an expansion of business at the reopening, and with the market practically sold out, prices advanced. Good earnings announcements the next day provided additional support, but profit-taking later led to some irregularity. Apart from advances in motor issues, the market in midweek was dull with small declines.

New York Prices

STANDARD STATISTICS INDICES
(1935-36=100)

WEEKLY AVERAGES

	1941		Jan. 7	Jan. 14	Jan. 21
	Low Dec. 24	High Oct. 1			
347 Industrials.....	71.6	83.9	74.8	75.0	73.2
32 Rails.....	58.6(b)	71.7(a)	66.9	69.5	68.8
40 Utilities.....	61.0	80.1	67.4	66.4	65.0
419 Stocks.....	69.3	82.6	73.2	73.3	71.6
Av. yield*.....	8.29%	6.41%	7.66%	7.65%	7.84%

* 50 Common Stocks. (a) Nov. 5. (b) Dec. 10.

DAILY AVERAGE OF 50 COMMON STOCKS

Jan. 15	Jan. 16	Jan. 17	Jan. 19	Jan. 20	Jan. 21
90.4	89.4	89.1	89.5	89.3	88.0
1942 High: 91.2, January 5. Low: 87.6, Jan. 10.					

(Continued from page 166)

missions, which were at a reduced figure of £1,299, against £1,728 last year. Except for the cost of one of the compulsory war insurances, the other deduction consisted of the year's provision for taxation, which absorbed no less than £52,605.

The balance of £8,541 was carried to the profit and loss appropriation account, to which must be added the net balance brought forward from the previous year of £25,930, making a total of £34,471. After deduction of the year's dividends the balance was carried forward to the balance-sheet.

On the last two occasions upon which he had had the pleasure of addressing the shareholders, he had pointed out that under war conditions there was a great need for a radio set properly maintained in every home, so that not only entertainment, but also

Total share dealings: Jan. 22, 430,000; Jan. 23, 430,000; Jan. 24,* 290,000; Jan. 26, 600,000; Jan. 27, 550,000; Jan. 28, 460,000.

* Two-hour session.

Capital Issues

Week ending January 31, 1942

	Nominal Capital	Conversions	New Money
By Permission to Deal.....	10,000	10,000	12,500
Particulars of Government issues appear on page 168.			

Year†

	Incl. Conversions	Excl. Conversions
1942.....	74,158,275	72,358,275
1941.....	91,421,869	91,421,869

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942.....	72,358,275	Nil	Nil
1941.....	91,402,865	19,904	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb	Pref.	Ord.
1942.....	72,169,821	32,029	156,425
1941.....	91,402,865	8,641	10,463

† Includes Government Issues to Jan. 20th, 1942, only. Above figures include all new capital in which permission to deal has been granted.

RESULT OF TENDER

Bristol Corporation.—Tenders for £500,000 bills payable July 30, 1942, opened January 26th. Total applied for £3,450,000. Allotted £500,000. Tenders at £99 9s. 11d. receive 25 per cent. Accepted tender rate £1 0s. 4d. per cent per annum.

CONVERSIONS AND REPAYMENTS
Great Southern Railways.—Holders of £637,892 4 per cent Debenture Stock due for repayment March 31, 1942, are given the option of repayment on due date or conversion in whole or in part into a similar issue redeemable at par March 31, 1947.

Shorter Comments

The Burnley Building Society.—Annual report shows total assets Dec. 31, 1941, £15,269,529 (£15,164,251). Balance of income £308,329 (£378,187). Mortgage business dormant. Only £241,555 advanced on selected securities. Reserve fund unchanged at £800,000. General contingencies reserve £60,171. Special war contingencies reserve £90,000. Due on mortgages £12,565,409 (£13,456,062). Due on deposits, etc., £3,930,245 (£3,811,712). Due to shareholders £10,285,102 (£10,356,688).

Shell Union Oil Corp. (£800s).—After providing \$9,900 (\$3,800) for Federal income tax, 1941 earnings totalled \$21,300. It is proposed to put \$4,000 to special reserve, leaving net earnings \$17,300.

(Continued on page 170)

official announcements might be obtained without interruption. The demand for their service far exceeded the number they were able to accommodate.

They had recently completed negotiations for the purchase of the entire share capital of Rentertainments, Limited, which was the second largest radio rental company. At this stage he was unable to give details of the transaction, but would express the opinion that the acquisition of a subsidiary company trading on similar conditions to their own would enable them to amalgamate the two services to the satisfaction of all the subscribers and to the benefit of the company.

The report and accounts were unanimously adopted, and the final dividend of 6 per cent., making 10 per cent. for the year, was approved.

Finance

FLOATING DEBT

		Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt
Date	Tender	Tap	Public Depts.	Bank of England	Bank of England	Bank of England	Bank of England	
1941								
Jan. 25	845-0	1340-7	96-1	1366-0	2647-7			
Oct. 18	970-0							
Nov. 1	975-0	1558-9	241-8	1662-5	3438-2			
Nov. 8	975-0							
Nov. 15	975-0							
Nov. 22	975-0							
Dec. 6	975-0	1575-0	128-9	1723-0	3428-1			
Dec. 13	975-0							
Dec. 20	975-0							
Dec. 27	975-0							
1942								
Jan. 10	975-0	2547-0	186-3	1811-5	3610-8			
Jan. 17	970-0							
Jan. 24	960-0							

TREASURY BILLS

		Amount		Average Rate		Per Cent Allotted at Min. Rate
Date of Tender	Offered	Applied for	Allocated	Rate	Rate	
1941						
Jan. 24	65-0	139-4	65-0	2-4-0	2-4-0	28
Oct. 31	75-0	159-6	75-0	2-0-33	2-0-33	28
Nov. 7	75-0	163-5	75-0	19-11-90	19-11-90	25
Nov. 14	75-0	158-2	75-0	20-0-20	20-0-20	27
Nov. 21	75-0	174-6	75-0	20-0-35	20-0-35	33
Dec. 5	75-0	172-1	75-0	20-1-97	20-1-97	23
Dec. 12	75-0	155-7	75-0	20-2-06	20-2-06	23
Dec. 19	75-0	133-2	75-0	20-2-14	20-2-14	40
Dec. 26	75-0	146-7	75-0	20-2-30	20-2-30	31
1942						
Jan. 2	75-0	157-8	75-0	20-1-85	20-1-85	30
Jan. 9	75-0	161-6	75-0	20-2-00	20-2-00	27
Jan. 16	70-0	143-2	65-0	20-1-85	20-1-85	28
Jan. 23	65-0	142-9	60-0	20-1-78	20-1-78	17

On January 23rd applications at £99 15s. per cent for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 17 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. Id. for bills to be paid for on Monday and Saturday were accepted in full. £60 millions of Treasury bills are being offered on January 30th. For the week ending January 31st the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

		N.S.C.		3% Defence Bonds		3% Savings Bonds		2½% War Bonds	
Week ended									
Dec. 16	4,245	3,662	9,281	14,184	1949-51				
Dec. 23	3,041	1,935	6,748	4,328					
Jan. 6	2,740	1,678	4,063	3,417					
Jan. 13	4,097	2,128	4,613	3,274					
Jan. 20	4,090	2,250	7,853	7,220					
Jan. 27	3,757	1,777	11,835	7,742					
Totals to date	437,731	385,788	475,859	204,185					

* 113 weeks. † 56 weeks. ‡ 16 weeks.
 † Including series "A" † 192,545,463 to date.
 Interest free loans received by the Treasury up to Jan. 20th amounted to a total value of £43,553,009. Up to Dec. 31st, principal of Savings Certificates to the amount of £53,072,000 has been repaid.

MARKET RATES

The following rates remained unchanged between Jan. 24th and Jan. 30th.

Egypt. Piastres (77½) 97½-£. India. Rupee (15d. per Rupee) 17½-18½. Singapore. 27½-28½ d. **Bangkok.** Baht. 1s. 10½d. (sellers only).

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates. Forward rates for one month have remained unchanged as follows:—**United States.** 3 cent pm.-par. **Canada.** 1 cent pm.-par. **Switzerland.** 3 cent 1½ p.m.-par. **Sweden.** 5 ore pm.-par. **Dutch East Indies.** 3 cents pm.-par.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Jan. 24th and Jan. 30th. (Figures in brackets are par of exchange.)

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4-86½) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25-22½) 17-30-40. **Sweden.** Krona (18-159) 16-85-95. **Argentina.** Peso (17-45) 16-95½-17-13. **India.** Rupee 16-95½-17-15. **Dutch East and West Indies.** Florin (12-11) 7-58-62; mail transfers 7-58-64. **Portugal.** Escudos (110) 99-80-100-20. **Panama.** \$ 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (24-24) 40-50 (Official rate). 46-55 (Voluntary rate). **Turkey.** Piastres (110) 520. **Italy.** 71-25 lire.

MONEY RATES, LONDON

The following rates remained unchanged between Jan. 24th and Jan. 30th:—

BANK OF ENGLAND RETURNS

JANUARY 28, 1942

ISSUE DEPARTMENT

		£		11,015,100	
Notes Issued:					
In Circulation	742,436,830				
In Bank, Department	37,804,745				
Govt. Debt	1,015,100				
Other Govt. Securities	767,075,719				
Other Secs.	1,894,170				
Silver Coin	15,011				
Am't. of Fid. Issue	780,000,000				
Gold Coin & Bullion (at 168s. per oz. fine)	241,575				
	780,241,575				

BANKING DEPARTMENT

		£		156,887,838	
Props. Capital	14,553,000				
Rest.	3,376,253				
Public Depts.	10,220,058				
Govt. Secs.	8,425,843				
Advances	27,658,506				
Securities	35,904,149				
Notes	37,804,745				
Gold & Silver Coin	438,076				
	231,034,808				

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

COMPARATIVE ANALYSIS

		1941		1942	
		Jan. 29	Jan. 14	Jan. 21	Jan. 28
Issue Dept.					
Notes in circulation	599-2	743-7	740-7	742-4	
Notes in banking department	31-0	46-5	39-6	37-8	
Government debt and securities	626-3	777-3	777-3	778-1	
Other securities	3-7	1-7	1-7	1-9	
Silver Coin	0-0	0-0	0-0	0-0	
Gold, valued at s. per fine oz.	0-2	0-2	0-2	0-2	
Deposits	168-00	168-00	168-00	168-00	
Public	32-4	6-7	15-0	10-2	
Bankers	107-9	133-8	126-1	145-4	
Others	53-0	53-4	53-7	57-4	
Total	193-3	193-9	194-8	213-0	
Banking Dept. Secs.					
Government	149-9	144-6	142-2	156-9	
Discount, etc.	3-8	6-0	6-3	8-2	
Others	25-5	24-3	24-4	27-7	
Total	179-2	174-9	172-9	192-8	
Banking depart. res.	32-0	36-8	39-9	38-2	
"Proportion"	16-5	19-0	20-4	17-9	

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £730 millions to £780 millions on December 3, 1941.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
January 22	23½	23½
" 23	23½	23½
" 26	23½	23½
" 27	23½	23½
" 28	23½	23½

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1-1½%; Short Loans, 1-1½%; Bank deposit rates 1%. Discount deposit at call 1% at notice 1%.

NEW YORK EXCHANGE RATES

		Jan. 22	Jan. 23	Jan. 24	Jan. 26	Jan. 27	Jan. 28
Cables							
London	403½	403½	403½	403½	403½	403½	403½
Montreal	88-875	88-250	88-310	88-125	88-125	88-125	88-125
Zurich	23-33	23-33	23-33	23-33	23-33	23-33	23-33
B. Aires	23-75	23-65	23-65	23-65	23-65	23-65	23-65
Brazil	5-14	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78.

Commercial Bills

PROVINCIAL BANK CLEARINGS

(£ thousands)

		Week Ended		Aggregate from Jan. 1 to	
		Jan. 25, 1941	Jan. 24, 1942	Jan. 25, 1941	Jan. 24, 1942
Working days		6	6	21	19
Birmingham	1,934	2,815	9,747	11,154	
Bradford	1,622	1,957	7,761	7,319	
Bristol	1,951	2,204	6,332	7,404	
Hull	660	744	2,575	3,108	
Leeds	887	1,113	4,497	4,519	
Leicester	810	785	3,503	3,435	
Liverpool	5,222	4,305	19,032	16,121	
Manchester	10,930	11,265	43,410	44,274	
Newcastle	1,542	1,651	5,534	5,474	
Nottingham	438	418	1,881	1,969	
Sheffield	472	1,131	2,078	3,934	
Southampton	121	82	347	366	
12 Towns	26,589	28,450	106,697	109,082	
Dublin	6,714	7,344	21,666	24,284	

* Jan. 18, 1941, and Jan. 17, 1942.

OVERSEAS BANK RETURNS

SOUTH AFRICAN RESERVE BANK

		Million £'s		Dec. 1941		Nov. 1941		Dec. 1941		Nov. 1941	
		Dec.	Nov.	Dec.	Nov.	Dec.	Nov.	Dec.	Nov.	Dec.	Nov.
Assets											
Gold coin and bullion	43-14	48-53	45-75	45-08							
Bills discounted	0-81	19-61	0-33	0-35							
Invest. and other assets	34-55	40-37	59-40	61-42							
LIABILITIES											
Notes in circulation	22-84	28-49	27-57	27-75							
Deposits: Government	1940	1941	18-88	18-43							
Bankers	43-54	45-08	46-69	48-00							
Others	6-99	7-33	8-03	8-18							
Reserve ratio	56-8%	47-4%	45-4%	44-3%							

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

* Official rate 29-78.

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Hong Kong and Shanghai Banking Corp.—Owing to technical difficulties and Far Eastern uncertainties no announcement

Yokohama Specie Bank.—Under the Defence (Trading with the Enemy) Regulations, 1940, the Board of Trade has ordered.

Transvaal Gold Output.—December output on Witwatersrand 1,180,676 fine ozs. (1,148,004), other districts 29,178 fine ozs. (28,518).

Export Control.—Under the Export of Goods (Control) Order No. 4 (S. R. and O. No. 68), which comes into force on February 10th, export control is extended to cover machinery belt fasteners, telephone instruments, chlorinated diphenyls and preparations thereof, certain articles wholly or mainly of metal and further types of machinery. Licences will be required for the export of these classes of goods to all destinations. The existing licencing requirements with respect to (a) glue, gelatine and size, (b) tools and parts of tools manufactured wholly or mainly of iron and steel, and (c) musical instruments and parts

Greeting Cards Concession. — The Ministry of Supply has issued a direction under the Control of Paper (No. 36) Order permitting manufacturers¹ to use existing stocks of paper and board in the production of a limited quantity of greetings cards provided that all the paper used was acquired for the purpose before November 12, 1941.

Source: *The Corn Trade News*.

Source: *The Corn Trade News*.

* Highest level reached during 1932-37 recovery.

* Highest level reached during 1932-37 recovery.

Home	Export	Total	
		Index	% Change from a Year ago

1937	100	100	100	+ 1.0
1938	94	82	70	+ 2.9
1939	105	80	103	+ 10.7
1940	116	83	114	+ 7.0
1941 Nov.	81	88	81	- 40.0
Dec.	76	71	76	- 20.9
1942 Nov.	109	145	110	+ 25.4
Dec.	67	148	70	- 7.9

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

Base figures are 1934-35. Figures are therefore comparable throughout.

For annual figures 1935-1940 and monthly figures Sept., 1940-Oct., 1941, see *Economist*, Oct. 29, 1941.

Source: *Board of Trade Journal*.

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Purchase Tax is included, figures are therefore comparable throughout. For annual figures 1935-1940 and monthly figures Sept., 1940-Oct., 1941, see *Economist*, Nov. 29, 1941. Source: *Board of Trade Journal*.

[illegible]

	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1941	or	1941	or
tic.	29	Jan. 17	\$1,550,000	147,000	38,503,000	+ 3,370,000
ber.	30	" 24	\$2,793,000	352,000	68,812,000	+ 8,758,000
fic.	30	" 24	\$999,000	234,000	24,896,000	+ 4,226,000
inc.	30	" 24	\$4,158,000	862,000	11,533,000	+ 1,612,000
zill	30	" 24	\$1,832,000	171,750	52,727,250	+ 10,272,000
	5	" 18	\$35,000	13	77,375	+ 11,230

Close			Close			Close		
Jan.	Jan.		Jan.	Jan.		Jan.	Jan.	
Railroads.			3. Commercial			Close		
Atlantic Coast	258	27	Am. Smelting	42	42	Int. Paper	141	141
Chesapeake	258	27	Am. Zinc	25	25	Lig. & Mers.	72	72
N. Yn. P.	241	24	Anaconda	28	27	Nat. Distillers	211	211
Y. Cent.	91	91	Bea. Steel	63	64	Nat. Steel	511	511
Pennsylvania	222	23	Briggs	16	16	Phelps Dodge	311	31
Western	178	17	Calanese of A.	20	20	Proct. Gamble	502	483
			Chrysler	47	47	Shars Roubek	53	53
			Distillers-Soc.	16	17	Shell Union	132	141
			Eastman K.	131	131	S. O. N.	72	72
			Gen. Elec.	28	28	20th Cent. Fox	73	94
			Gen. Motors	32	32	United Drug	61	61
			Inland Steel	72	72	U.S. Steel	532	532
			Int. Harves	50	50	West house EL	78	78
Utilities, etc.								
Edison	126	12						
Mer. W. P.	20	20						
C. Light	35	34						
People's Gas	144	14						
Cal. Ed.	49	18						

NATIONAL DISCOUNT COMPANY, LIMITED

(Incorporating the business of Messrs. Reeves Whitburn)

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Telephone: MANSTON HOUSE 5241/3.
do. 7631/2.

Issued Capital, £2,153,335

Authorised Capital, £2,700,000

Paid-up Capital, £1,000,000

Reserve Fund, £1,300,000

Directors.
Lt.-Col. THE HON. GEORGE AKERS-DOUGLAS, K.B.E., Chairman.
SIR SIGISMUND F. MENDEL, K.B.E., Chairman.
RONALD L. BASSETT, Commander THE HON. LOVEL W. COKE, R.N.
H. S. H. GUINNESS.
SIR CHARLES D. SELIGMAN.

Manager.
ROBERT E. DE B. BATE.

Secretary.
WILFRED SHEPHERD.

Sub-Managers.
HARRY R. W. BROWN, WILFRED SHEPHERD.

Registrar.
G. HERBERT ELLABY.

Auditors.
MESSRS. PRICE, WATERHOUSE & CO.

Bankers.
BANK OF ENGLAND, NATIONAL PROVINCIAL BANK, LIMITED.

ONE HUNDRED AND FORTY-SECOND REPORT,

Submitted to the Shareholders at the Ordinary Annual General Meeting, on Friday, the 23rd January, 1942, at the offices of the Company.

Dr. PROFIT AND LOSS ACCOUNT for the Year ending 31st December, 1941 Cr.

To Current Expenses, including Salaries, Audit Fee, Profit Sharing to Staff, and all other charges.....	£45,223	By Gross Profit for the Year, after making provision for rebate, taxation and contingencies	£235,208
" Directors' Remuneration	9,470		
" Balance carried down.....	180,515		
	£235,208		£235,208
To Reserve Fund	£50,000		
" Interim Dividend—			
"A" Shares	£10,583		
"B" Shares	25,950		
" Final Dividend—	36,533	By Balance brought down	£180,515
"A" Shares	10,583	" Balance from Previous Year	202,719
"B" Shares	37,484		
" Bonus—			
"B" Shares	11,533		
" Balance carried to Balance Sheet	59,600		
	237,101		
	£383,234		£383,234

The Subsidiary Company has not traded during the year, and has made neither profit nor loss.

On behalf of the Board,
S. F. MENDEL,
H. S. H. GUINNESS, Directors.

W. SHEPHERD, Secretary.

BALANCE SHEET, 31st December, 1941

Capital authorised—		Cash at Bankers	£1,700,792
270,000 "A" Shares of £2 10s.	£675,000	Investments—	
270,000 "B" Shares of £7 10s.	£2,025,000	British Government, Trustee, and British Corporation Securities	15,169,817
	£2,700,000	Bills Discounted, and Short-dated Bonds, etc., including Bills Re-discounted, per contra, less provision for Rebate of Interest	40,297,794
Capital Issued—		Loans and Sundry Amounts receivable	277,360
169,333 "A" Shares of £2 10s.	£423,333	Freehold Premises (at approximate cost)	100,000
230,667 "B" Shares of £7 10s.	1,730,002	Subsidiary Company—	
	£2,153,335	Shares	
Capital paid-up, viz.—		Less Loan	
"A" Shares—Fully paid	423,333		
"B" Shares—£2 10s. paid	576,667		
Reserve Fund	£1,000,000		
Deposits, secured and unsecured, contingency and other accounts, and provision for accruing expenses	50,880,743		
Bills Re-discounted (not including Treasury Bills)	4,063,328		
Profit and Loss Account—			
Dividend and Bonus	59,600		
Balance at Credit	237,101		
	296,701		
	£57,540,772		£57,540,772

On behalf of the Board,
S. F. MENDEL,
H. S. H. GUINNESS, Directors.

W. SHEPHERD, Secretary.

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

PRICE, WATERHOUSE & CO., Auditors.

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FEBRUARY 7, 1942

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ONE SHILLING

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The Next Spring

JANUARY is at an end. In some two months' time the campaigning season will be on the threshold. All over the world, generals and politicians are already seated at their green baize tables poring over maps and assessing complicated tables of statistics. Somewhere in Germany—high up in the Bavarian Alps perhaps, or behind closed doors in Berlin—some such conference is certainly in progress, with Hitler in the midst of a somewhat depleted circle of generals, planning the next move in the world struggle of his creating. And it is important to remember that the strategic initiative still rests with him.

It is still Hitler's decision that will decide the shape of the 1942 fighting in Europe. Yet his freedom of action is far more limited now than in the spring of 1941. The power of decision remains, but the factors influencing the decision are far more constraining. Above all, the timetable is no longer Hitler's to determine. Some sort of decision must be achieved before the flow of American armaments and the equipping of vast American armies tip the scale. The American arsenal will be working at full stretch by 1943. It follows that the year 1942 is the utmost limit Hitler can allow himself. He not only needs a decision. He needs it now.

The kind of decision is itself limited. Ideally for Hitler

it would be a knockout blow which would leave the Nazis victorious. Short of that it would be the achievement of a defensive position within "the citadel of Europe" so strong that no external alliance of powers could hope to storm the defences. There is only one other alternative—total defeat. It is legitimate to suppose, therefore, that all Hitler's plans are concentrated on achieving either a knockout blow or an assured defensive position during 1942.

The most widely made guess at Hitler's next move is probably the spring offensive against Russia. The Russians expect it, and it fits in well with the tactics employed by Rommel in the Western Desert—that of retreating until the enemy has reached the utmost spring of his offensive, and then attacking with newly brought up reserves. Yet a renewed advance in Russia would have little bearing on either of the two great problems for 1942—total victory and total defence. To seize Leningrad, Moscow, Rostov, the Caucasus would not end the war—even in Russia; and it would have little or no effect upon the American arsenal still flooding out its supplies to its advanced base in Britain. There are circumstantial—perhaps suspiciously circumstantial—reports from Germany which tell of the building of a triple and quad-

rupe defence line across Poland and the massing of a vast armada of planes and gliders. Is it so certain that Russia will have to bear the brunt of the next attack?

Some will protest that even to hold the citadel of Europe Hitler will be compelled to strike again to the east. The Maginot Line concept of static defence has not proved workable, and effective defence demands attack. But the German version of the Maginot Line has yet to be tested, and although the German army available to hold such a line would be less by the lost millions of 1941 and by the divisions employed elsewhere, the Russian army, too, has been very seriously damaged by the year's hammering, and it is very far from certain that it could overrun strong enemy defences at the end of an advance across hundreds of miles of "scorched earth."

Hitler cannot win Victory in Russia. A strong defensive position in Europe can possibly be achieved without further campaigning in Russia. These are two facts that must be set against the possibility of further heavy fighting in the east. There is only one battlefield where a local victory for the Nazis would carry with it any hope of total victory in 1942, and that is in Great Britain itself. The deterrents are, of course, enormous. The attempt at invasion was not made in 1940 when the *Luftwaffe* had not been depleted by the Russian campaign, the Axis shipping position was healthier, the British army was ludicrously small, and the defences of this island were embryonic. The undertaking to-day would be formidable. It might ensure not decisive victory but decisive and total defeat. Contrary to popular imaginings, Hitler is not given to the hopeless gamble. There is good reason to suppose that in an invasion of Great Britain—or of Eire as a preliminary—the odds would be against the Nazis.

Thus total victory may have to be removed from the German agenda altogether. There remains the attempt at stalemate, at an unassailable position in Europe in which Hitler can neither attack nor be attacked. Such a

position demands that all the entry points into Europe be sealed up. To the east would be the Polish defences. To the west, the 21 miles of the Channel are less of a protection than the 3,000 miles of the Atlantic would be if the British Isles could be overrun; but the coasts of France and the Low Countries could be made immensely strong. The widest gap in Hitler's defensive wall may well be to the south-west, in French North Africa, the Western Mediterranean and the Iberian Peninsula.

There is certainly some sign that Africa is among Hitler's immediate preoccupations. For some time past strong units of the *Luftwaffe* have been massing in Italy, and Goering has paid a visit to Rome. Again the reinforcements that have reached Rommel are evidence that even at a time of strained resources the African campaign stands very high on Germany's list of priorities. The extension of Allied control to the coasts of Morocco would provide a large trans-Atlantic expeditionary force with entry ports, bases and airfields perhaps more advantageous and less vulnerable than any in the British Isles. The extension of full Axis control from Libya to the Atlantic would create new possibilities not only of squeezing out the British Navy at the eastern end of the Mediterranean, but of vastly increasing the deadliness of the U-boat attack on Britain's Atlantic lifeline. And on the most optimistic view—from the German standpoint—complete control in North Africa, coupled with a thrust through Turkey, might give Germany control of the Middle East, solve the oil problem, and open a new front on Russia's vulnerable flank.

These and many other considerations are being weighed and discussed round Hitler's council table. His enemies must weigh the issues as carefully as he. There must be no unpreparedness, no false security, no innocent astonishment this time. Every front is potentially the locus of the next attack. Every front must be ready at full stretch to receive it. Only thus will 1942 be a year of decision, not for Hitler, but for the United Nations.

A War Cabinet?

THE present House of Commons has seldom, if ever, been so representative of national sentiment as when it supported Mr Attlee's motion of confidence in the Government last week by 464 votes to 1—with, it has been reckoned, 27 deliberate abstentions, mostly by Labour Members. None of Mr Churchill's modest disclaimers or expressions of loyal trust in his colleagues could alter the fact that it was a vote of confidence in him, not in them—and in him personally, rather than in his methods of Cabinet government. Speech after speech in the debate made this plain. The vote was valuable, for it told the world that Mr. Churchill himself was unshaken and unshakable, which in this country was taken as a truism before the debating started. But, in itself, it altered nothing. It certainly did not put an end to the sober and widespread demand for new men and new methods.

The last words of the debate came from Admiral Sir Roger Keyes: "Until he overhauls the war machine and the War Cabinet, victory will be delayed and the issue cast a few minutes later as the opinion of the House. Nor speech on Tuesday, he left the way open for 'Ministerial improvements.' In his closing speech on Thursday, with the remark that 'it would be disastrous to lose that is the essential counterpart of a consistent and unswerving purpose,' he announced that an office, similar to that of Mr Donald Nelson, who has been appointed 'to supervise the whole field of American production,' must be created here. In other words, strong in the support of the House, Mr Churchill conceded the case of his critics

for a Minister of Production. In effect, he conceded more; he admitted the thin end of his critics' most substantial wedge. By acknowledging that a single Minister was needed with the power of decision over an entire sector of policy, he conceded, in strict logic, the case for "a War Cabinet of persons free from administrative duties and with authority unquestionably superior to that of all executive Ministers," which Sir William Beveridge had lucidly stated in *The Times* a few days before. It seemed that the debate was not an end, but a beginning.

The aftermath, however, threatens to be disappointing. On Wednesday night, after a week's delay, it was announced that Lord Beaverbrook was to be Minister of War Production. Sir Andrew Duncan becomes Minister of Supply again; Colonel J. J. Llewellyn replaces him as President of the Board of Trade; and there is a consequential shuffle of junior Ministers. What Lord Beaverbrook's precise functions will be, and what his relations will be to the "executive Ministers" in charge of the production departments, and especially to Mr Bevin at the Ministry of Labour, have been left to be stated in the Commons by the Prime Minister. Whether, in fact, his appointment will prove to be the first step towards setting-up a real War Cabinet now seems doubtful.

For the entire week between the end of the debate and the announcement, rumour was busy. For a few days, Sir Stafford Cripps was confidently named to replace Lord Beaverbrook at the Ministry of Supply; then the return of Sir Andrew Duncan was forecast. Almost certainly there has been great argument. It is easy to decide that there shall be a Minister of Production, but

much harder to find the right man for the job and persuade the other executive Ministers to accept his supervision."

It may be that these delays and difficulties have been due to the fact that the "flexibility of mind" of Mr Churchill's Ministers is not equal to his own—which is what the critics have consistently argued. The present Cabinet is a nice balance of party claims which would be "upset" if any Minister apart from Mr Churchill were given any great power; this situation, in fact, is the inescapable reason why the appointment of a Minister of Production, or Defence, should involve a recasting of the personnel and duties of the whole Cabinet, which only holds together because the Prime Minister does, or tries to do, all the work of decision. Sir Stafford Cripps, it is gossiped, would not readily serve under Lord Beaverbrook, nor Mr Bevin under a "supervisor," without guarantees. On the other hand, Sir Andrew Duncan, who by no means set the Thames alight when he was at the Adelphi before, was apparently quite willing to come back; and he is on the best of terms with industrialists. These reports may not be true, but they are probably suggestive of what actually happened.

It would be unfair, however, to attribute the delay and the disappointing nature of the final decisions solely to the desire of Ministers or of party representatives not to yield territory. Mr Churchill has probably not selected the right man to exercise powers of decision over all war production and, at the same time, to command the acquiescence of his colleagues. If the Prime Minister were picking a War Cabinet from scratch, he would hardly select Lord Beaverbrook to balance the claims of all the various order-placing production departments and to impose the highest standards of manufacturing technique upon war industry. These should have been the functions of the Production Executive—if any committee of equal Ministers, including both Mr Bevin and Lord Beaverbrook, could have been an organ of decision—and they should certainly be the new Minister's double task. By temperament and from his record, Lord Beaverbrook is an individualist, a fighter, a "lone wolf." Put in charge of a department, he will wrest materials from all rivals to make now aircraft and now tanks; he will engross the nation's aluminium or paper as the need arises; he will push up the output of this or that product, as required, with scant deference to the programmes of other and less dynamic people. By nature he is a "partisan"—a guerrilla. He will not sit easily in the seat of judgment, with no axe to grind.

There are occasions when to turn poacher into game-keeper may be sound policy, and Lord Beaverbrook's boundless determination and energy are hard to match in any other Minister. But the hand-to-mouth Dunkirk days, when all that could be done in the face of the enemy's massive superiority was to call him in to plug up this or that hole in the nation's starveling defences, have gone. Output in all branches is climbing to a peak as new fac-

tories come into work. The production of weapons, by any standards, is immense. Supplies are not enough to provision all the fronts anything like adequately, it is true. The Prime Minister made that plain in last week's debate. But that is because, without the American supplies which will not come forward in bulk for the best part of another year, they cannot be enough. What is wanted from the Minister of Production is to make the best of what this country can do meanwhile, to make the most of its maximum effort, not by electrical exhortations or manhandling methods, but by organising (and insisting upon) a smooth flow of orders to the factories and a smooth flow of finished goods from them. The Minister's first task is to get rid of the conflicts, compromises, delays and indecisions which clog the present inter-departmental organisation; his second to see, with the aid of a staff of experts, that technical inefficiency does not block production. It must be admitted that, if there are Ministers who did not readily see Lord Beaverbrook in these rôles, they may well be justified. A Minister of the temper, experience and reputation of, say, Mr Oliver Lyttelton would almost certainly have been a better choice.

Mr Churchill, of course, did not start from scratch. Lord Beaverbrook is in possession at the Ministry of Supply and probably he, least of all, would be disposed to serve under a higher commander. Moreover, Lord Beaverbrook is the lynch pin, on the British side, in the new joint Boards for allocating munitions and raw materials. He is the personal link, in matters of production, between this country and Premier Stalin. His vested claim to this further preferment is high, and the Prime Minister probably felt that his claim was too high to be resisted. Actually, Lord Beaverbrook's special status is one good reason why he should not be Minister of Production—or Supply. He cannot make all the decisions in all the places, any more than Mr Churchill can. It is no disparagement of Lord Beaverbrook's great gifts to suggest that it would have suited his temperament and his contacts much better if he had been made Minister Extraordinary or Ambassador-at-Large to deal with inter-Allied supplies in all the Allied capitals.

Mr Churchill has been given the virtually unanimous vote of Parliament. He has the virtually unanimous support of the people. By his own confession, he feels the weight of his burdens heavy upon him. He is in a position to pick the best Ministers, regardless of party or personal considerations. With the appointment of an able, resolute, judicial and informed Minister of Production, he could have started upon the process of establishing at his side, and always loyally under his leadership, men with the authority and the capacity to answer some of the vital questions, on all aspects of policy, which so far he has devotedly tried to answer in every case himself. Until now, he has been Minister of Everything: with a real War Cabinet he could become Prime Minister again.



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The Income Tax

DISCUSSION of the budgetary problem in two previous articles* has carried the argument up to the painful conclusion that a still greater effort to tax the income of the people will be needed in the coming year than has been made in the year that is now moving through its last quarter. One or two suggestions can be made for new forms of taxation; but, as always, the main recourse must necessarily be to the old standby, direct taxation. It is hardly possible, however, to suggest that the income tax should merely be "put up" in the usual fashion. The British income tax (which will have existed continuously for a hundred years this spring) is one of the most successful, elastic and fruitful methods of taxation ever invented. Any close study of Parliamentary democracy in other countries will reveal how much of its stability and soundness the British community owes to the solidity of its finances—and for that the greater part of the credit should go to what Gladstone (though he disliked it) called the "colossal engine of finance."

But precisely because it has such a long record of useful service to its credit, the income tax is beginning to creak at the joints. It is remarkable enough that any fiscal instrument designed by William Pitt and revived by Sir Robert Peel should have lasted so long in conditions of peace; it would be miraculous if it did not show weaknesses when applied to the problems of financing a total war. It was designed for a "standard rate" of a few pence in the pound but the structure still survives with the standard rate at 10s. in the pound. There is, of course, no absolute reason why it should not be higher still—say 12s. or 12s. 6d.—and one should beware of the temptation to say that such rates are impossible merely because they are unprecedented; after all, not very long before the war, 6s. was thought to be the maximum conceivable. Nevertheless, a rate of 10s. in the pound is a sort of watershed; it may be guessed that, even in wartime, a number of psychological resistances to payment would arise if the State appeared to be taking away more than half of the ordinary standard income. The only way of increasing the yield of the income tax, other than an increase of the standard rate, would be to reduce the various personal and other allowances. But to do this would merely penalise the earned income as against the unearned, the married man as against the bachelor, the father as against the childless.

Not only is the income tax, as at present conceived, at or near the limit of its weight; its levying at the present rate is beginning to reveal a number of serious defects. These can be roughly grouped under two heads. First, now that income tax has become (as it should) an all but universal tax, affecting virtually every citizen with an income, the disadvantages of the system by which each income is individually returned and assessed, and the tax is collected at a considerable interval of time after the receipt of the income on which it is assessed, are becoming very obvious. The well-educated professional man, who has been filling up income tax forms all his working life, approaches each year's ordeal with some trepidation, and there are very few who really understand each detail in the process of assessment. When the same procedure is imposed on the ordinary wage-earner the result is, at best, bewilderment, at worst angry resentment. Nobody who, in these recent weeks, has helped an ordinary, intelligent manual worker to make his return can have failed to wonder if there is one in a hundred who understands what it is all about. When the difficulties of the return have been surmounted, the method of collection is puzzling. It is called "collection at the source"; but that means that tax on the income of 1941 is collected at the source of the income of 1942. As is well known, this year's great

extension of the net of income tax has led to a very great strain being put upon the Inland Revenue. The state of affairs can easily be exaggerated; there is overwork and delay, but, as yet, nothing more than that. But it must be remembered that the present experiment is being made in the most favourable possible circumstances. Incomes are rising, and there is a strong patriotic motive for paying taxes. If there are difficulties in these conditions, what will happen when incomes start falling? If there is anything in the nature of a post-war slump the attempt will have to be made to collect tax on the high earnings of wartime from the low earnings, or the zero earnings, of slump. In short, if the system is not breaking down now, it will assuredly break down in peacetime.

The second great defect of the income tax is connected with the vexed question of the incentive to effort. It has been argued with great force in recent months that the present system of income tax provides very little incentive to the wage earner to work overtime or to the professional man to undertake more work, while income tax with EPT provides a similar lack of incentive for corporate business. This argument was accepted, so far as it applies to EPT, in the last Budget, and concessions to meet it were made.† But it applies almost equally to income tax, and unfortunately the present income tax might almost have been specially designed to impinge with maximum severity on the incentive to greater effort. For, when a man is contemplating whether or not a little extra effort is worth the net sum that it will earn, he is concerned with the rate of taxation that will be levied on the extra income produced by the extra effort, not with the average rate he pays on his whole income. From the point of view of incentive, in short, it is the *marginal* rate of taxation that counts, not the *average* rate. If a man is earning £5 a week and wondering whether to earn £6 a week, it is missing a point to tell him that, even at the higher income, the rate of tax he will pay, averaged over his whole income, will only be 9.8 per cent (assuming him to be a married man with one child); the fact remains that nearly one-third of every extra pound goes in taxation. Similarly, the man with an income of £2,000, contemplating an increase by greater effort to £2,200, will raise his *average* rate of tax only from 40.1 per cent to 42.0 per cent; but the rate of tax on the *marginal* £200 will be 61 per cent. In wartime, the perfect tax system would tax normal income (i.e., income gained without undue effort) heavily, and leave the rewards of extra effort to be lightly burdened (in Germany, some overtime pay is exempt from taxation). British income tax does the exact reverse. A man may pay only 5 per cent on his standard wages, but 29½ per cent on his overtime pay; 20 per cent on his normal salary, but 45 per cent on any extra earnings. A man has to have an income of between £3,000 and £4,000 before his average taxation amounts to the standard rate; but for *extra* income, the standard rate† applies right down to incomes of as little as £5 a week. It is no exaggeration to say that still higher sums could be drawn from direct taxation with less deterrent effect on the incentive to effort if this fundamental defect of the present system were corrected. The system reaches the height of absurdity when it is combined with the requirement of joint returns for husband and wife. This has the

†It might be added parenthetically that the concessions were not well designed for their purpose. The circumstances in which a partial repayment of EPT is to be made after the war are so conditional, and the amounts to be repaid are so uncertain, that no auditor would include the right to such repayment among the assets of a business. If this post-war concession were reformulated in a way which, without increasing its cost to the Exchequer, provided companies with something that they could enter on their profit-and-loss statements, its effectiveness would be far greater.

‡Or more accurately nine-tenths of the standard rate, since the earned income allowance is deductible.

* "The Shadow of the Budget," January 3, 1942; "The Gap Again," January 31, 1942.

effect that the husband's *marginal* rate of taxation applies to almost every penny of the wife's earnings.

It is eighty-nine years since Gladstone said that the income tax "is not adapted for a permanent portion of your fiscal system unless you can by reconstruction remove its inequalities," and if the new conception of the income tax as a universal direct tax is to remain (as, on general grounds, it should) reconstruction has become an urgent necessity. For the smaller incomes, the attempt should be to construct a tax that would not require individual assessment and delayed collection; and for higher incomes, the tax can best be made progressive by a progression of rates rather than by a complicated combination of allowances with a high "standard rate." The first step in this direction might well be to go back to the original simplicity of income tax. When reimposed by Peel, it was a simple tax of 7d. in the £ on all incomes over £150. The figures would have to be altered; but it could be made a simple tax of, say, 2s. in the £ on all incomes over £78 a year (30s. a week), and if this were done, the tax could really be collected at the source on all wages and salaries—that is, it could be collected at the time the income arises. This would, at one stroke, cut out millions of returns and assessments. Such a tax would, of course, need to be supplemented. In the first place, there would have to be a system of family allowances in cash; but that not only presents no great administrative difficulty, it is highly desirable in itself. Secondly, there would have to be a supplementary direct tax for all higher incomes; this could be done by bringing the surtax, with its progressive scales, down to a lower limit of, say, £250 a year. Surtax, and income tax on incomes other than wages and salaries, would, of course,

have to be individually assessed and collected, but the problems involved would be no more than those of the income tax before the recent extensions of its scope. And, finally, in order to retain the convenience of deducting tax from dividends, etc., it would be necessary to quote a special rate—say 25 per cent in peacetime and 50 per cent in wartime—for this purpose. Deduction of tax from dividends is, at present, only a first approximation, as the gross amount enters into the individual assessment of every surtax-payer, while owners of smaller incomes can claim repayment, and similar provisions in the new structure would therefore impose no new administrative burden.

These few sentences are not, of course, intended to be more than an indication of the direction that reform of the income tax should take. The two main essentials are to devise a tax on small incomes that does not involve individual assessment and to abolish the misleading and effort-detering standard rate. Hitherto in this war the Inland Revenue has not shown itself to be a very enterprising or imaginative department; it has preferred to undertake the burden of overwork for its subordinate grades rather than that of hard thought at the top. Unless some such scheme of reconstruction is already in the making (of which there has been no hint), the Chancellor cannot, of course, expect to receive any help from this source for his problem of the present year—and the difficulties of transition must not, in any case, be overlooked. But there is a double urgency in the need for such a reform. Without it, the raising of more revenue during the war will be very difficult; and with it, British public finance could face the problems of the post-war era with its "colossal engine" in working order.

Australia's War Effort

PACIFIC strategy is dominated by time and space, and a great advantage necessarily rests with the side that can best surmount the obstacles they impose. On a small-scale map, a Japanese invasion of Australia looks easy. But the main supply base for men and munitions must be in Japan itself, and from Yokohama it is some 3,000 nautical miles to Darwin and 4,470 miles to Sydney. If, however, the Japanese can solve the supply problem that these distances involve, they can make time and distance tell against the defenders. From Sydney to England is 12,350 miles round the Cape and 11,500 miles through the Mediterranean; the distance to San Francisco is 6,470 miles and to Panama 7,700 miles. All possible aid has been promised to Australia by both the British and the American Governments; but geography compels the Commonwealth to find first aid from its own resources.

It has always been the legitimate pride of Australians to present their island continent as a whole. In point of fact, however, almost the whole of the resources of the Commonwealth, human and material alike, are concentrated in one corner of the country. The total population was estimated at 6,962,000 at the end of 1939, and more than four-fifths of this is to be found in the south-eastern strip, roughly from Brisbane to Melbourne, with the immediate hinterlands of the coastal cities. The total number of inhabitants aged 15 to 64 is only about 4½ millions, and the male population aged 20 to 49, from which fighting men can be recruited, barely exceeds 1½ millions. According to the census of 1933, there were then 2,870,000 "breadwinners" in Australia (exclusive of pensioners), 2,240,000 men and 631,000 women. Some 20 per cent were employed in agriculture and related activities, 32 per cent in mining, manufacturing and in the constructional trades, and the remainder in transport, commerce and in Government and other services.

But small though Australia's population is in relation to the size of the country or to those of Great Britain and Japan, her potential contribution to the winning of the war against Japan is considerable, and much greater than

in 1914-18. Twenty-five years ago the Commonwealth possessed virtually no industries. But during the interval between the two wars, and especially during the past decade, she has built up a sizeable manufacturing capacity which has formed the nucleus for the development of an important and growing armaments industry. The Commonwealth, moreover, is in the advantageous position of producing at home many of the raw materials required for the production of war equipment. Australia is self-sufficient in coal and iron ore, in lead and in spelter, and small quantities of many important steel-alloy and non-ferrous metals are also produced, such as wolfram, molybdenite, copper and tin. The Commonwealth's share of the world's total output of these materials is small, though in the case of zinc it amounts to nearly 10 per cent, but production is nevertheless important in relation to Australian needs. The principal manufacturing centres are in New South Wales and Victoria; in 1938-39 these two States employed three-quarters of the total number of factory workers in Australia.

As the foundation of her armaments industry Australia now has a substantial steel-producing capacity, based on local raw materials. In 1913, she produced no more than 13,000 tons of crude steel; but in 1939 output amounted to as much as 1,170,000 tons, against Great Britain's annual capacity of 14,500,000 tons, and Japan's of some 7,000,000 tons. The iron and steel industry is located in the Broken Hill district in New South Wales; coal supplies are mined in the same State, but the ore has to be brought from South Australia. The growth of the iron and steel industry has been accompanied by the development of engineering and other steel-processing trades which are being adapted to the manufacture of war equipment. Less attention had been paid, before the war, to precision engineering, such as the manufacture of machine tools; but although the growth of munition-making capacity must depend, to a large extent, on imports of plant and equipment, Australia is now herself producing a large variety of machine tools. As a result of these preparations the Commonwealth is already making a wide

range of mechanisms, including not only small arms, motor vehicles, ships and light equipment, but also aircraft, guns of many calibres, shells, and even tanks. An indication of the growth of Australian production is the increase in the numbers of factory workers. Between August, 1939, and May, 1941, the number of workers in Government factories rose from 12,000 to 52,000, and those in private factories from 534,000 to 605,000; the majority of the new recruits to private factories are engaged on war work.

In spite of many achievements, however, the overall rate of industrial mobilisation in Australia has been considerably less than in Great Britain, and only a comparatively small proportion of the military potential of the country has yet been developed. True, there has been a marked decline in the imports of certain consumers' goods, such as motor-cars; but hitherto only petrol and paper have been rationed. The rationing of petrol presumably arose largely from the shortage of tankers, for Australia has to rely on imports for nearly the whole of her requirements, totalling more than 2,000,000 tons before the war. But the decline in imports has been accompanied by a marked increase in the domestic production of many articles of consumption. A Federal inquiry showed that between August, 1939, and August, 1941, the value of retail sales rose by 35 per cent in Sydney, by 45 per cent in Melbourne, and by 26 per cent in Brisbane. Since the official indices of retail prices for these towns rose by only about 10 per cent during this period, there must have been a substantial expansion in the volume of sales. Moreover, private building has been maintained at a high level in Australia during the first two years of the war; the average monthly value of building permits granted (exclusive of Government works) was £A2,353,000 in the year ended June, 1939, £A2,206,000 in 1939-40, £A2,342,000 in 1940-41, and £A2,173,000 in July-September, 1941.

Australia's general war effort is revealed by the size of her war Budgets. Thus, Commonwealth war expenditure rose from £A55 millions during 1939-40 to £A170 millions in 1940-41 and the second Budget for 1941-42, introduced by Mr Curtin's Government last October, provided for an outlay of £A221 millions. Of the esti-

mated cost of the war in 1941-42, £A59 millions are to be spent overseas, against £A43 millions in 1940-41. These figures are very large for Australia, but they are less impressive if they are compared with the national income. According to the *Monthly Summary* of the National Bank of Australasia, the Commonwealth's national income was £A800-850 millions in 1938-39 and is expected to reach the rate of £A1,000 millions in 1941-42, one-half of the increase of 18-25 per cent being ascribed to the rise in prices. If these estimates are accurate, the proposed war expenditure of the year 1941-42 (including overseas expenditure) amounts to about one-quarter of the national income, compared with over 60 per cent in Great Britain (about 50 per cent at home and over 10 per cent overseas) and over 35 per cent in Canada. Since the average income per head in normal times is much the same in Australia and Great Britain, a straight per head comparison is not misleading. Australia's war expenditure in 1941-42 will be about £A23 per head at home and £A8½ overseas; that of the United Kingdom will be about £stg.65 at home and £stg.18 overseas.

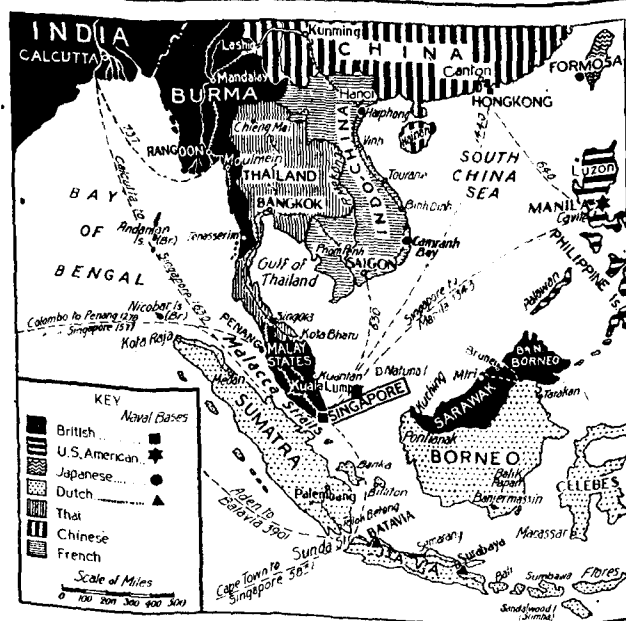
These facts, it is hardly necessary to say, are not cited in any critical spirit; it is for each of the United Nations to decide for itself what its contribution shall be, and there are well-recognised obstacles to the rapid conversion of a pastoral and agricultural economy to industry. But the figures that have been cited tend to show that the greater effort for which Mr Curtin has called can be expected to elicit a substantial response. The British Government has undertaken to buy large amounts of the wool and wheat that cannot be exported; but it would be an obvious waste to continue to devote resources of manpower to the production of surplus commodities if they can be used more directly for the war effort. A sterner restriction of consumption goods and service industries would release manpower both for the armed forces and for the munitions industry. Even with the maximum effort, Australia cannot stand up to Japan unaided. But even the maximum assistance from Great Britain and the United States cannot remove her from the front line or from the necessities which it imposes.

NOTES OF THE WEEK

Backs to the Wall

The general strategy of Japan's attack in South China waters is obvious. It is to knock out of action all the possible air and naval bases from which the United Nations could launch a counter offensive, and by a succession of stunningly rapid blows, thrust the enemy out of the islands encircling Japan, and clear "East Asia" for ever. The three immediate objectives are naturally the three most important Allied bases, Amboina, Surabaya and Singapore, and this week has undoubtedly been one of great Japanese achievement. The news from Amboina, the second Dutch base in the Netherlands Indies, is confused, but the Japanese have launched a violent attack upon the island, and it is unlikely that it can be held for long. To the west of the Molucca group, the main attack upon Java and the base at Surabaya has begun. The Japanese apparently control Banjermassin on Borneo and Macassar on the Celebes, both points only some 400 miles from Surabaya. Now mass air-raids have begun—a heavy attack on the naval installations at Surabaya, and raids all along the northern coasts of Java. More Japanese ships have been sunk in the Macassar Straits—bringing the total up to something like 17 ships sunk and 24 damaged—but many have forced the passage and have appeared in the Java Sea. The last and greatest of the bases, Singapore, is no longer a base, but a beleaguered outpost. On January 31st the Argyll and Sutherland Highlanders who had fought the whole gruelling fight from the Thai frontier, were piped across the Johore Causeway, the last men to enter the fortress; then the Causeway was breached, and the defenders settled down for the grim struggle to make Singapore another Tobruk. After a short lull, heavy Japanese raiding began, and it is disheartening to learn that once again the defenders will be deprived of fighter

air support. Most of the island's aerodromes are within range of enemy artillery mounted on the Straits of Johore. There is a sharp division of opinion about the possibility



of using Sumatra as an air base. It appears that the coast is swampy and airfield construction would be technically very difficult. The defenders of Singapore must presum-

ably have envisaged the possibility of losing the whole mainland, and explored every alternative possibility of air defence. It would be intolerable if Singapore were to prove another Crete when adequate forethought could have prevented it.

MacArthur's Stand

General MacArthur's gallant stand on the Bataan Peninsula continues, although the enemy has vastly increased his pressure and the American forces have been compelled to give some ground. Over the week-end, picked Japanese troops made violent attempts to dislodge the American defenders, but they were thrust back onto the beaches and into the sea. The importance of General MacArthur's resistance can be properly assessed only against the general background of the South Seas war. Everywhere—from Moulmein in the north to Rabaul in the extreme south—the United Nations stand with their backs to the wall, fighting against terrific odds and trying to preserve in the face of a far more numerous enemy the bases at which reinforcement, it is to be hoped rather sooner than later, will arrive. In this extremely critical situation, if the Japanese were to inject another 200,000 men into their aggressive effort, one or other of the Allied bastions might be compelled to surrender. By keeping so many picked troops cooped up in the Philippines, by compelling the Japanese to use valuable transport to reinforce them, General MacArthur is defending Singapore, Batavia, Surabaya, and even perhaps North Australia, as effectively as if he were fighting at their gates. His is an essential part of the vast rearguard which stretches through the arc of the Indies and is waiting tensely for decisive help. There is still little sign of it, though General Wavell has said that "great reinforcements" are on the way. The main difficulty is, of course, control of the seas. In the narrow waters round Singapore and the islands and in the open waters between the Philippines and Japan, the Japanese Navy is supreme. However, the United States Pacific fleet's heavy raid on the Marshall and Gilbert Islands bases, besides providing the British public with their first knowledge that the British-protected Gilbert Islands had passed to Japan, was a welcome sign of greater things to come. If the United Nations can, in Admiral Nimitz's words, "bring the war to the enemy's front door," he will be compelled to spend less of his time at other peoples'.

China is not Anxious

The news from Burma is grave. Moulmein has fallen, and although the enemy's attempts to cross the Salween River have so far been thrust back, an attack in force will be launched at any moment, and, judging by the speed of the Japanese advance from the Thai frontier, it does not look as though the defenders have strength enough to resist a major offensive. The interests threatened in this new drive are not only those of Burma and the Empire. Free China sees its old enemy drawing closer and closer to its line of supply through Burma. A sharp thrust across the Salween and Sittang rivers would cut the route from Rangoon to Mandalay, and thus check the main flow of supplies along the Burma Road. Upper Burma is also threatened, for there are reports of Japanese troops at Chiengmai, where they are attempting to bridge the Salween River in its upper reaches. The Chinese are not unduly anxious yet. They have scored further successes in the Canton area and they claim that the Japanese are being compelled to withdraw thousands of trained troops from China to fight in the south. They have war stocks for about a year and are confident that the United Nations will have struck back before China's supplies have run really low. The British loan of £50 millions and the American loan of £125 millions may not be used entirely for the purchase of outside supplies. The fate of the Burma Road is not decided yet. But the Chinese need the money badly for internal stabilisation. A Victory Loan, with the Allied credits for guarantee, would bring in much of the surplus purchasing power in Free China and help to counteract its biggest internal problem—the sky-rocketing cost of living.

Empire War Cabinet

No further news has been given about the nature of the Empire War Cabinet announced by Mr Churchill last week. Australia and New Zealand will be represented;

Canada will not. Mr Mackenzie King, Prime Minister of Canada, believes that the present methods of consultation with the British Cabinet are sufficient and satisfactory; and he will only seek representation if this ceases to be so. Membership of the Cabinet in London will, admittedly, improve consultative relations with the Pacific Dominions. But the point is whether it will lead to the right decisions being made at the right time—which is the Dominions' aim. The crux of the difficulty that will attend this very proper attempt to give the Dominions their rightful voice in the determination of war policy has been stated by Mr Fraser, Prime Minister of New Zealand. The Dominion Ministers, he pointed out, will not be plenipotentiaries. They will have to consult their Governments before putting their views or casting their votes on matters of major policy. Mr. Fraser believes that this obstacle to swift decisions can be got over; but the obvious danger is that, by the presence of Dominion members, Cabinet decisions will not be expedited but inhibited. The War Cabinet of the last war is no parallel. General Smuts and Sir Robert Borden were not plenipotentiaries, it is true; but neither were they representatives or delegates. They were members in their own right, by virtue of their personal status and abilities. The fact is that, by no magic, can the same decisions be made in different places at the same time. A real Imperial War Cabinet will not be possible until the Dominions are ready to be bound by its decisions.

Shopkeepers on Trial

In May last year, a committee was appointed by the Board of Trade "to examine the present problems of the retail trade in goods other than food." Since then, two interim reports have been put out. The first proposed that the problems caused by the wartime shrinkage of retail trade should be limited by controlling the opening of new shops, and resulted in the Location of Retail Business Order issued last autumn. The second, published this week, describes the problems brought about by reductions in supplies, the regulation of standard qualities of goods, the control of prices, the rationing of consumers, restrictions on transport, and the withdrawal of labour. The details of this valuable description, and the issues it raises, cannot be dealt with in a short note. The main question that emerges is not the old one whether retailing should be "slimmed." In fact, retailing is being slimmed, and the question is whether the process can be controlled to prevent individual hardship, and to maintain some basis of equity in a development which "strikes blindly and is no respecter of persons." Inevitably, some trades, some areas, and some shops are much harder hit than others by wartime events and the curtailment of supplies—without regard to the trader's degree of efficiency. Unlike industry, retailing cannot turn over as an apparatus to war work; and stocks and reserves are running out. "Our Survey reveals a bleak prospect for shopkeeping in 1942." At this stage, the committee makes no recommendations. Trade associations are now to be approached to ascertain exactly how far the enforced shrinkage has gone; and the committee will go on to consider, in consultation with trade associations and trade unions, various remedial measures—such as the temporary

Every facility for
BANKING
business on
SWEDEN
SKANDINAVISKA
BANKEN
Central Offices at Göteborg, Stockholm
and Malmö
CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

"marriage" of businesses, the temporary withdrawal of traders according to schemes, and compensation. In effect, this second interim report is a plea, by force of the facts it records, for compensation for wartime victims—by the "industry" or by the State. Unfortunately, the committee does not appear to see the obvious danger that both the process of "slimming" and any remedial measures, unless drawn with the utmost care, may hasten still more the conditions of quasi-monopoly in retail trade which are already extensive. It is sound sense to look to the retail trade associations for information; it is dangerous to rely on them for policy. The only "remedial measure" introduced so far, the Location of Retail Business Order, simply embodied the "distance limit" which has always been a repressive practice in the hands of the associations. It is the duty of the Government to see that the consumer does not suffer arbitrarily with the unfortunate shopkeeper.

Co-ordinating Criticism

Criticism of production, like production itself, has discovered that it cannot be departmentally confined. Hitherto, the Select Committee on National Expenditure has divided its task of examining "the current expenditure defrayed out of moneys provided by Parliament for the defence services, for civil defence and for other services directly connected with the war . . ." among a number of sub-committees, each of which was concerned with the expenditure of specified Departments. There has always been a co-ordinating sub-committee to co-ordinate the work of the other sub-committees, but the Select Committee now feels that it should be given wider power, so that what are called "horizontal" subjects, such as labour, which affect several Departments, are properly covered. The Select Committee therefore recommends that the membership of the co-ordinating sub-committee should be extended. In the past, it has consisted of the chairman of the full Committee and the chairmen of the various sub-committees; now it is proposed that in addition there should be five members at large, who would not be members of any sub-committee as such, but would be entitled to attend any of them at any time. The new and enlarged co-ordinating sub-committee would have power, not only to review, co-ordinate and direct the work of the sub-committees, but also to alter their terms of reference, to nominate and discharge their members and to appoint additional sub-committees. This, it might seem, would be giving the co-ordinating sub-committee powers equal to those of the Select Committee itself; but it is expressly provided that any action taken in respect of the new powers—altering the terms of reference and the membership of the sub-committees and so on—must be approved by the full Committee within twenty-one days. Moreover, one of the points at issue last autumn, when four members of the Committee asked to be discharged, is not affected by the new procedure. The co-ordinating sub-committee will still have the power, first granted in May, 1940, of addressing a memorandum to the Prime Minister in cases where the national security is involved; but the practice, as Sir John Wardlaw-Milne said in the debate on the four members, is for the co-ordinating sub-committee to advise on publication or not, but for the Select Committee itself to make the decision. The Select Committee's invaluable work of criticism will be strengthened by the new procedure, but its democratic basis will not be impaired.

Libya and Egypt

If the British have the reinforcements to bring up in Libya, then it should still be possible to prevent a repetition of last year's reverse. Rommel has so far been unable to advance eastwards from Msus, and his columns have swept up the coast roads of Libya, recapturing Benghazi and Barce and forcing the British to evacuate Derna. The German forces have thus exposed a long and apparently vulnerable flank and are relying on supply lines which could perhaps still be cut below Benghazi. This risk-taking is Rommel's usual strategy—and a very successful one. It can be countered only if the British reserves are on a scale to meet the new attack. In the air, superiority has been attained and kept. But on the ground, Rommel's tank reinforcements have been large enough for British columns once more to be retreating in the face of "greatly superior forces." It is unfortunate that the Egyptian Government should have staged a political crisis at this crucial point.

Great Britain has everything to gain from political stability in the rear of the fighting, and the Sirry Pasha Ministry did very faithfully observe the Anglo-Egyptian Treaty which regulates the status of British forces on Egyptian soil. It is not, of course, the Treaty that is in question in this crisis. It is an uneasy manoeuvring for position between the Government Coalition, the self-excluded Wafdist party and the King's personal advisers, who favour a much wider interpretation of the Royal prerogative. The storm blew up over Sirry Pasha's decision to break off diplomatic relations with Vichy without first consulting the King. King Farouk made it clear that the Ministry no longer enjoyed his confidence; Sirry Pasha accordingly resigned; and now the King and his advisers are casting round for a new Cabinet. It is possible that they will turn to the Wafd, though the Wafd probably feels more bitterly about the encroachments of the Royal prerogative than does the outgoing Ministry. The Wafd agrees in principle to the Treaty it signed, since for the time being they recognise it as the only safeguard of Egyptian independence. Unfortunately, they have been using Sirry Pasha's loyal observance of the treaty as a weapon in domestic politics, accusing him of subservience to British interests. Clearly, this embroilment of the issues and general atmosphere of intrigue and uncertainty is a fine spawning ground for Axis rumours. It is to be hoped that Britain's, and Egypt's, chief interest—a loyal and stable Cabinet—will be achieved with all speed.

Danger to India

In the House of Lords on Tuesday, appeals were made by all sections of opinion for measures to end the political deadlock in India. It is well known that in India itself, although the Japanese aggression has made support for the United Nations more articulate and more widespread, fear of actual attack, in the light of the weaknesses shown in Malaya and elsewhere, has created an unmistakably uneasy and disturbed situation; and further withdrawals in Burma would heighten the disquiet. It would be an exaggeration to say that a process of disintegration has begun. A great Indian army is being trained and equipped, and war output is mounting. Pandit Jawaharlal Nehru himself, heir to Mr Gandhi's leadership of Congress, has said that Congress would resist invasion by all the means at its command and would have no truck with the aggressors; "at present, when we know that danger may be imminent, it would be preposterous and cruel to advise people to offer passive resistance against war." But the Congress policy of non-co-operation remains unchanged, not because of the pacifism which is upheld by Mr Gandhi, but because of Britain's refusal to make India "free"; and in the present state of unsettlement this negative attitude is a menace to good order in an emergency. The view of the Government, voiced by the Duke of Devonshire, is that the Viceroy's promise of 1940 that India will be given independent government after the war, if the contending Indian parties can agree on a constitution, is the limit of concession; at present, he argued with justice, Congress wishes to rule a "free" India, and the Moslem League is ready to fight to prevent that happening. Most speakers in the Lords, including Lord Hailey, believed that the attitude—"there is nothing we can do; it is up to them"—is "unfair." At any rate, it is not realistic. Events are not standing still. One speaker said that India was in danger of becoming a "second Ireland." In fact, it is a second Ireland already, on a continental scale—and, at all costs, there must be no 1916 there. The Indian Nationalists are, admittedly, even more intransigent than Irishmen. But it is hard to see why more could not be done in the directions suggested in the Lords: a personal appeal by the Prime Minister; the sending out of a negotiator of eminence and understanding to bridge the unhappy gap between British and Indians; and the promotion of an even more Indianised Executive Council still nearer to the status of a provisional government.

Unrest in South Africa

The spreading of the war has shaken up and troubled politics in more countries than India and Burma—and Eire and Egypt. There has been a wave of violence in South Africa. Mines, power houses and communications have been attacked by dynamite and fire on the Rand, at Victoria Falls and elsewhere in the Transvaal. Officials, including policemen, have been arrested for subversive acts. The

Union Government regards these events as part of a long-planned campaign to wreck South Africa's war effort; and special courts have been set up to administer death or other heavy penalties to saboteurs and their abettors. It is said that there has been Nazi inspiration from Portuguese East Africa. Actually, if this is an enemy wrecking plan, it seems extraordinarily futile, for the war effort has suffered no appreciable damage whatsoever. Even if sabotage had done little harm to the war effort, except insofar as valuable metal in the form of valuable machinery may be shipped in valuable vessels to replace damaged equipment. In any case, a few fanatics cannot coerce or intimidate an entire community. The Opposition in South Africa is large, it is true, but it consists of a number of layers. There are those who favour neutrality, those who favour neutrality and independence and those who are outright rebels, members of the Oxtagon group and other extreme factions. But the rebels are a very small minority, and the main Opposition group are totally opposed to their aims and methods; Dr Malan himself, leader of the Nationalist Opposition, has just publicly accused an Oxtagon "commander" of incitement to murder. General Smuts's majority, on the other hand, is as solid as the Opposition is split. Any violent disorder in a country at war is dangerous. It must be stamped out. There will be widening recriminations. But the tide of events and opinion in the Union is still with the Prime Minister—and the war.

Hitler Feels the Pinch

The Russians are thrusting at the Germans the length of their vast front. Last week the main advance was to the north of Smolensk. This week it has been the turn of Timoshenko's southern army. A heavy attack south of Kharkov has brought the Russian advance guard to within 60 miles of Dnepropetrovsk and has smashed a threatening bulge into the Germans' Kharkov-Taganrog line. This new front is still extremely fluid, for while the Germans are counter-attacking strongly at Artemovsk, another 60 miles to the east of the Russians' most westerly advance, Russian troops are reported to have made a thrust southwards towards the shores of the Sea of Azov, a manoeuvre which, if successful, would cut off important German forces at Taganrog. These new Russian successes are not, of course, decisive—the Germans have in every case succeeded in withdrawing their heavy equipment—but they have completely shattered the German plan for a static winter front, with heavily defended strong points and good rest centres for the troops well to the rear. There is evidence to show that divisions have had to be hastily sent from rest billets to the front, and any calls on fresh reserves made now must have an unfavourable effect on the spring offensive, wherever it is launched. The constant pressure on the front has also prevented any winter demobilisation, and Hitler's war factories are feeling the strain in terms of man-power. The keynote of Hitler's Sportpalast speech on January 30th was "Work, work, work." Not only are there tremendous losses to make good, but there are fewer hands to work the machines.

Just Reward

The Restoration of Pre-War Trade Practices Bill was read a second time in the House of Commons this week; there was no division, and only one voice was raised against it. In order to make possible the maximum mobilisation of industrial man-power—and woman-power—for the war effort, the trade unions have voluntarily surrendered a great many of the rights which they had previously won in decades of hard bargaining. Since the war started, only one-fifteenth of a day per year per worker has been lost by trade disputes. It is right and proper, and the Government's pledge, that the unions' rules for the demarcation of different grades of labour, their regulations to prevent the lowering of the status of skilled artisans by dilution, and the rest, should be reinstated when the war is over. Under the Bill, pre-war practices must be restored and maintained for at least 18 months after the war, during which time the machinery of collective bargaining will have the chance of working out new conditions where necessary by mutual consent between employers and employed. The trade unions, however, will have to beware of the impossibility of going two ways, backwards to 1939 and forwards to 1942, at once. One

"trade practice" has not been suspended during the war, the practice of bargaining for the highest possible wage. Its steady success has been largely responsible for the continued industrial peace during the past two and a-half years. Industrial costs have been continuously inflated; and there is a possibility, to say the least, that in the export trades at any rate the unions will have to make a post-war choice between high wages and high employment. There should not be the dislocation and mismanagement in economic policy after this war that succeeded 1918. *Experientia docet*—or should do. But the post-war world will not be the world of 1939. The trade unions would do well to embrace the lesson of war economy itself, and press for a National Minimum for all families, regardless of the respective bargaining power of different unions. And, when their spokesmen are inclined to speak as if only trade unionists had made war sacrifices, they might remember that there is no proposal to restore the pre-war practices of any other section of the community.

Juvenile Earnings and Registration

The earnings of young workers have been put in their proper perspective by the Chairman of the Council of the National Association of Boys' Clubs. He agrees that a number of boys are receiving "excessive" earnings—excessive, that is, in relation to peacetime earnings and to the rise in adult earnings—but he considers this number to be only a very small proportion of the total number of boys in employment. Moreover, not all boys by any means who receive excessive earnings are either actual, or even potential, young delinquents. "Not infrequently" the high earnings are used in a legitimate and praiseworthy way for the support of the family. He agrees, in fact, with the view recently put forward in Parliament by Mr Kenneth Lindsay, and endorsed by the Parliamentary Secretary to the Ministry of Labour, that what should be controlled is not so much excessive earnings as the excessive hours of work by which those earnings are obtained. The wages of young people should not be controlled separately from the wages of adults. If they do a man's job they, like women, are entitled to the rate for the job, and it would be a retrograde step to compel or encourage employers to pay them less. In the recent agreement with the building industry, by which boys receive certain percentages of men's wages, it is implicit, according to the Government spokesman in the recent debate, that they should not be given men's jobs. The question has been given fresh importance by last Saturday's registration of boys of 17. Many of these and of those who will register later already belong to some form of youth organisation, whether of a civilian or military character. But it will be impossible to persuade those who do not to join the Home Guard or the ATC when their long hours of work make them too tired to take part in such activities. Boys, in fact, should not be boys for the purposes of registration any more than for wage control. They should be treated instead as part of the national

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supply of man-power; they should be considered capable of serving the nation in one or more ways—in factories or in youth organisations or in both—and excessive hours of work should be stopped because they reduce the value of the boys' work for the nation as well as impairing their physique. It follows that in the registration of young people the education authorities should act in close contact with the labour exchanges, or their work will be largely valueless.

Men and Women

A committee of four junior and male Ministers, the Parliamentary Secretaries to the Admiralty, the War Office, the Air Ministry and the Ministry of Labour, has been set up to report on conditions, clothing, equipment and welfare in the women's Services. The immediate fury of women MPs that this inquiry should be conducted by men is quite as understandable as the doubt, which was also expressed in the Commons, whether Ministers in the Service Departments are best fitted to investigate Service conditions. But the danger is that this sex question will be allowed to obscure the real issues; there is no reason why men Ministers should do the job worse than women MPs would. The point is rather that, men or women, they should do the job properly. More and more, it appears to those in or close to the ATS, at any rate, that what is wanted is simply the faithful application of the instructions and standards already laid down for the care and accommodation of the women. It should be emphasised that this is not by any means to suggest that the women should be "mollycoddled." What is asked is, not frills, but that the women should be given the rations, the fuel, the accommodation and the elementary conditions to which they are entitled. It is not suggested that the women should be treated better than the men they are assisting or replacing, but only that they should be treated the same as the men are, or should be. It is a military question, not, primarily, a sex one—except that the women do need some extra amenities. The fact is that the Army, at any rate, seems incapable of seeing that its routine regulations about these matters are uniformly carried out locally—either for men or for women; its system of inspection, confronted with the traditional skill of local commanders in window-dressing, seems largely ineffective. The new committee is to hear reports from the heads of the women's Services. If it does no more, its members will merely spend their time uselessly in that "twilight world" between what is supposed to be and what actually is, in which Professor Laski claims that Government departments dwell perpetually. It is wrong to say that more manpower is wasted in training and looking after the women than is released by their recruitment. In fact, the waste of manpower rather arises from the obstinate refusal of so many men officers and NCO's either to see that the women dependent on them are fed and housed properly or to understand that they are capable of doing their work without constant interference and duplication by their male colleagues.

Popular Front President

The election of Don Juan Antonio Rios, the Popular Front candidate, to be President of Chile is no mere nomination of a titular head of State. The Chilean Constitution of 1925 was designed to give the Executive, in the person of the President, considerable authority *vis-à-vis* both Chamber and Senate, which before, as after, 1925 proved their political incompetence by fantastic instability and constant Cabinet-breaking. This Constitution—which gives the President independent authority by virtue of universal popular election—made it possible for the late President Aguirre Cerda to carry on a steady and successful policy of much-needed reform, first in spite of the strong

opposition of a Conservative Congress, and later in spite of the volcanic disagreements between the Communist, Socialist and Radical wings of his own Popular Front. The election of Don Juan Rios and the unsuccessful candidacy of General Ibanez, the Right Wing choice and once already Dictator of Chile, are welcome signs that the late President's policy will be carried on, both at home and in the foreign field. On July 4th the Foreign Minister promised Chile's contribution to joint defence of the American continent, and the Administration has pressed for closer defence consultations. Anxiety about defence—springing naturally from Chile's long, undefended Pacific coast-line and entirely inadequate military resources—was the key to Chile's hesitations at Rio. The Chilean delegation felt bound to link the question of a breaking off of relations with the possible Axis counter-action to such a move. In their attitude there was nothing of Argentina's preference for maintaining relations with the aggressors and dislike of United States leadership. On the contrary, Chile has welcomed the prospect of joint defence talks in Washington and the election of a Popular Front President is held to presage the severing of relations with Germany, Italy and Japan.

Canada's Gift

The account given in *The Economist* last week of Canada's financial generosity was, it appears, slightly inaccurate. As stated, there is to be a gift of \$1,000 millions and a loan of \$700 millions. But the proceeds of Canadian securities to be mobilised from residents of the United Kingdom, estimated at \$295 millions, are not to be used in reduction of the debt; they will be available for further purchases. This, of course, increases the magnitude of the accommodation that has been provided and should correspondingly enhance the gratitude that is felt for it.

Shorter Notes

The week has brought the satisfactory settlement of two outstanding problems—Great Britain's relations with Abyssinia and Anglo-Russian relations with Iran. The two treaties, which have been signed after prolonged negotiations, differ notably from Axis and New Order documents in that the independence of the less powerful contracting party is to be fully preserved.

The German decision to wage peace on Norway and to appoint Major Quisling as prime minister—vacant since the German occupation in April, 1940—should not be dismissed as an idle gesture. No doubt the Nazi Government hopes to save manpower by forcing the traitor Norwegians to do more of the work themselves. Moreover, the manoeuvre is a method of bringing indirect pressure to bear on Sweden, who will now be expected to recognise the Government of the new "prime minister" as that of a free and independent country no longer under enemy occupation.

Mr W. W. Wakefield, MP, has been appointed director of the Air Training Corps in succession to Mr J. F. Wolfenden. The necessary certificate has been given by the Prime Minister, under the House of Commons Disqualification (Temporary Provisions) Act, to enable Mr Wakefield to retain his seat in Parliament. A certificate has also been given in respect of Commander King-Hall who has been appointed public relations adviser in the Ministry of Aircraft Production.

According to a written parliamentary answer, local price regulation committees received 617 complaints in October, 1941, and 732 in November. First place is contested by the London and North Midland committees, London receiving 128 complaints in October and 179 in November, and the North Midland committee 154 and 146 respectively. Since the latter is generally regarded as the most active of the committees—it announced forthwith its willingness to co-operate with the Board of Trade's new price control order—it is possible that the number of complaints varies with the energy and efficiency shown by a committee.

POST-WAR AGRICULTURE

The recent article in *The Economist*, together with the ensuing correspondence from Lord De La Warr and Sir Daniel Hall, has been reprinted as a pamphlet. Price 6d. (post free 7d.)

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AMERICAN SURVEY

The New Deal and Monopoly

WHETHER in conditions of continuing peace the Roosevelt Administration would have solved the economic problems which it inherited from the great depression must remain for ever a subject of unresolved dispute. How, after the preliminary confusions of the New Deal, it would have eventually proceeded to the task it is perhaps possible to surmise from the report of the Temporary National Economic Committee which was set up in 1938 by Congress at the instance of the President, and completed its labours only last year. The report*, which is a document of major importance, would have excited much immediate interest and dispute, had it not been overlaid by the swift rush of world events, and it may be that the outcome of these events will not merely defer its recognition, but destroy its relevance and value. On the other hand, the report may be a significant prognostication of the post-war social and economic ideology of the USA, and for this reason it deserves immediate notice, particularly because it is a maturer version of one side of the New Deal, and embodies the changes that have occurred in New Deal thinking since the early days.

The Committee's terms of reference required a full and complete study and investigation with respect to the concentration of economic power in, and financial control over, the production and distribution of goods and services. Its composition was unique in that it was made up of equal numbers of legislative and administrative members of the Federal Government, under the chairmanship of Senator O'Mahoney. That is to say, Senators, Congressmen and government officials sat side by side—an innovation which might be usefully tried for some British Royal Commissions. Working with *subpoena* powers, it elicited important evidence in public hearings, and also initiated research and the compilation of data, the results of which were published in 43 monographs.

That the President's message to Congress which initiated the enquiry not merely set the tone for the investigation, but anticipated its conclusions, is shown by the enthusiastic incorporation of the message in the body of the Final Report. It is hailed there as a declaration of faith in the free economic institutions of the United States, and as a challenge to this and to coming generations of Americans to maintain and perfect their economic instrumentalities to ensure that level of well-being essential to the maintenance and growth of political and cultural democracy. Thus to quote from the President's message is almost to summarise the report.

The Doctrine of Competition

The President began with two broad utterances which, he declared, were simple truths. First, that the liberty of a democracy is not safe if the people tolerate the growth of private power to a point when it becomes stronger than the democratic state itself. And, secondly, that this liberty is not safe if the business system does not provide employment and produce and distribute goods in such a way as to sustain an acceptable standard of living. In elaboration of this theme he asserted, with statistical demonstration, that the heavy hand of integrated financial and management control lay upon large and strategic areas of American industry, and that the small business man was being driven into a less and less independent position in American life. Private enterprise was ceasing to be private enterprise, and was becoming a cluster of private collectivities. Masquerading as a system of free enterprise after the American model, it was, in fact, becoming a concealed cartel system after the European model. This industrial empire-building had taken from American business much of its traditional virility, independence, adaptability and daring—without compensat-

ing advantages. It had not given the stability it promised. Business enterprise needed new vitality and the flexibility that comes from the diversified efforts, independent judgments and vibrant energies of thousands upon thousands of independent business men. Belief in private initiative implied acknowledgment of the right of well-managed small business to expect to make reasonable profits. Concentration of control of any given industry into a small number of dominating corporations destroyed this opportunity. One of the primary causes of the present difficulties was the disappearance of price competition in many industrial fields, particularly in the basic industries. Managed industrial prices meant less employment as well as exploitation of other enterprises and of the community in general. Generally over the field of industry and finance there must be a revival and strengthening of competition if the traditional system of free enterprise was to be preserved and made workable. The justification of private profit was private risk. "We cannot safely make America safe for the business man who does not want to take the burdens and risks of being a business man." The President insisted that big business collectivism in industry would compel an ultimate collectivism in government; that a half-regimented, half-competitive system was unworkable. The remedies for private monopoly were either the diffusion of economic power or public control. The enforcement of free competition was the least regulation business could expect.

The report of the TNEC is an echo of this message. Its approach and its conclusions can be epitomised in the principle of action enjoined by the President—the enforcement of free competition. The Committee avows its faith in free enterprise and declares that every recommendation which follows is intended to keep enterprise free. The object of Government should, it asserts, be to protect and stimulate private enterprise rather than to supersede it. It advocates the maintenance of free competitive enterprise by effective suppression of the restrictive practices which have always been recognised as an evil. It insists that the free competitive system offers the best opportunity for the widest participation in the gains of increasing technology achieved through a reduction in the price of goods, the stimulation of new enterprises and the extension of existing ones. It is emphatic on the necessity for the encouragement and stimulation of new enterprise. The Government should actively encourage new enterprise, since the basic remedy against curtailed production for selfish ends is to be found in the development of competing firms and industries. The market must be kept free. Private groups should not have the power to fix prices. Government protection is actually called for, not in declaring and imposing reasonable prices, but in restoring price competition. The theory of free enterprise is competition, low prices and volume of output. "It will avail us nothing to carry a gigantic defence programme to a successful conclusion if in so doing we lose sight of the basic philosophy of our American economy—a competitive system of private capitalism."

Attack on Monopoly

To implement its conclusions, the Committee recommends a number of positive measures, some of which had already been mooted in the President's message. Its study of the factors and devices making for monopoly led it to recommend stricter enforcement of existing anti-trust laws and legislative revision to extend their scope and powers. This revision would entail drastic changes in the patent laws, more adequate supervision and regulation of the activities of trade associations, and direct powers to prevent in advance the promotion of any corporate merger or consolidation which was judged to threaten the effectiveness and vigour of competition in an industry. The tax instrument could also be usefully employed for the deliberate encouragement of new independent enterprise. While the President expressly disclaimed any crude campaign of

* Final Report and Recommendations of the Temporary National Economic Committee. 77th Congress, 1st Session. Document No. 35.

trust-busting reminiscent of the first Roosevelt, it is significant that the Committee thinks it worth while to reproduce as an appendix the recommendations of the Industrial Commission of 1898-1902, which, the Committee points out, was facing similar problems in a different environment. It is also an interesting reflection of the association of contemporary political developments with these economic problems that anything which savoured of the cartel was anathema to the Committee as an alien device of German origin.

Consciously or unconsciously, the Report constitutes a complete reversal of some of the earlier policies of the Rooseveltian New Deal. Then it was thought necessary and desirable that the Government should intervene to secure fixation of prices and to establish industrial self-government for that and other ends. The first version of the New Deal largely consisted in intervention to restrain the competitive system. The AAA and the NRA, with its "codes of fair competition" were designed for the purpose of guaranteeing "parity prices," "reasonable returns" and "adequate protection" against unfair competition, unpredictable changes in demand and over-rapid developments of technique! But both Big Business and the New Deal learned their lessons from the NRA. Business did not like the Government regulation that went with the codes; the New Deal did not like the steep rise of prices that followed the suspension of free competition. Neither side was sorry when the Act was thrown out by the Supreme Court. The Committee itself did not emphasise the contrast between its own doctrines and those of the NRA; but some of the evidence specifically recognised that the earlier manifestations of cotton-ploughing, hog-slaughtering, and blue-eagling were inconsistent with the principles of free enterprise so vigorously enunciated in the report. "The NRA which operated to afford industry the opportunity to engage legally in price-fixing and restriction of productive activities further increased the load of trade restraints which our free enterprise system had to carry."

Whether the Committee was too optimistic in its belief that a return to free competition is possible and whether its views will survive the war need not be discussed here. The important thing is that on the eve of the war the progressive elements in the United States committed themselves in this emphatic way to the principles of free enterprise. The implications of this fact are not sufficiently appreciated on this side of the Atlantic. There is, as always, a tendency to think of American politics in European terms and, since the New Dealers constitute the Left, to assume that they have collectivist leanings. But that would be a severe mistake. The New Deal conception of the economy of the future leaves plenty of room for Government regulation and for planning of the wide framework within which business operates—particularly for planning of the trade cycle. But the mainspring of the economy is still to be private enterprise and free competition. It would be an equal mistake to write this off as a reversion to old-fashioned habits of thought. It is nothing of the sort. In working out the economics of democracy, Britain has at least as much to learn from America as America from Britain; and one of the first of the lessons to be learned, or relearned, is the virtue of maintaining trade and production free of all restriction.

Currency Expansion

[FROM OUR NEW YORK CORRESPONDENT]

December 27th

THE outstanding phenomenon of the year-end was the new record of currency in circulation—\$11,220 millions. This is nearly three times the money in circulation in the 1929 boom, although the price index is lower; and the increase for the year, \$2,400 millions, was over half the total in circulation in 1929. The proportion of currency to demand deposits was extremely low in 1929; now, on historical comparisons, it is rather high. All sorts of reasons are given for this phenomenon, of which the easiest and least plausible is hoarding. While there is probably some hoarding, two other factors are much more influential. The severe restrictions put upon the use of cheques in the past ten years compel the use of currency in settlement of transactions that in the 20's would have been paid by cheque; secondly, the increase in incomes in the war boom has come mostly to groups neither accustomed to using

cheques nor able to make much use of cheque accounts. Indeed, one of the most conspicuous changes in the monetary habits of the American people in the past fifteen years has been the substitution of currency for cheques.

Christmas trade was slightly higher this year than last. For the entire country, the week of December 20th was 7 per cent above the corresponding week of 1940; but such an average included the Richmond district (14 per cent above) and San Francisco, which was up only 1 per cent. These figures take no account of the price increases. On the other hand, it must be remembered that the country indulged in a sort of buying spree last summer, and this seems to have depressed subsequent retail trade.

The Automobile Manufacturers' Association estimates that in 1941 total sales of passenger cars numbered 3,750,000 and of trucks 1,070,000. This slightly exceeded the 3,692,328 passenger cars actually sold in 1940, and considerably passed the 777,026 trucks sold that year. The Association also estimates the total number of motor vehicles registered in this country on December 31, 1941, at 28,875,000 passenger units and 4,850,000 trucks. These figures give some impression of the incidence of the tyre rationing announced for 1942. There is approximately one passenger car for each four persons in this country, and statistically one per family—although this is very different from the statement that every family has a car.

As a result of the heavy seasonal adjustment, industrial production and other indices registered a sharp increase in November over October. Without seasonal adjustment, most of these showed little change or a recognisably seasonal decline.

BUSINESS INDICES

1935-39=100 for industrial production and freight car loadings
1923-25=100 for other series

Adjusted for seasonal variation

	Nov., '40	Oct., '41	Nov., '41*
Industrial production (total)...	134	163	167
Manufacturers (total).....	137	169	173
Durable goods	120	207	212
Non-Durable goods	120	138	142
Minerals.....	118	130	129
Construction contracts (total)	111	145	138
Residential.....	87	87	71
All other.....	130	192	193
Factory employment (total)...	114.2	132.7	...
Durable goods	114.6	142.3	...
Non-Durable goods	113.8	123.6	...
Factory payrolls (total).....	116.4	166.6	...
Durable goods	125.1	191.1	...
Non-Durable goods	106.6	139.2	...
Freight car loadings.....	116	127	135
Department store sales.....	100	105	115
Department store stocks.....	71	97	...

* Preliminary.

Only two of these indices attract any special notice. One is the marked decline in residential building compared with a year ago. This is most likely a direct reflection of the priority system, which in this respect has become a kind of rationing. The other series is the change in the relation of department store stocks to sales, in comparison with a year ago. As both sales and stocks are value figures, one should be somewhat hesitant in drawing inferences. A year ago there was strong reason to believe that stores were understocked with reference to their current and prospective sales, but so positive a statement could not be made to-day.

American Notes

Price Control—in Part

A first step—if a halting one—toward necessary war-time controls was taken last week when the President signed the Price Control Bill. Except for the provisions concerning agricultural prices, the President termed it satisfactory and workable. The Act gives power to the Administrator, Mr. Leon Henderson, to fix prices and rents, buy and sell commodities, license businesses, and regulate or prohibit speculative or manipulative practices likely to raise prices. Violators of the Act may be fined \$5,000 or sentenced to two years in prison, or both. Licences may be suspended only by the courts. In six months' time, non-commercial consumers will be able to sue through civil action for treble the amount of any illegal overcharge. In general, prices will be based on those of October 1, 1941. The controversial agricultural price

clauses forbid the Administrator to set farm prices below 110 per cent of parity, market price on October 1, 1941, or on December 15, 1941, or the average price during the period July 1, 1919, to July 30, 1929, whichever of these is the highest; to put a price ceiling on any farm product without the approval of the Secretary of Agriculture; to regulate prices at which the Commodity Credit Corporation may sell its stocks; and to regulate prices of commodities under marketing agreements, such as milk. The selling policy of the Commodity Corporation may help to keep down certain prices, and the Secretary of Agriculture this week announced his intention to keep farm prices from going much beyond parity. However, as parity is not fixed, but varies with the cost of living, a spiral may easily be established.

On the average, parity prices have already been reached; further increases will inevitably create a demand for higher wages. Already the executive board of the CIO has recommended its constituent unions to demand substantial increases, on the ground that the rise in the cost of living has wiped out a large part of the recent increases in wages. The fact that the Administration itself was opposed to including wages in the Price Control Bill reflects labour's political power. The omission of wages and the dangerously favourable agricultural provisions are two very serious loopholes in view of the degree to which wages and agricultural prices determine all other prices. Experience with price control in this country has shown the difficulty of enforcement at a time of shortage of goods and a plethora of purchasing power. Fortunately the Price Administrator has been given the right to ration goods at retail. It is plain that this power will need to be exercised, and accompanied by much heavier taxation and a vigorous savings campaign before the danger of inflation can be said to have been eliminated.

Family Quarrels

The entry of the United States into the war could not have been expected to blanket for long the vigorous differences on national policy and international relations, particularly the shrill comments of the former isolationists. Their new line is to emphasize the importance of the Pacific at the expense of the Atlantic theatre of war. The disaster at Pearl Harbour has aroused a host of recriminations, some of them oddly at variance with the critics' former views. The President is being attacked for having sent to Britain and Russia material badly needed in Hawaii and the Philippines; the dispatch of the AEF to Northern Ireland is (with a fine disregard of practical possibilities) contrasted with the lack of reinforcements for General MacArthur. This point of view would be more impressive if the same voices had not been raised two months ago in denunciation of the entire defence program, arguing that nothing but the President's policy could involve the United States in the war. Britain has received a generous share of criticism springing from the natural feelings of irritation and frustration at the course of events in the Far East, and in Libya. Some of it is reasonable and well informed, but it is accompanied by an irresponsible outcry from other quarters, notably the Hearst press, which has revived the fantastic canard that Britain deserted the French and consistently exploits and neglects the Empire. One writer is reported to have denounced the "British concept of the war" on the grounds that "the British, strictly speaking, are not in the war." These antics of the lunatic fringe are exasperating, but unimportant, and too much disappointment should not be felt at the revival of opposition in wider and more influential circles. Complete harmony is impossible and undesirable. The Administration shows no sign of being unduly persuaded by irresponsible clamour and its ably presented concept of the American rôle in the war is supported by the vast majority of the American people.

Limitation on Propaganda

Further evidence is provided this week of the importance which the United States Government attaches to the control of propaganda and information. A Bill introduced by Senator Summers and signed by President Roosevelt lays down additional regulations applicable to those who "prevail upon, indoctrinate, convert, induce or in any other way influence any section of the public within the United States with reference to political or public interests, policies,

or relations of the governments of foreign countries." It also applies to persons collecting information for a foreign principal. Since 1938 agents of foreign principals have been compelled to register themselves and describe their activities. The present Act requires that copies of all surveys of public and press opinion compiled for foreign Powers must be filed with the Library of Congress, and full details must be given of the people and organisations receiving the reports. It appears merely to carry the existing regulations a trifle further and write into the law practices already being followed. Whether the law will greatly restrict the activities of the Allied Powers in the United States will depend upon the way in which it is interpreted. If it is to be strictly administered, certain difficulties might arise. It is curious that the Bill should be passed at a time when the number of countries able openly to distribute and collect information has been so greatly restricted and is confined almost entirely to friendly Powers. It is possible that the Bill is directed at the few remaining neutrals who might be used by the Axis Powers, but it is more likely that the Act is purely an expression of the deep-seated desire of Americans to form their own opinions and avoid the risk of being influenced even by their friends. An exaggerated estimate of the subtlety of British propaganda during the last war and a wholesome respect for the German Propaganda Ministry in this have both greatly contributed to this frame of mind.

Washington the Workshop

All visitors to Washington are impressed by the crowded streets, the difficulty of obtaining accommodation, the scarcity of homes which leads to federal employees being installed in stables, theatres, blocks of flats, and even in tents. Mr. Palmer, Defence Housing Co-ordinator, is reported to have testified that 85,000 new workers are expected in Washington this year, and some at least are accompanied by their families. In the last decade, Washington has grown faster than any other American city of comparable size. The expansion now is far greater than it was during the last world war. The case of Washington is not very different from that of many other cities which are suffering from the defence boom. But Washington is the nerve-centre of the entire country, and more and more important in the war effort of the United Nations. The degree to which the city is physically inadequate to sustain the vast influx of workers is likely seriously to affect the prosecution of the war. The glaring shortage of office accommodation is being partially met by the erection of temporary buildings, some of them next to "temporary" buildings dating from the last war. President Roosevelt has hinted that he might be forced to take over buildings and hotels under his authority granted in the War Powers Act. The emergency goes farther than this, however. There is a desperate shortage of residential housing at prices that most Federal employees are able to pay. As a result some workers have to sleep in shifts in the same beds. Private building is flourishing, while slum clearance is almost at a standstill owing to the demand for any sort of accommodation. Transport is becoming increasingly inadequate. Schools are overcrowded and hospital facilities strained to the utmost. The Government has hardly begun to tackle the problem. Some Government agencies are moving employees outside the city limits, and to other cities, but so far this is a mere trickle compared with the flood of workers entering Washington. Defence housing agencies are working on about 4,000 dwelling units. More drastic is President Roosevelt's threat that the non-essential population may have to be asked to leave. If Washington is to become an efficient workshop for democracy and total war, it seems likely that some such clearing of the decks will be necessary.

Morgan Shares in the Market

The public marketing in New York of 16,500 shares of the capital stock of J. P. Morgan and Company Incorporated is an event of which the significance will not be lost on bankers the world over. It marks the final breaking down of that barrier of privacy and reticence which was begun with the legislation severing the banking and security business combined by the former private banking firm. Thereafter the separate banking business operates under the laws of the State of New York. The shares, which were offered at \$206 each, represent 8.05 per cent of the total issued and outstanding, thus giving a valuation of \$41,214,500 for

the whole capital stock of the firm. The company, which was incorporated in April, 1940, earned \$12.15 per share (excluding realised security profits) for the year 1941, and \$20.45 per share including such profits. It paid an initial dividend of \$1 per share last June and of \$1.50 each in September and December. The company owns a substantial stock interest in Morgan Grenfell and Company of London which is carried in the books at \$3,886,000, a figure some \$1,000,000 below the value at current exchange. Thus does the harsh light of day break upon the affairs of a firm which before 1940 symbolised all the mystic aloofness of the international private bank.

End of the Silver Lobby?

Mr Morgenthau, giving evidence on the Bill to finance the Treasury Department for 1942-43, asserted that he would "be glad to see Congress strike all silver legislation off the books" and in particular condemned the provisions of the Monetary Act of June, 1939, which fixed the heavily subsidised price of 71.11 cents per ounce at which domestically mined silver is now purchased by the Treasury. It has required the demands of a war economy to reveal the defects of American silver policy and to endow the Administration with sufficient courage to challenge the domestic silver interests, the most strongly entrenched and certainly most vocal lobbyists in Congress. There seems to be no immediate need to repeal the provisions of the Silver Purchase Act governing the purchases of imported silver. Mexico and Canada are the producing countries mainly concerned. In the case of Mexico the American purchases of silver are one of the main props of the national economy and to remove them at this juncture would be very bad politics. The United States purchases of Canadian silver—largely by-product metal—provide a useful element in the US-Canadian balance of payments. Their continuance should be judged in the light of Allied economic strategy, and the test should be whether Canadian labour and material engaged in the production of silver could be more usefully employed. That should also be the test for silver mining in the United States. Meanwhile, new uses are being found for silver. There is talk of using it instead of tin as a lining for cans, and it is to replace nickel in the 5-cent coin of that name.

Cotton Consumption and Supplies

According to the United States Bureau of the Census, the country's domestic cotton consumption (i.e., the quantity used by mills) reached 887,000 bales in December. This figure is 37,000 bales higher than in November and 112,000 bales higher than in December, 1940, but remains 67,000 bales below the monthly maximum reached in October last. This figure brings the total for 1941 up to 10,575,000 bales, against 8,028,000 bales in 1940 and 7,423,000 bales in 1937, which was the highest annual consumption figure before the outbreak of war in Europe. Although consumption in 1941 fluctuated materially from month to month, it showed a steadily rising tendency. This tendency will most probably be maintained in 1942, as the prospective reduction in the manufacture of export materials should be fully counterbalanced by the increased needs for uniforms for the United States Army and Navy. In fact, United States experts expect that the country's cotton consumption in the current cotton season (which ends on July 31st next) will be only slightly below the 11,000,000 bales mark. In the last five years preceding this war United States consumption did not cover more than roughly half the world's total consumption of American cotton. Last year, however, this share increased to over four-fifths, and it is likely to rise further to more than nine-tenths in 1942, as the country's exports, despite certain lease-lend supplies, are not likely to be very much higher than 1,000,000 bales in the 1941-42 season, against 1,066,000 bales in 1940-41 and 6,175,000 bales in 1939-40. According to the latest official crop estimate, the current cotton crop will not be higher than 10,976,000 bales—i.e., the smallest total since 1935, so that new supplies will be roughly 1,000,000 bales below this season's requirements. The carry-over from last season, however, amounted to no less than 12,970,000 bales, almost the whole of which was held in the United States. The question of quantitative supplies, therefore, does not cause any difficulties, but the question of quality appears more complicated. An unusually large part of the new crop cotton ginned so far is below

strict low middling quality. There have been suggestions that the Government should release higher-grade cotton from its loan holdings and acquire lower quality cotton instead, but, so far as is known, the loan holdings themselves consist largely of lower-grade staple.

Shorter Notes

Correction.—An unfortunate mistake in the Note entitled "Remember Pearl Harbour" last week substantially changed its meaning. In the sentence printed as "It is reported that Admiral Kimmel and Lieut.-General Short may be court-martialled, but another urgent necessity is increased co-ordination between the Army and the Navy . . ." the italicised words should have been "a more urgent necessity."

Price Administrator Henderson has been given power to ration retail goods, and has announced that the sugar ration may shortly be cut to three fourths of a pound per head per week. Ration books have already been designed. Sugar supplies this year are 5,300,000 tons as compared with 7,989,000 tons last year.

The President has signed the \$12,500 million War Department Appropriations Bill. Congressional action has been completed on the Naval Supply Bill which now carries an appropriation of approximately \$26,500 million.

The Secretary of Labour has announced that civil non-agricultural employment rose to an all-time peak of 40,940,000 in December, representing an increase of 2,800,000 over the preceding year and 5,000,000 over December, 1929.

The War Production Board has announced an intensive programme to empty automobile "graveyards" of between 4 and 5 million old cars within six months in order to speed up the collection of iron and steel scrap.

Mr Stimson, the Secretary of War, last week announced unified commands for American Forces in three war zones. Operations in Hawaii and the Eastern Caribbean will be under Navy control, while the Army takes over the Panama Canal Zone.

Admiral Land, Chairman of the Maritime Commission, has testified before a House sub-committee that the rate of allied ship construction has finally caught up with sinkings. He declared "the United States has the world licked right now" on standard cargo ships and tankers and that by January 1st, keels had been laid for 308 ships, 178 ships had been launched and 129 had been delivered and placed in operation. 400 additional ships will be ordered before July 1st, added to 995 now under contract.

The Attorney-General, Mr Biddle, has specified 86 areas from which enemy aliens are to be excluded. They cover army establishments and principal war construction and repair plants and yards. Two are in the Los Angeles and San Francisco districts in California, from which it is expected that several thousand Japanese and Italians will be moved. If necessary, they will receive some kind of government assistance.

Four nation-wide radio networks will broadcast at their own expense a series of half-hour weekly programmes "dramatising and interpreting the wartime resources and activities of the government" to the United States and the whole world. They will begin on Saturday, February 14th, and short-wave broadcasts in many languages are being planned. The programmes will utilise the talents and facilities of all four networks.

THE WORLD OVERSEAS

Persian Economy

[BY A CORRESPONDENT]

THE Anglo-Russian-Iranian Treaty was signed at Teheran on January 29th after prolonged discussions. The integrity and independence of Iran are guaranteed, and its economic existence safeguarded. The preamble to the Treaty states that it is based on the principles of the Atlantic Charter. The Allies obtain the use of military sites, the ports, roads and railways, and are responsible for their maintenance, improvements and extension. Iran will reap the benefit of the new technical installations and vastly increased rolling stock; and will not be asked to fight against any foreign Power or to bear the cost of works "which are not necessary for the needs of Iran." The Allies jointly undertake to safeguard Iran as far as possible from the privations and economic difficulties of wartime. Foodstuffs, depleted by German purchases, are being supplied, and production and trade can now be stimulated by commercial agreements and reciprocal tariffs. Britain and Russia can extend their markets for Iranian surplus products and absorb those previously taken by the Axis Powers. Iran will presumably be eligible for assistance under the Lend-Lease Act, and may, like Syria, be admitted to the sterling b.o.c.

Although six times the size of Great Britain, Iran has a population of only about 10,000,000. Except for the fertile Caspian provinces, the country is a great desert plateau, walled in and crossed by high mountains. Communications, improved by Reza Khan, have long been backward. Motor transport is now installed on all the main roads. A Russian built narrow-gauge line, 85 miles long, joins Transcaucasia to Tabriz; and the new standard gauge railway from the Persian Gulf to the Caspian, 868 miles, was completed in 1938. The branch from Teheran to Kasvin is now being extended to Tabriz, and further links to the Western Caspian and to Meshed are projected. The railways have already greatly increased services, while the Gulf ports are being improved by the British and those in the Caspian by the Russians.

Only about one-third of Iran is cultivable, and that almost entirely by irrigation. Vast areas are sterile from lack of water. Yet the country has been almost self-supporting in grain crops, and has even exported rice to Russia. In 1936-37, wheat production reached 2,160,000 metric tons, barley 882,000 tons, rice 398,000 tons, fruit of various kinds 205,000 tons, and beet 136,000 tons. All could be increased by more irrigation, and there are suitable areas, in particular, for growing more rice, cotton, fruit, beet and even cane sugar. Silk for export is produced in Gilan, and tobacco and opium—the latter much declined—have made valuable Government monopolies. The Elburz slopes are covered with valuable deciduous hardwoods. Great numbers of horses, mules, donkeys and camels assist inland transport, and sheep and goats provide wool, skins and casings. Lead, copper, zinc, manganese, cobalt and even coal have been found. The production of the Anglo-Iranian Oil Company, now about 12,000,000 tons annually, is the mainstay of Iran, to whose exchequer it has brought vast sums in royalties. In industry, the factory system is just beginning, and has already been applied to carpet-making in the large cities.

The Growth of Trade

All foreign trade in Iran is a Government monopoly, and its pre-war value can be judged by the 1938-39 statistics. The exports were valued at £31,800,000, and imports at £17,330,000, both being about £6,000,000 greater than in 1934-35. Of the exports, oil formed 92 per cent by value, carpets 4.1 per cent, raw cotton 3.4 per cent, wool 2.6 per cent, gums 2.1 per cent, others being casings, hides, silk, opium, rice, fruit and fish products. The United Kingdom bought over £9,000,000 worth of petroleum, oils and carpets. Russia spent £3,000,000, mainly on raw cotton, wool and rice, and Germany £2,500,000 on many

diverse products, including cotton, fruit, oils, casings and skins. Carpets were also sold to India, Russia and Turkey, silk to France, opium to China and Japan, and fruit to India. Dr. Schacht's visit to Teheran in 1936 secured a trade agreement between Iran and Germany for £3,000,000 annually. Since the war, Germany has been buying up Iranian grain and paying for it by exports of machinery, especially of the electrical type, for the growing textile industries.

Of Iran's imports for 1938-39, cotton goods, metals and machinery formed 34 per cent by value, sugar and tea 12 per cent, and motor equipment 8 per cent. The United Kingdom claimed £5,400,000 in the first of these, Russia £4,000,000 mainly in cotton goods, and Germany £3,000,000 in iron, steel and machinery. Some cotton goods came from Japan and India. Sugar was supplied by Russia, Egypt and the Dutch East Indies, tea from India.

It is evident that Iranian trade was increasing prior to the war. Reza Khan's rehabilitation of the country, including the construction of the Trans-Iranian Railway, was carried out by internal taxes and monopolies, without recourse to foreign capital. The external debt is under £1,000,000. Little difficulties should be experienced by the Allies in providing all the present needs. The present value of Iran's surplus products is probably less than half that of the immediate pre-war days, and all should easily be absorbed in Allied markets.

Fighting Inflation in Egypt

[FROM OUR ALEXANDRIA CORRESPONDENT]

December 14th

FOR the past two or three months the Government has been devoting most of its energy to counteracting the rapidly rising cost of living, and to mitigating the growing scarcity of a number of articles.

The main problem to be tackled was that of wheat. Having failed last year to enforce any appreciable curtailment of the acreage under cotton, the authorities have had to cope since the summer with a short wheat crop. Egypt, which for the last few years had been turning into a wheat exporting country, has now been compelled to import a certain quantity of wheat, but strong steps have recently been taken to restore its self-sufficiency. The acreage devoted to cotton growing has been drastically reduced to a quarter of Egypt's total cultivated area, and a subsidy will be paid for all land authorised to grow cotton but planted to wheat. A proclamation under martial law authorises the requisitioning of land wanted for the better irrigation of wheat areas. Standard bread may now be prepared containing 15 per cent of rice flour, which will absorb most of the rice export surplus. To dispel any misgivings regarding the effect of an eventual overproduction of cereals, the British authorities have announced their readiness to purchase all quantities beyond the country's ascertained requirements, at the price fixed by the Egyptian Government for the home market.

From now on, there will be also two meatless days a week, and on other days restaurants may not serve more than one course of meat.

The British forces in Egypt have had little to do with the present relative scarcity of foodstuffs, as the armies defending the country purchased only 2 per cent of the cereal crop, and all the vegetables they consume could be grown on slightly over 600 acres. In fact, only a year ago, local farmers were clamouring for an increase in British purchases in order to bolster the market for their produce. In order to cut short all fifth column attempts to blame the forces for the present shortages, a mixed Anglo-Egyptian committee has been set up to determine the surplus quantities of Egyptian produce, to which the British military authorities will henceforth confine their purchases.

SIMPLIFIED PRODUCTION

Cadburys feel it may be of general interest to publish the following facts.

As compared with pre-war :

PRODUCTION at Bournville of Chocolate and Cocoa has fallen by only 13% and a considerable proportion of this is for Service requirements

BUT

LABOUR used in the manufacture of Cocoa and Chocolate has been reduced by 40%

AND

FACTORY SPACE released is more than 20%

PAPER AND CARD used for wrapping purposes have been reduced by 50%

How has this been done?

The answer is *simplification*. We have stopped making Assortments and have concentrated on the manufacture of Cocoa, Moulded Chocolate, Bourn-vita, Filled Blocks and Chocolate Biscuits.

Before the war we made

99 LINES — 237 PACKINGS

This has now been reduced to

16 LINES — 29 PACKINGS

☐ We submit this record of our experience to show how by simplification it is possible to produce the maximum amount of goods with the minimum of labour, space and materials.

ISSUED BY

CADBURYS
OF BOURNVILLE

Official Action

Further measures taken by the Government to combat inflation include the extension of price fixing; severer penalties for offenders; the control of distribution; a ban on the export of most foodstuffs; and exhortations to economy. This is no mean task in a country where state intervention, outside the sphere of cotton, was almost unknown, and where the administration has few data to rely upon for its planning. Nevertheless, more foresight might have been shown in some cases. Petrol, which was the only article to be rationed early in the war, is now in excess of demand. Contrariwise, the failure to mint enough quantities of nickel coin during the past two years, when the note circulation almost doubled, recently caused a temporary but acute shortage of such coin and much inconvenience.

The rise in the cost of living has resulted in an agitation for higher wages and salaries. It has just been decided to grant a bonus of from 10 to 25 per cent to minor officials, while several classes of workers have already obtained some compensation.

In order to meet the cost of these higher salaries, all specific custom dues on imported goods have been increased by 50 per cent. But the volume of imports will decline as a result of the introduction of quotas for the larger part of the country's imports. This latter measure, as well as the launching of an anti-waste campaign among the troops, aims at saving shipping space, and it may be added, in this connection, that larger Army orders are now being placed with local industry.

Exchange Position in Portugal

[FROM OUR LISBON CORRESPONDENT]

January 8th

A CERTAIN amount of anxiety and no little curiosity was caused when, on December 26th, it was learned that the Banco de Portugal had announced its intention of suspending, for the present, all buying of foreign exchange. Rumours were many and varied; the most widely credited was of an imminent change in the rate between the escudo and sterling; indeed, it was even said that when the suspension of purchases was at an end the rate would be 95 against the current 99.50. That has been disproved, and the suspension removed by a resumption of purchases for all general business, both private cheques and export bills, with the proviso that special operations covering important amounts—the figure of £25,000 has been freely mentioned in financial circles, but is not officially named—must be referred to the Bank of Portugal before the transaction is concluded. It should be emphasised that there has been no real uneasiness in banking and commercial circles, and the delay in making an official statement coincided with the holiday period of the year-end.

In the statement presenting the Budget estimates for 1942 there appeared the following table, showing the volume and value of Portugal's foreign trade from 1936 to October, 1941, the year 1937 being omitted:—

(In 000's; tons and contos)

	Imports		Exports		Value per ton (in escudos)	
	Weight	Value	Weight	Value	Im-ports	Ex-ports
1936	2,137	1,994	1,661	1,026	933	618
1938	2,398	2,300	1,540	1,139	960	740
1939	2,299	2,077	1,472	1,336	903	908
1940	1,899	2,441	1,140	1,619	1,285	1,420
1941 (to Oct.) ..	1,305	1,819	636	1,936	1,393	3,044

The Portuguese Government is much preoccupied with the danger of inflation, since prices have already risen for most of the essential foodstuffs and clothing of the people, with, as yet, comparatively few corresponding increases in wages. It is a position doubly difficult, inasmuch as it has coincided with winter and cold weather. It can be very cold in Portugal, and although there is abundance of wood

for fuel, the labouring classes in the towns have no heating facilities, and are often forced, if they use wood, to cook outside the door of their room on a brazier. Charcoal obviates this, but is relatively dear. These matters are causing some discontent, and the Government is, somewhat unreasonably, blamed for circumstances which it was scarcely within its power to prevent, without taking measures that would have been deemed excessively arbitrary six months ago. Control of both wholesale and retail dealers is now being tightened up very sharply.

The Baltic Countries Under German Rule

[BY A CORRESPONDENT]

January 30th

THE Russians are striking back towards the Baltic again. But the Baltic states, meanwhile, are still tightly under the German heel. An article in *The Economist* on November 22nd last year (page 616) described Germany's organisation of its new province, Ostland. In the economic field, all hopes of the Baltic middle classes for a speedy "desovietisation" have been disappointed. It is true that Dr Rosenberg was reported to have proclaimed the reintroduction of private property as his foremost duty in Ostland. Moreover, the *Dresdner Bank*, as early as October, founded a special bank for financial operations in Lithuania, Latvia, and Estonia; and two other big German banks, *Commerz Bank* and *Bank der Deutschen Arbeit*, have likewise opened special branches in Riga and other Baltic towns; and, according to the German press these activities are mainly designed to make possible the restoration of private property in the Baltic states. But the scope of this restoration is limited.

First of all, nobody is to have a legal claim to any private property lost during or after the incorporation of the Baltic states into the Soviet Union in the summer of 1940. The German authorities act on the assumption that no private ownership existed when the Reich took over those territories and that, since German soldiers liberated the population, the Reich has become the legal successor of the Soviet state. The Reich is prepared, however, either to grant or sell at low prices movable property to industrious citizens to enable a certain amount of private industrial activities in urban districts; but these activities will be restricted, at least "until conditions are much more stabilised," to handicrafts, small industries, retail trade, and so on.

In Estonia, industrial life has been hampered by the results of the Russians' scorched earth policy. It has been stated, for instance, that of 352 Estonian steamboats, with a total tonnage of 219,000, only four, with a tonnage of 10,000, had been left behind. Similarly, only 33 out of 111 locomotives; 750 out of 3,400 goods trucks; 700 out of 2,000 narrow-gauge goods trucks; 36 out of 350 passenger carriages; and between 350 and 500 out of about 2,500 motor lorries were saved for the present administration.

In the southernmost parts of the Baltic, however, the "scorched earth" policy was less successful, owing to the swift overthrow of the Soviets in Lithuania and Latvia. The Lithuanian food supply has, therefore, been more ample so far than in many other Nazi-dominated countries. The weekly rations for Aryan Lithuanians in the early part of November were 100 ounces of bread, 13½ ounces of meat, and 7 ounces of butter; Jews receive half the ordinary rations. There is, however, a more serious shortage of clothing and footwear, and very little fuel has been available since the occupation. Among other restrictions, there is a general curfew, from 10 p.m. to 6 a.m., in Vilna, and nobody, except Germans, is allowed to move into Kowno, because of an appalling shortage of living accommodation. There are more than 250,000 Jews in Lithuania and Latvia, who have now been crowded together in special ghettos, organised on the same lines as those in Poland; the Jews are allowed no private means exceeding 100 Reichsmark, nor personal possessions, with the exception of household utensils for "indisputable personal use"; everything else has been confiscated by the Gestapo.

Books Received

- What Will It be Like in the New Britain?* By Sir R. Acland. (London) Gollancz. 185 pages. 3s. 6d. net.
- English Political Pluralism.* By H. M. Magid. (London) H. Milford. 100 pages. 8s. 6d. net.
- The Voting Trust.* By J. A. Leavitt. (London) H. Milford. 216 pages. 16s. 6d. net.
- Canadian Investment and Foreign Exchange.* Edited by J. F. Parkinson. (London) H. Milford. 292 pages. 14s. net.
- Monopolistic Competition and General Equilibrium Theory.* By R. Triffin. (London) H. Milford. 197 pages. 14s. net.
- America in World Affairs.* By A. Nevins. (Oxford) University Press. 144 pages. 2s. 6d. net.
- Article XIX of the Covenant of the League of Nations.* By F. B. Potter. (Geneva) Geneva Research Centre. 98 pages. 1.75 Sw. frs.
- Spurs on the Boot.* By T. B. Morgan. (London) Harrap. 255 pages. 9s. net.
- Against This Torrent.* By E. M. Earle. (London) H. Milford. 73 pages. 6s. net.
- Canteens at Work.* By C. G. Gardiner. (London) H. Milford. 104 pages. 4s. 6d. net.
- The Diary of Alexander James McPhail.* By H. A. Innis. (London) H. Milford. 289 pages. 11s. 6d. net.
- The Education of the Backward Child.* By M. Stewart. Research Series No. 57. (London) Fabian Society. 24 pages. 6d. net.
- The People's Year-Book, 1942.* (Manchester) Co-operative Wholesale Society, Limited, 1, Balloon Street. 224 pages. Cloth 3s. Paper 1s. net.
- The Co-operator's Year-Book 1942.* (Leicester) Co-operative Productive Federation, Limited, Charles Street. 128 pages. Paper 6d. net.
- The International Labour Code, 1939.* (Montreal) International Labour Office. 920 pages. No price stated.

German Europe

Financial Problems

A GERMAN professor recently suggested, in an article, the abolition of depreciation accounts for the duration of the war in order to reduce the price of manufactures. He argues that depreciation accounts in wartime are an economic fiction because they cannot be spent on making depreciation good in physical terms. The labour necessary for the production of capital goods is either mobilised or engaged in direct war production; nor will the accumulated depreciation accounts after the war find any capital goods available. Depreciation accounts, therefore, should no longer form part of current prices. The press has declined to follow the professor; but it is recognised that he is right when he argues that war production cannot be maintained without wasting assets. Depreciation is part and parcel of war economy. Weapons, ammunition and equipment are dead losses; and production without renewal inevitably means the gradual depletion of capital. These losses

are roughly represented by the national debt, which has been increasing at an alarming rate during recent months; and the net effect of the professor's suggestion is that there should be a drastic reduction in prices instead of a piling-up of debts. It is perhaps worth noticing that this suggestion was made just after the introduction of "iron savings" for wage-earners and the blocking of capital reserves with the Treasury for the duration of the war.

The problems arising from excessive purchasing power became more pressing in Germany in 1941. It is argued in the economic press that the excessive purchasing power of the wage-earning classes is not actually the real problem. Complete rationing, increasing prices for unrationed goods and the system of "iron savings," together with an effective wages-stop, not only keep purchasing power within limits, but also prevent spending. The real danger, it is contended, arises from the excessive purchasing power for capital goods represented by increasing depreciation accounts, hidden reserves and rising liquid reserves. The actual renewal of plant and machinery is almost at a standstill.

This discussion about depreciation accounts and inflation, together with the tremendous increase in the cost of the war—the national debt by March 31st will have risen to Rm. 140,000 millions from Rm. 89,650 millions on March 31st last year—makes it clear that there is some uncertainty about the future method of financing the war. The continued accumulation of debt by the state is seen as a grave danger for the post-war economy. Financing the war by taxation only, on the other hand—if it were possible—is regarded as “a kind of requisitioning which would impair the efficiency of workers as well as employers.” There are circles within the Nazi party who would prefer requisitioning; but the economic administration has insisted that the credit and loan mechanism must be maintained.

Dr Funk, the Minister for Economic Affairs, recently admitted that the Reichsmark had been “depreciated.” Money in circulation had increased, but the available quantity of goods had decreased. Total banknotes in circulation increased from Rm. 10,910 millions at the end of August, 1939, to Rm. 19,320 millions at the end of December, 1941. Dr Funk claims that this money will regain its original value after the war, when additional goods at low prices and in great quantities will be exported to Germany from the new raw material producing territories. The same opinion is expressed with regard to the supply of capital goods for Germany's industry. Foreign countries incorporated into Germany's New European Order, it is hoped, will supply some of the capital goods to cover the accumulated purchasing power. Meanwhile, the mixture of taxation and borrowing, the official argument runs, must be maintained; in particular, the depreciation accounts will be continued, for they are a measure of the extent of renewals that will be needed when war production stops.

Railways in 1941.—The total earnings of the *Reichsbahn*, the German state-owned railway company, amounted to Rm. 9,000 millions against Rm. 7,600 millions in 1940. Increased traffic, according to the annual report, accounted for the greater part of the increase in earnings. During the year, the company acquired a number of private railway companies, as well as railway lines in incorporated territories, mainly in Yugoslavia. The actual territory which is now served by the *Reichsbahn* is five times greater than the territory served in the Old Reich. Under war conditions, wear and tear of rolling stock, locomotives, tracks, and buildings has been considerably increased. Normal repairs have not been possible; but special allowances have been made for greater depreciation. The total debts of the company, amounting to Rm. 4,000 millions, hardly changed, and total assets amount to Rm. 40,000 millions. During the year, a number of passenger trains were taken off. The carriage of civilian commodities was diverted to inland waterways. Permission was given to exceed the normal loading capacity of goods trucks; and the turn-round of goods trains was again speeded up.

Retail Trade.—Statistics of retail turnover were suspended at the beginning of the war. Recently, the press was compelled to explain why retail shops were almost empty, although semi-official announcements from the retail trade organisation said that, during 1940, turnover could be maintained and that, during the first six months of 1941, turnover even exceeded the figures for the corresponding period in 1939. There is no doubt that, in spite of the price stop, retail prices have increased considerably during the war. The clothing index, for example, rose by 24 per cent between August, 1939, and November, 1941. Un-

rationed goods, particularly semi-luxuries, showed even greater increases; and no attempt was made to enforce the price stop because of the restrictions on production. Price increases are obviously one of the main causes of the maintained money turnover.

In addition, the fighting forces have bought great consignments of retail goods in the large stores. Another influential factor is that, during 1940 and the first months of 1941, the trade sold a number of commodities manufactured from new materials, such as kitchen utensils made from glass or earthenware. Black-out material and ARP goods were new articles in great demand in the ironmongery trade. In the clothing trade, customers preferred the higher priced goods. In short, it is easy to see why the value of turnover was maintained until the beginning of 1941; and the increases in prices and the bulk purchases of the *Wehrmacht* explain why the shops are now almost empty.

Clothing Cards.—The issue of clothing cards in France was instituted last month. It seems that the manufacture of clothing is at a very low level. Normally, France imported roughly 90 per cent of its total demand for textile fibres; home-grown flax and hemp provided roughly 40 per cent of the total demand for these two fibres. During 1941 the manufacture of rayon and cellwool increased by 65 per cent to 50,000 tons; but this quantity covers only one-sixth of the total demand. Further expansion of the manufacture of artificial textile fibre is hampered by the lack of building material and workers.

In Sweden, a clothing card has been issued which contains 120 coupons for men, 110 for women, and 100 for children. The coupons are valid for 18 months. Silk and artificial silk, as well as clothing containing cellwool, remain unrationed. Household linen and furnishing materials, however, are rationed. The total quantities available for each person are roughly equal to the German rations. In Denmark, a system of standard clothing is being introduced. Standardised underwear is manufactured in three qualities. Working clothes and men's suits appeared in standardised form during Christmas. The suits contain 10 per cent of Danish wool, 5 per cent of cellwool and 85 per cent of regenerated textile waste.

Banks in the Balkans.—German banking interests in the Balkan countries are particularly strong in Roumania. The *Deutsche Bank* acquired 75 per cent of the capital of the *Banca Commerciale Romana* in Bucharest, which was in Franco-Belgian hands. The *Dresdner Bank*, the *Commerzbank*, and the *Reichskredit AG* own majority interests in other Roumanian banks. In Bulgaria, German banks' had hardly any influence until, at the end of 1941, the *Dresdner Bank* and the Bulgarian Commercial Bank in Sofia concluded an agreement for the purpose of financing German-Bulgarian foreign trade transactions. The Sofia bank is the oldest Bulgarian bank, with many branch banks and interests in other Bulgarian banks and insurance companies.

A new way of expansion for German banks has been found in occupied Greece. So-called working committees have been formed between German and Greek banks. This has the advantage that the Germans can work there without investing capital. Such working committees have been formed between the *Deutsche Bank* and the *Banque Nationale de Grèce* and between the *Commerzbank* and the *Banque d'Athènes* established jointly the *Société Financière Greco-Allemande*. In Yugoslavia, German and Austrian banks already held interests before the war. In Croatia, the *Dresdner Bank* acquired the former Yugoslav Bank by using the capital interests of a former Czechoslovak Bank. In Hungary only, the *Dresdner Bank* holds direct interests in the *Merkur Bank AG*. German banking interests have thus adapted themselves to different conditions in different countries. French and British interests have been completely taken over.

Perlon-Silk.—The *I.G. Farben*, the German chemical concern, claims to have begun the manufacture of a new artificial textile fibre called Perlon-Silk, which is equivalent to the American nylon. The first product of the *I.G. Farben*, the *PeCe-fibre* manufactured from a basis of acetylene, could only be used for technical purposes; it is acid-proof but cannot be ironed, and is thus not suitable for clothing.

THE BUSINESS WORLD

The Banking Position—II

The Grip of Gilt-Edged

THE survey of the banking position which appeared in *The Economist* last week was primarily concerned with the growth of liquidity and its immediate impact on profits. The analysis of changes in the structure of banking assets brought out another feature of the position, namely the new dominance of Government paper and, in particular, of medium and long-term investments, which by the end of 1941 represented 30 per cent of the total resources of the banks. This is a feature of the position to which greater long-term significance must be attached than to the growth of liquidity. The latter phenomenon will no doubt disappear in the normal course of post-war developments. Either there will be some funding of floating debt via public loans and budgetary surpluses and the banks' holdings of liquid investments will decline *pari passu* with their deposits—a prospect which Mr McKenna seems to envisage—or else there will be some direct funding of the banks' holdings of floating debt assets. In either case the problem of excessive liquidity will have been solved. It is questionable whether the course of events that Mr McKenna expects will happen any more than it did after the last war. On that occasion the post-war contraction of bank credit was almost negligible. The deposits of English joint stock banks (other than the Bank of England), which totalled £992.6 millions at the end of 1915 and had risen to a peak of £1,974.9 millions at the end of 1921, then declined to a low of £1,806.8 millions touched at the end of 1925. There was a steady recovery from this modest recession and by the end of 1930 the total had touched a new record at £1,976.8 millions. This contrast with the monetary background of the 1921-25 trend of bank credit suggests that we may after this war avoid even the modest credit contraction which marked the period of currency deflation and exchange appreciation after the last war. This time we shall not, let us hope, be pursuing the hard and ungrateful quarry of a traditional and overvalued gold parity for the pound sterling. If the alternative solution of the liquidity problem be chosen, namely the direct funding of part of the banks' liquid assets into a more permanent form of Government debt, it is to be expected that the operation will be effected on special terms which will (a) protect the banks against withdrawals of deposits by endowing the funding security with special discount or marketing facilities and (b) protect the community by giving the funding security a rate of interest little, if at all, in excess of the figure of 1 to 1½ per cent on which the massive expansion of bank credit during the war will have been created.

Even without allowing for such direct funding of liquid assets, it is evident that the banking system in this country will emerge from the war with something like half of its resources invested in Government securities. For the banks, therefore, the future trend of gilt-edged values or of their converse, the rate of interest, is a problem of major importance. Lord Wardington recently implied that some limitation had been placed on the expansion of bank investments out of regard for the capital risk involved. Yet, unless a revolutionary change occurs in the mechanism of war finance, it is difficult to escape the conclusion that another two, or perhaps three, years of war will bring the banks' stake in the gilt-edged market, both in absolute figures and in relation to their total resources, appreciably above the levels indicated by the end-of-1941 balance sheets. The growth is taking place at this very moment with the banks pledged to participate extensively in ensuring the success of the Warships Weeks campaign.

The bulk of the war addition to the investment holdings will have been made on a yield basis of 2½ per cent. Allowing most generously for the undervaluation of investments in bank balance sheets and for other hidden reserves available to meet depreciation of investments, it must be evident

that a return of interest rates at the end of the war to the levels that were considered “normal” before 1932 would jeopardise the position of wellnigh every bank balance-sheet in the country. It follows that British bankers, whether or not they relish the prospect, have acquired a potent and growing vested interest in the retention after the end of the war of such financial and industrial controls as will prevent an active demand for capital from disturbing the present levels of interest rates and gilt edged values. This is merely to state a fact and not to discuss the merits of an attempt to insulate the rate of interest from the powerful upward influences that will be affecting it during the period of post-war reconstruction. The banks cannot escape from this dilemma by lightening the burden of their investments after the end of the war. There will be a long queue of would-be sellers in the gilt-edged market when that time comes, and in that queue the banks' priority will rank well below that of industrial concerns which during the war years have been compelled to place the larger part of their depreciation allowances in Government securities and will, after the war, ask to use them for their rightful purpose of plant renovation and other capital expenditure.

If the problems of capital supply in the reconstruction period are to be solved by the continuation of control over the new issue market, and by maintaining a form of rationing and of priority restrictions over the capital goods industries and even over a large sphere of the consumption goods industries, the banks will inevitably find themselves drawn into the vortex of these peace-time controls. Their freedom to deal with their investments will be curtailed. Their loan operations will have to dovetail into the wider policy governing the direction of new investment in the reconstruction

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period. Moreover, when the complicated objectives of reconstruction have been substituted for the comparative simplicity of the present objective of "winning the war" it may be found that this co-ordination of bank loan policy will require guidance more direct and specific than the negative injunctions to discourage unessential production which now keep the banks in line with Treasury policy.

Even if we accept this prospect of temporary extension and possible intensification of control over bank loan policy in the immediate post-war years, there is no reason to see in it a first step towards complete regimentation and ultimate nationalisation of the banking system. On the contrary, an extension of control, designed to integrate banking policy with the general economic policy of the country, can be regarded as the alternative to nationalisation. A competitive banking organisation has given this country what is unquestionably the best banking service in the world. As long as commerce and industry remain free they can best be served by a free banking system and there can be no doubt that the element of competition—perhaps tempered in such

matters as the rates offered for deposits—will continue to bring out qualities of efficiency and service which bankers would find it more difficult to provide were they to become civil servants. The co-ordination of banking policy within the general framework of post-war reconstruction will call for maintenance of the closest co-operation between the banks and the authorities. The war years will have provided admirable experience for such co-operation and will have created some machinery for implementing it, in particular by improving the liaison between the Bank of England and the commercial banks. In the process of further improving that machinery it seems reasonable to anticipate the direct representation of the joint-stock banks on the Court of the Bank of England. Their exclusion from a body whose catholicity of interests increases with every fresh appointment no doubt owes its origin to the period of direct competition between the Bank and the joint stock *parvenus*. But that is an era which came to an end over half a century ago and a breach with the tradition to which it gave rise is long overdue.

Finance and Banking

Credit More Abundant

The position in the money market has eased considerably this week. The clearing banks have released some of the funds immobilised by the making up which occurred in the two previous weeks, and though they have again been called upon to make substantial transfers of tax payments, they have shown far greater readiness to make loans and buy bills from the market. With the banks' purchases now extending to April maturities, no further special assistance has been needed by the discount market. The credit position has been helped this week by a net repayment of at least £15,000,000 of floating debt, this being the excess of Treasury bill maturities over the £60,000,000 allotted on Friday of last week. In addition, for the fourth week in succession no payments of Treasury deposits were required from the banks. The Bank return showing the position as on Wednesday last reveals a drop of £17,678,000 in bankers' deposits. This still leaves their total at the adequate level of £127,772,000. To relate the reduction in bank cash to the easing in the money market position this week it is necessary to bear in mind, first, the fact that the banks are no longer concerned with their monthly making up, and secondly the considerable contraction which has occurred in bank deposits as a result of the issue of Tax Reserve Certificates. The contraction of bank cash has been further helped by an increase of £3,975,000 in the note circulation over the week. The Treasury has used its net receipts to repay debt at the Bank, Government securities having fallen by £8,990,000. Other securities are down by £6,726,000, reflecting the maturity of non-Treasury paper taken from the market in recent weeks.

Debt Changes in January

The latest National Debt return shows the position up to Saturday, January 31st, and as the previous return coincided with the end of the December quarter, the comparison between the two last statements covers exactly a monthly period. The net amount borrowed in this period was £59,787,000, the smallest monthly increase in the National Debt since the beginning of the war. The main single source of debt revenue was provided by the new Tax Reserve Certificates which yielded £83,200,000 last month, bringing the amount issued up to the end of the month to exactly £100,000,000. With other long-term Government issues yielding a net figure of about £95,000,000, it was found possible, after covering the deficit, to repay floating debt to the amount of £117,100,000. The main reduction was in Ways and Means advances from the Bank of England, which fell from £66,000,000 to £9,250,000. It should be noted that since June last there has only been one occasion on which the monthly debt return has been free from Ways and Means advances from the Bank. Treasury deposits were repaid during the month to the extent of £47,000,000. The net receipts from this source were £30,000,000, and the actual reduction in the volume of these deposits over the month suggests substantial encashments of them by the

banks, probably to finance their customers' applications for Tax Reserve Certificates. The increase of Treasury bills issued through the tap has flattened out considerably in recent weeks. The last comparison must cover a two-monthly period, since the previous return (for December 31st) did not show the position on a Saturday. Since November 29, 1941, the tap bills have risen by £13,955,000 only. The new arrangements made with Canada and the disappearance of any sterling accumulation by Malaya will in future tend to insulate the tap bill issue from the influence of accumulating Empire balances in London.

Financing Expenditure

The following table summarises the Exchequer returns of the financial year to January 31st, and shows the respective shares of revenue and borrowing in meeting expenditure:—

£000		£000	
Total ordinary expenditure...	3,898,832	Total ordinary revenue.....	1,561,079
New Sinking Funds.....	8,672	Loans raised:—	
Loans repaid:—		3% Funding 1959-69	120,825
4½% Conversion Loan.....	45	3% Def. Loan 1954-58	45,731
Nat. Sav. Bonds.....	108	3% Def. Bonds (net).....	133,949
Increase in balances.....	475	3% Savings Bonds	391,958
		2½% Nat. War Bds. 1946-48	344,469
		2½% Nat. War Bds. 1945-47	705
		2½% Nat. War Bds. 1949-51	207,885
		Nat. Saving Certs. (net).....	167,400
		Tax Reserve Certs.....	100,000
		"Other debt" (net).....	110,670
		Floating debt (net):—	
		Treasury Bills:—	
		Tap	317,365
		Tender	9,250
		Bank of England Adv.	18,705
		Public Dept. Adv.	335,000
		Treasury deposits	43,139
		Miscellaneous receipts (net) ..	
			£3,908,130

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

More Credits for China

The British Government has this week announced its willingness to lend China a further £50,000,000 while from Washington comes the news that, subject to Congressional approval, an American loan of \$500,000,000 is to be granted to the same country. China is already a recipient of Lend-Lease aid from the United States, and this week the British Government has undertaken to make available on similar terms all the munitions and military equipment which it is possible for us to supply. Since the capacity of the Burma Road is more than occupied with the military supplies from Britain and the United States, it may well be questioned what useful purpose the monetary dollar and sterling loans will serve. Especially is this so now that all the free markets in which the support of the Chungking currency was previously provided are in Japanese hands. The only conclusion is that the grant of these credits is a mark of the confidence which the lending nations have in their Chinese ally and a pledge of their readiness to render China all the help which it lies in their power to give.

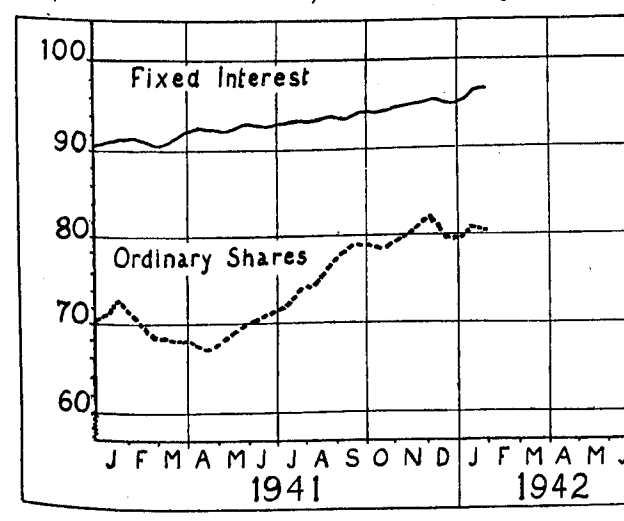
Investment

Industrial Equities Advances

After a partial recovery from the low level of business, as judged by bargains marked, immediately following on the entry of Japan into the war, the market turned idle in the second half of last month, and the falling off in

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

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



business was accompanied by a slight recession in prices for industrial equities. This is shown by the chart prepared from the indices of *The Financial News*, whose equity index touched a temporary peak of 81.4 on January 12th, falling to 80.4 on the last day of the month. There is, nevertheless,

an improvement against the end of last year, and this is reflected in the fuller figures of *The Actuaries' Investment Index*, which has more than recovered the December decline, with the result that the aggregate price index for industrial equities, at 62, stands at the highest since August 1, 1939. It is to be noted that ordinary shares of insurance companies and investment trusts are substantially below the level of that time, although bank shares are slightly above it. The month's recovery in the equities contained in this index was very evenly spread, although exceptions have to be made of marked rises in home railways and cotton shares, of slight falls in aircraft and coal shares, and of stability in motors and shipping. There has been an accompanying drop in yields to below 5 per cent for the first time since 1937. The month has also brought a further fall in the yields on every principal group of fixed interest securities, and a further slight narrowing of the margin between the yield on 2½ per cent Consols, on the one hand, and home corporations, industrial debentures and industrial preferences, on the other. This is a sufficient indication that the effects of the entry of Japan into the war, and her rather startling initial successes, have been restricted almost entirely to securities whose earning power is based solely, or at least very substantially, on the Pacific area.

Tin and Rubber Outlook

It is a rather surprising feature of last month's movement, that even oil shares improved. But this is a very minor consolation for those with large interests in Australasian, Chinese and Malayan enterprises. It is not easy to compile a representative index for this very substantial mass of investments, and it is far too early to attempt to assess the damage to which many of them may be exposed. It is, however, at least clear that Malayan companies can expect no more revenue until the war in the Far East is

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won and reconstruction is well under way. It is certain that tin companies will lose some of their main asset, the tin in the ground, and that considerable damage has been, or will be, done to plant and equipment. Unless, however, the search, which has been in progress for decades, for a substitute for tin in the canning industry succeeds under the pressure of wartime shortage, there is likely to be a huge demand for tin as soon as hostilities cease. At first sight, there appears to be a less favourable case for rubber. It is stressed that America is to erect synthetic rubber factories to supply a very large part of the war needs of the Allies, and it is argued that these will serve to satisfy peacetime demands. It may be doubted whether there is much in this. The secular trend in the use of rubber was pronouncedly upward before the war, and this despite the impoverish-

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices				Average Yields			
	Aug. 23, 1939	Jan. 28, 1941	Dec. 30, 1941	Jan. 27, 1942	Jan. 28, 1941	Dec. 30, 1941	Jan. 27, 1942	
2½% Consols	113.9	137.5	146.3	147.8	3.24	3.05	3.02	
Home Corps. (4)	114.4	128.3	139.2	140.9	3.63	3.35	3.31	
Total Ind. Debts. (43)	104.5	108.2	114.3	115.4	4.39	4.16	4.12	
Total Ind. Prof. (101)	87.7	90.9	101.0	102.0	4.96	4.55	4.51	
Banks and Disc. Cos. (10) ..	96.4	92.1	102.1	104.5	4.93	4.45	4.35	
Insurance Cos. (10)	100.0	88.4	97.6	100.3	4.62	4.11	4.00	
Building Mats. (6)	58.9	62.3	66.3	70.4	4.53	4.10	3.86	
Cotton (5)	19.3	23.2	29.1	33.2	3.09	3.00	2.90	
Oil (4)	70.0	49.6	54.7	55.2	6.42	5.39	5.13	
Total Productive (90)	60.7	54.7	62.0	63.3	4.64	4.31	4.31	
Home Rails (4)	38.4	35.1	41.9	47.8	9.03	6.40	6.14	
Brews. and Dist. (20)	110.6	89.0	114.1	116.2	6.71	5.14	5.05	
Total Miscellaneous (40)	67.8	58.4	69.8	71.0	6.23	4.95	4.85	
Industrials—all classes (159) ..	57.9	50.8	60.7	62.0	6.26	5.00	4.93	

ment of most countries by a policy of economic nationalism and the relatively high price of the commodity under a scheme of restriction. Without being unduly optimistic, it is permissible to assume that the post-war world will not repeat all the blunders of the period from 1919 to 1939, and that even when the re-stocking boom is over—and it may last for years—there will be a largely increased demand for rubber. It is to be hoped, however, that both these industries will have it made clear to them that the price of official assistance, either in rehabilitation or in price policy, must be the cutting out of every avoidable expense. Prices of leading Malayan tin and rubber companies have fallen by 33 to 50 per cent since the end of November, so that the prospects of ultimate capital appreciation, at least for those with low costs and sound management, are already considerable.

A Public Utility Conversion

The process of levelling down rates of interest is carried a step further by the offer of conversion terms by the North-Eastern Electric Supply Corporation for the £2,202,000 of 5 per cent debenture stock outstanding. This is the first public utility to take advantage of the lifting of the ban on optional maturities of this class, announced some two and a half months ago, and the terms are of considerable interest. The old stock, repayable at 102 on three months' notice, is to be redeemed on May 1st, and holders are offered a 3½ per cent stock, also at 102, in exchange. This, like the maturing loan, is repayable finally in 1980 at par, but repayment will, in fact, be by a sinking fund, and the price will be 102 for the first five years and 101 for the next. The yield to final redemption in 1980 is a shade over £3 13s. per cent. There is in this case no Government guarantee to provide any cash necessary to repay holdings not converted, and that office falls upon the issuing house, in return for a small fee. The corporation has two other debentures in issue, ranking *pari passu* with the existing 5 per cent, namely, a 3½ per cent stock finally repayable 1964 and a 3½ per cent stock due 1972. The yields to redemption on these are approximately £3 11s. 9d. and £3 14s. respectively,

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which makes the new issue appear fully priced. A mere calculation of the yield to final redemption leaves considerations of possible earlier repayment on one side, and, with the return on home corporations at only some £3 6s. per cent, it is probable that there will be a fair demand for this stock in an industry which must continue for many years to enjoy an upward trend. No recent figures of earnings are available, but, for 1940 and several years earlier, the whole interest charges of the corporation were covered some two and a half times by earnings.

Spinners' Scheme Criticised

In dealing with the scheme submitted by Fine Cotton Spinners in *The Economist* of January 31st, a detailed analysis appeared unnecessary, since it seemed both sound and suited to the position, except possibly in that it failed to make any provision for writing down assets. It now appears that the scheme is opposed on the ground that it is unduly generous to holders of the preferred ordinary capital. The fact that the directors think it desirable to substitute, for the junior class of preferential capital, equity holdings, and the substantial amount of the latter given in compensation indicate clearly that the board sees no possibility of a return to the prosperity which the group enjoyed up to a decade or so ago. The board expressly state that they anticipate a fresh decline in profits, although they are careful to say nothing of post-war prospects. It will almost inevitably be the case that when the war ends a very large part of the world's population will be in need of a new wardrobe and new furnishings. But it will also be the case that most of them will be poorly equipped to pay for them, and that Lancashire is no more likely to have a monopoly of supply than in the years of the pre-war depression. Even if it should prove to be the fact that British industry, and that of the Americas, is in better shape than that of Europe, Japan and India, there is no reason to suppose that the advantage will be more than temporary. It cannot be denied that the preferred ordinary shareholders are entitled to receive, in priority to the equity holders, 5 per cent on their present holdings, and on their arrears of dividend: that is to say, £72,850 per annum. They receive that, under the scheme of the board, when distributable profits amount to almost exactly £195,000. If they are higher, they do better; if lower worse. This is equivalent to some 5 per cent on the old ordinary capital, and the market's anticipation is a dividend at half that rate. The matter is one on which there is room for more than one opinion, but, if this is a fair estimate, the scheme as presented can hardly be called unduly favourable to the holders of preferred ordinary capital.

Widespread Default

The Report of the Council of Foreign Bondholders for 1941 makes melancholy reading. The spread of the war has brought about the inevitable cessation of payments by Greece and Yugoslavia as well as the default of Japan, who possessed an unblemished and punctilious record. By a curious anomaly, the British bondholder, however, received certain token payments, which had previously been agreed to, in respect of the Hungarian External Debt for the year to October 31, 1941. In South America, the position is relatively unchanged, no fresh defaults having occurred, but no further settlements having been reached. Improvements in sterling balances have, however, notably increased the capacity to pay of a number of Latin American countries. For the successor states to the Ottoman Empire, with the exception of Transjordan, the story is equally melancholy, while the external debt of China is in total default for the second year in succession. The Report reinforces a conclusion which must by now be generally appreciated by the foreign bondholder, that investment in the state or municipal loans of foreign countries demands world peace and international prosperity as indispensable conditions of fruitfulness. This form of investment is of all forms the most speculative, since it implies a bet on the future of the world as well as an assessment of the internal economy of the country in question. It is clear that, outside Turkey and Latin America, the bondholder can entertain no hopes of improvement until the world is at peace again. With regard to South American defaulters, the Council has made representations which have been, and promise to be, ineffective.

seems that if the Council is to achieve its aims it must, in co-operation with U.S. interests, impress upon official quarters the need to support the rights of the bondholder.

Compulsory Marking

A questionnaire, addressed to all members of the Stock Exchange, on the subject of reforming the registration of business done, gives a very fair idea of the scope of the changes envisaged. The whole matter has a technical side which bristles with complications, and it is not surprising that, on some of the points, opinion is known to be divided. From the standpoint of the investing public, the interesting questions are those relating to the marking of all bargains, and the classification of the marks according to the time they occurred. If the committee should decide to insist on a general marking of bargains, plus a splitting into at least two sessions, the public would be a step further forward. The difficulty is, however, that, under war-time conditions, it will not be easy to find the additional labour, while, if it is done, the information cannot be widely disseminated so long as the size of the daily paper is so rigidly restricted. The latter consideration is not a complete reason for postponing the step, but the former may well prove so. There is, of course, every reason why a committee, which has a name for energy, should proceed now to investigate improvements which can only become effective after the war. But it might be wished that, if this step is to be deferred until peace comes, it were a rather bolder one. In addition to brokers and the investing public, to whom it would be of interest, there is that small but important body of statisticians to whom an index of Stock Exchange turnover—even in terms of nominal values—would be of great service for a variety of inquiries. Owing to the number of shares quoted and to the variety of dealing units, the

task is more complex than that of compiling the corresponding Wall Street figure, but it is difficult to believe that it could not be achieved without unreasonable expense or delay. The hope that it may emerge as a by-product of a scheme of centralised accounting is doomed to disappointment, since, whatever its advantages, this is at present too controversial a matter to be practical politics in any but a very emasculated form.

Company Notes

R. A. Lister Progress

Net earnings of R. A. Lister, the leading manufacturers of agricultural machinery, have been well maintained at £131,517 against £139,293 in the year to September 30th last. The figure for the latest year is struck after an undisclosed appropriation for war damage as well as after tax, contingencies and depreciation, as in the previous year. Equity earnings are reduced in amount from £88,552 to £80,605, but there is a rise in the rate from 21.4 to 23.0 per cent, the highest level in the past ten years. Ordinary shareholders again receive 16 per cent; the transfer to pensions reserve is raised from £2,500 to £10,000, while that to general reserve is £10,000 lower at £15,000. These appropriations still necessitate a slight draft on the carry forward, which is £395 lower at £70,468, against a fall of over £5,000 a year ago. The company's productive activities are, of course, vital to the conduct of the war, and in the sphere of agricultural equipment, which by no means exhausts the range of output, demand reached record levels last year. The company's balance sheet shows an increase in the excess of liquid assets over current liabilities from £1,052,853 to £1,160,913. The main increase is in cash

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 C. G. HAMILTON, Esq.
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AUTHORISED CAPITAL	£50,000,000
ISSUED AND FULLY PAID-UP	£20,000,000
RESERVE FUNDS (STERLING)	£6,500,000
RESERVE FUNDS (HONGKONG CURRENCY)	£10,000,000
RESERVE LIABILITY OF PROPRIETORS	£20,000,000

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holdings from £250,068 to £496,604, while £71,969 has been invested in British Government securities, a movement which may indicate higher sales last year. There is also a moderate rise in stocks from £667,698 to £729,107, which may be accounted for almost wholly by the rise in prices. The company is clearly in a position to maintain ordinary dividends in the near future in the absence of any fortuitous disaster. The £1 ordinary shares, at 67s. 6d. ex dividend, yield £4 14s. 10d. per cent.

Prospects of BAT

The more obscure aspects of the latest balance-sheet of British-American Tobacco, which was discussed in *The Economist* of January 24th, have now been in part elucidated by the speech of the chairman, Sir Hugo Cunliffe-Owen at the annual general meeting. The two main problems which the accounts presented were the cause of the decline in gross income, the scale of which is indicated by the fall in the tax free rate of equity earnings from 18.0 to 14.7 per cent, and the balance-sheet fall in the value of investments in subsidiary companies by £5,246,333 to £2,401,458. The fall in gross income, neglecting the obvious influence of higher taxation on net earnings, was due almost entirely to the loss of income from the company's American investments. In order to retain control of the American subsidiary, BAT obtained, as was explained in *The Economist*, a loan of \$40,000,000 from the RFC which was transferred to the British Treasury. The loan, Sir Hugo explained, carried the condition that no dividend could be received from the American company for a period of five years, or until \$10,000,000 of the loan is repaid. BAT suffered the deprivation of income for only half the financial year ending September 30th last, so that the effect on income will be more severe in the current period. Moreover, the company must suffer substantially from the loss of its important interests which have passed into enemy hands in the Far East since the entry of Japan into the war. In the circumstances, the announcement that interim dividends for 1941-42 may be expected, subject to no increase in taxes, to total 8.32 against 13.34 per cent, free of British income-tax, appears to be fully up to market expectations. Interim payments, incidentally, are, after March 31st next, to be made half-yearly. The decline in the balance-sheet value of investments in subsidiaries arises out of bond redemptions from part of the proceeds of the above-mentioned loan, while the decline in the company's leaf stocks is occasioned by larger shipments to subsidiaries. Cash holdings at the date of the accounts stood at £2,261,869, but Sir Hugo points out that, since end-September, £2,500,000 has been invested in Tax Reserve Certificates. In the current year, it is clear that there must be some further reduction in gross income. Whether the equity surplus will be still more steeply reduced depends on the course of taxation in

this country and in the dominions. The £1 ordinary stock at 80s., yields £3 12s. 11d. per cent, tax free.

Investment Trust Results

Recently issued results of a number of important investment trusts show that revenue was well maintained in 1941. Of the six trusts, whose profits are analysed below, only *Great Northern Investment Trust* made a reduction in the ordinary dividend, which amounts to 5 against 6 per cent. In three cases, payments were maintained, and *London Stockholders Investment Trust* raised the ordinary distribution from 2 to 2½ per cent. *Scottish Stockholders Investment Trust* was not able to resume dividends on the ordinary capital, which has received no payment during the past decade, but there is a moderate rise in gross revenue from £47,976 to £50,475. *London Stockholders* shows an improvement in gross income from £36,210 to £37,948 and in the rate of equity earnings from 3.3 to 4.4 per cent. *Debtenture Corporation* suffered the largest fall in total income from £233,055 to £218,915, with a reduction in the earned rate from 11.9 to 11.1 per cent, while both *Great Northern Investment* and *River Plate and General* show moderate reductions on gross income and equity earnings.

Trust and Date of Accounts	Total Disclosed Profits	Earned for Ordinary		Div. of Inv.	Depn. of Inv.	Present	
		Amount	Rate			Price	Yield
Debtenture Corpn. (Dec. 31)							
1939	234,750	79,304	11.5	10	•	167½	5 19 5
1940	233,055	71,496	11.9	10	•		
1941	218,915	56,551	11.1	10	•		
Great Northern Inv. (Nov. 30)							
1939	166,992	36,923	9.2	6	8.5	92½	5 8 1
1940	166,039	30,840	8.8	6	20.5		
1941	159,523	22,595	7.3	5	5.5		
London Stockholders Inv. (Dec. 31)							
1939	32,794	4,612	1.7	2	13.0	5	5
1940	36,210	7,442	3.3	2	23.5		
1941	37,948	9,337	4.4	2½	17.0		
River Plate & General (Dec. 31)							
1939	60,784	31,173	12.1	10	18.21	148½	6 14 8
1940	59,823	29,850	11.5	10	•		
1941	58,556	29,405	11.4	10	•		
Scottish Stockholders (Nov. 30)							
1939	47,171	• 81	Nil	Nil	23.8	10	Nil
1940	47,976	1,595	Nil	Nil	27.1		
1941	50,475	3,794	Nil	Nil	19.0		
Second Scot. Eastern (Nov. 30)							
1939	72,679	9,697	5.3	4½	•	68½	7 7 0
1940	78,323	12,977	7.3	5	•		
1941	78,125	12,260	7.8	5	•		

† Deferred stock. * Not disclosed. § No stock on offer.
‡ After charging one year's arrears of preference dividend.

That no general reduction has occurred in earnings or dividends is, of course, mainly a reflection of the delay in the impact of wartime difficulties, as experienced by operating companies, on the incomes of investment trusts. It is also a demonstration of the security which the spread of well-chosen portfolios affords the private investor. Most trusts have suffered some loss through the Treasury requisition of dollar securities. There is evidence that liquid funds so provided have mainly been invested in domestic issues, although in some cases they have been devoted to redeeming debentures. The depreciation of the market value of investments against book value is much reduced in all disclosed instances. The failure to provide an estimate of depreciation in a number of cases cannot be too strongly deplored.

Anglo-Chilean Nitrate

Anglo-Chilean Nitrate has suffered severely from the effects of the international disturbance to markets. The accounts for the year to June 30, 1941, show a reduction in total income from £861,821 to £518,538, the lowest level since 1935-36. The decline is due in part to the replacement of a net credit item for exchange difference of £20,603 by a debit item of £103,388 and provision for exchange suspense of £64,004. Of the debtor exchange difference, only £14,709 is charged against income, making a total exchange debit of £78,714. The remainder, £88,678,

is covered by transfer from reserve created at June 30, 1940, from unrealised differences in exchange. Total earnings for funded debt amount to £373,224 against £664,006, after transfer to general renewals reserve of £117,022 against £123,512. The directors point out that there has been a substantial fall in total world sales of nitrate and iodine, for which the closure of European markets has been largely responsible. Moreover, production and labour costs in Chile rose during the year. It is a point of some importance that the company has now eliminated the 1933 nitrate stocks, so that in future sales will be based wholly on new production. It is also satisfactory that the latest payment to creditors of US \$507,938 will eliminate this form of indebtedness in accordance with the Readjustment Plan, 1936. The directors have made no provision against the finding of the Supreme Court of Chile in the action pending with the Sales Corporation concerning distribution of profits between the companies during the past seven years. The balance sheet shows a decline in the surplus of current assets over liabilities from £394,782 to £228,568. Funded debt is reduced from £3,911,565 to £3,075,114 and total reserves are up from £2,800,460 to £3,400,147. The future outlook depends almost exclusively on shipping possibilities and on the extent to which the United States' scale of priorities favours imports from Chile or the expansion of home production of synthetic nitrates. It is unfortunate that prospects should be impaired through the progress of the war when the company has at last cleared off accumulated stocks and indebtedness to creditors.

Industry and Trade

Petrol Needs Test for Lorries

An important modification in the petrol rationing scheme, designed to secure a further economy in motor fuel, will come into force next month. Colonel Llewellyn, then Parliamentary Secretary to the Ministry of War Transport, stated in the House of Commons on January 28th that the basic ration for goods vehicles is to be abolished from March 7th. Equivalent at present to 16 gallons of petrol or 10½ gallons of heavy oil per ton of unladen weight for every four-weekly period, the basic ration had already been cut twice during 1941. In the effort to save motor fuel, moreover, the grant of supplementary allocations to operators of goods vehicles on proof of need had been considerably tightened up, especially in the case of retail delivery vans. All issues of fuel for goods vehicles will in future be at the discretion of the Regional Transport Commissioners, and operators will presumably be required to furnish full particulars of the purpose for which the petrol is required before they are granted supplies. This brings goods vehicles into line with buses and coaches, which have received no basic rations since last September. Although the abolition of basic rations will not, in itself, reduce the consumption of any particular operator, it should do much to ensure that the fuel issued is in fact used for essential purposes. In particular, it will encourage retail traders to rationalise their delivery services by proceeding as quickly as possible with the formation of local delivery pools. The Ministry of War Transport is to be congratulated on this change in policy, but it will have to ensure that essential transport services are not strangled with red tape. Apart from the special case of taxi-cabs—which in the London area receive a flat allocation of 90 gallons a month and in the provinces a basic allowance, supplemented according to the horse-power of the vehicle—the private motorist will thus be the only remaining recipient of a basic ration. The question inevitably arises how long he will be allowed to enjoy this privilege. In contrast to the operation of commercial vehicles, which is the concern of the Ministry of War Transport, the rationing of the private motorist is administered by the Petroleum Department, which has hitherto been reluctant to rely solely on a needs test in allocating motor fuel. So long as there are no restrictions on the licensing of cars, and motorists continue to pay heavy taxes, the abandonment of this policy will be difficult. But it is anomalous, to say the least, that commercial users can obtain motor fuel only by furnishing proof of their need, whereas the private motorist can claim a minimum ration, provided only that he can afford to license his car.

Shop Stewards and Works Councils

Once it had decided to support the establishment of joint production committees, the TUC lost no time in pressing forward its plans. Agreement has now been reached between the TUC, the employers' organisations, and the Government, and it has been announced that the formation of committees in engineering factories will be provided for by an amendment to the Essential Works Order. The successful conclusion of the negotiations has been welcomed by the Engineering and Allied Trades' Shop Stewards National Council. But, not unnaturally, shop stewards are somewhat apprehensive concerning the constitution of the labour representatives on these committees. In a statement issued last week by their Council, they consider that "any attempt dictatorially to appoint workers to joint production committees . . . is a dictatorial step which would wreck the usefulness of such committees because such appointment would bring the whole idea under grave suspicion by the workers and, far from helping output, will be an obstacle to production." In their view, the shop stewards are the "natural representatives" of the workers, for they are democratically elected by them and are the "officially recognised representatives" of the trade unions in the workshops. The shop stewards are undoubtedly right in insisting that the successful functioning of joint production committees depends in no small measure on their free election—though it should be made clear by what criterion—size or method of ballot—an election is deemed to be "free."

Producers' Milk Prices

In February of last year the Ministry of Food fixed the price of milk to producers from April, 1941, to March,

NORANDA MINES, LIMITED

DIVIDEND NOTICE.

Notice is hereby given that an interim dividend of One (\$1.00) Dollar per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines, Limited, payable March 17, 1942, to shareholders of record at the close of business, February 20, 1942.

By Order of the Board.

J. R. BRADFELD, Secretary.
January 30, 1942. Toronto, Canada

BAY HALL TRUST LIMITED.

Summary of the Directors' Report for year ended 31st December, 1941, and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

DIRECTORS' REPORT:

The gross revenue amounted to £111,016. After charging Debenture Interest, Income Tax, Directors' Fees, Management and General Expenses amounting to £40,503, the net profit is £70,513. Adding £71,329 brought forward, the total available for appropriation is £141,842 and a dividend of 6½ per cent. is recommended which will absorb £65,897 and leave £75,945 to be carried forward.

In November, 1941, £14,600 of Debentures were lodged in exchange for 7,300 fully paid Ordinary shares of £1 each and the shares were allotted in December last, thus increasing the issued Ordinary capital by £7,300 to £1,013,175 and decreasing the amount of outstanding Debentures by £14,600 to £773,650, as the Accounts show.

At market prices on December 31st, 1941 (or where no market price existed at valuations by the Directors at that date amounting to £229,510), the Share and Debenture Holdings and British Government Securities had an aggregate value of £2,050,999, as compared with their book cost of £1,877,630.

CHAIRMAN'S STATEMENT:

The gross revenue for 1941 was £1,855 in excess of, but the net profit was £4,630 lower than, 1940, the decrease being wholly due to higher taxation. Dominion Relief amounts to 2s. 3d. in the pound so that the net income tax deduction will be 7s. 9d.; the proposed dividend is, therefore, equivalent to 7.9 per cent., less tax at the standard rate of 10s. 6d.

Turning to the Balance Sheet, the debenture conversion has resulted in an increase of Premium on Shares Account by £7,300, which now stands at £47,175. Realisation Reserve Account amounts to £14,583 against £9,741 at end of 1940, but these figures are not strictly comparable because that Account was credited with £10,000 last year. On the Assets side, Share and Debenture Holdings and British Government Securities, amounting to £1,877,630, are higher by £91,179 as a consequence of further investment of funds, which is reflected in the lower cash position.

At the end of 1941, the value of our investments showed an indicated appreciation of £173,000 over book cost. Bearing in mind there was a depreciation at the end of 1940 of £69,000, this represents an improvement of over 12 per cent. in the value of these assets and is most gratifying in all the circumstances.

Over 98 per cent. of the investments, including British Government Securities, taken at the valuations at December 31st last, are situated in United Kingdom, South Africa, and other parts of the British Empire. Similarly measured, but excluding British Government Securities, about 93 per cent. of the investments are in Ordinary stocks and shares and the balance in fixed interest bearing securities.

Copies of the full Report and Accounts can be obtained on application at the office of the Company, Princes House, 95, Gresham Street, E.C.2.

1942. For January, February and March of this year, producers were to receive 2s. 4½d., 2s. 3½d. and 2s. 0½d. per gallon respectively. These are basic prices, from which in most cases charges for transport have to be deducted and to which premiums for special grades of milk or services may be added. The prices were based on estimates of the probable rise in costs of production which were made last year. The Ministry of Food announced last week that the prices for the first three months of this year are to be raised by 1½d. per gallon. This will not prejudice a further review of milk prices at the end of March, in accordance with an undertaking given by the Minister of Food at the time the prices were originally fixed. This undertaking was honoured last month, when as a result of a review of costs during the summer months of last year, a retrospective increase to producers of ½d. per gallon was granted. The increase of 1½d. per gallon for the first three months of this year appears to be of the nature of a token payment in respect of the advance in the weekly minimum wage of farm workers to £3 from January 1st. According to a statement issued by the Ministry of Food at the end of last week, "the Government's consideration of the question of a general adjustment of agricultural prices, in the light of the recent increase in the minimum agricultural wage, is being pressed forward." It is well known that the pressure exercised upon the Government for a sizeable upward revision of the prices of farm products by the spokesmen of the farmers is very strong. It is to be hoped that the Government's counter-pressure will be equally strong, and that it will resist some of the farmers' demands. If it fails to do so, resistance to demands for yet higher minimum wages in individual counties will be reduced; and once a breach is made by the "infiltration process," it will not be long before a further general retreat will have to be made by the Government by a yet further increase in the national minimum wage.

A Council for the Rayon Industry

Co-operation amongst the rayon producers has been a long time in coming. The rapid development of the industry, the secret nature of some of the processes, the great financial boom, and the slump which followed in the early 'thirties, all conspired to retard co-operation. It was not until just before the war that the viscose and acetate producers came together, and then only because they considered their interests threatened by legislation for the cotton industry. Since the outbreak of war the rayon industry has witnessed the successful development of the Cotton Board, a statutory body set up by legislation and covering every section of the cotton trade, including operatives. The rayon industry has now established a Rayon Council, which goes far beyond co-operation amongst producers, and extends to all users of rayon yarn, but does not include operatives. Its avowed object is to provide "a common meeting ground where matters affecting the industry may be discussed." The industry, in fact, has followed the example of many others by closing its ranks.

Utility Clothing

Last September, the Director-General of Clothing announced a scheme which aimed at providing an adequate supply of clothing, in the lower ranges of prices, with prices fixed at every stage of manufacture and sale. This clothing bears a characteristic label and is known as "utility" clothing. Specifications for cloths from which the clothing may be made are laid down, and lists of clothing which are most needed are scheduled in about twelve groups. Maximum prices are fixed at each stage of sale, overriding the percentage margin of net profit which may be added to the costs of production or purchase price. A new Order, the Utility Apparel (Maximum Prices and Charges) Order, which came into force on February 2nd, brings together the provisions relating to maximum prices which may be charged for utility clothing and contains the complete list of the overriding maxima for the various kinds of garments. In addition, it makes provision for the maximum prices to be charged by composite businesses which it has been found difficult to fit into the framework of existing Orders. Manufacturers compute their maximum prices by adding to their costs of production and sale a percentage margin of net profit which varies from 4 to 7½ per cent, according to the kind of garment made. Wholesalers may add 20 per cent

to the price paid by the first purchaser, if they have a regular selling organisation for supplying the retail trade and carry substantial stocks in a warehouse. Other wholesalers may add only 5 per cent to the price paid to the manufacturer. The retailers' margin will remain at 33½ per cent. These mark-ups are the totals permitted, regardless of the number of hands through which the garments pass on their way from the manufacturer to the consumer. Standards of quality are laid down, but styles are left to the individual producers. It is hoped that a utility label on a garment will provide a guarantee of quality and workmanship and that prices will not reach the maximum in all cases.

Wholesale Prices in 1941

The control of the prices of basic materials has been fairly effective in 1941. The *Economist* index of wholesale prices showed an advance of 7.5 per cent between December, 1940, and December, 1941, and the more comprehensive Board of Trade's index recorded a rise of only 4.9 per cent during this period. Similarly, the Ministry of Labour's cost of living index has been effectively stabilised since the spring of last year and, on January 1, 1942, was only 4.2 per cent higher than a year ago. The movements of the wholesale prices of individual commodity groups between August, 1939, and December, 1941, and between December, 1940, and December, 1941, as recorded by the Board of Trade, are shown in the table below:—

	Increase between December, 1940, and December, 1941	Increase between August, 1939, and December, 1941
	%	%
Food and tobacco	4.2	6.5
Coal	6.9	38.7
Iron and steel	1.2	41.3
Non-ferrous metals	0.6	23.2
Cotton	11.1	74.9
Wool	2.9	67.5
Other textiles	14.7	70.7
Chemicals and oils	5.8	39.5
Miscellaneous	6.9	79.6
All articles	4.9	58.9

The rise in the prices of cereals was chiefly responsible for the advance in the index for food and tobacco last year. Higher rayon prices caused a substantial advance in the index for other textiles. The prices of iron and steel and non-ferrous metals remained virtually unchanged; but that of coal was raised, mainly to compensate for wage advances. The comparatively small advance in the prices of basic materials testifies to the efficiency of price control; it would be interesting to know the average rate of increase in the prices paid by the supply Departments for war equipment.

Leather in the War

The chief raw materials for the leather industry are hides, calfskins and sheepskins, of which more than half were imported in peace-time, and goatskins, which came entirely from overseas. The Leather Control was faced with the task of increasing supplies to meet war needs, and early in the war imports actually exceeded the peace-time level. The Imported Hides Pool was formed in October, 1939, as a voluntary organisation of traders, and was, until recently, independent of the Control. All offers of, and negotiations for the purchase of, imported hides pass through the Pool, and certain prices are controlled. All native skins and pelts are received from the Ministry of Food slaughter-houses; tanners buy them through registered markets. Transactions are made only under licence and prices have been raised by the Control. The footwear requirements of the Armed Forces dominate the leather trades. The necessary supplies are reserved within quarterly periods and manufacturers are supplied under licence. The preparation of upper leather is assisted by firms who were previously engaged in making leather for other branches of the trade. Service requirements of leather for other purposes absorb substantial quantities. Flying suits, leather jerkins, heavy leather driving gloves, straps and packings for guns, and cases for delicate precision instruments, all make demands on leather stocks. The Service demand for harness, saddlery and farriers' aprons is now relatively small, but mechanisation has multiplied demand in many directions. Straps, belts and pouches of leather which used to be supplied to the soldier in the field have

now been replaced by webbing. Leather is of importance also for a number of industries engaged in war work. The list of descriptions ear-marked by the Leather Control for essential purposes has expanded considerably, shrinking the quantity of leather available for the manufacture of civilian footwear and for repairs. A director of civilian footwear was appointed by the Control in June, 1941; he was later transferred to the Board of Trade. Upper leather was rationed to manufacturers last year, and at the beginning of this year a formal scheme of rationing sole leather was introduced. The manufacture of civilian footwear has decreased, and distribution is subject to the clothes ration. Other civilian uses of leather have been reduced by Limitation of Supplies Order. Until recently the Leather Control was not very strict; it preferred to work in co-operation with existing trade organisations and through organised trade channels.

Tea Supplies and Requirements

The tea export quota for the season beginning on April 1st has been fixed at 125 per cent of the basic exports, against 110 per cent in the current season. In theory, the new quota will release 1,010,535,000 lbs from British India, Ceylon and the Dutch East Indies, the three

TEA EXPORTS OF REGULATING COUNTRIES
(in millions of lbs.)

Season	British India	Ceylon	Dutch East Indies	Total
1938-39	358.6	234.8	159.1	752.5
1939-40	360.5	227.2	159.4	747.2
1940-41	357.4	231.2	168.0	756.5
1941-42*	421.6	276.7	191.0	889.3
1942-43*	479.0	314.5	217.0	1,010.5

* Export Quota.

countries adhering to the regulation scheme. Although this quantity exceeds the previous record export by more than 100,000,000 lbs, it could be shipped in normal circumstances, though at the expense of some deterioration in average quality. At present the necessary shipping space cannot be guaranteed, and it is by no means certain that Nether-

lands India, for example, will be able to fulfil its quota. Although the requirements of the British Empire, the United States and Russia can be met with a supply of 750,000,000 lbs, the quota has probably been increased to permit shipments at a high rate as long as possible, and to enable consuming countries to accumulate stocks against an emergency. Provided shipping is available, there will be no shortage, even if exports from Netherlands India becomes impossible, for the new quota permits British India and Ceylon to ship some 793,000,000 lbs, 43,000,000 lbs in excess of the estimated needs of the Allies, and a further 35,000,000 lbs can be secured from East Africa.

Feeding Stuffs Rationing

After a year of feeding stuffs rationing to animals, the Feeding Stuffs (Rationing) Order, 1941, and the various amending Orders since made, have been consolidated in a new Order, which is also directed against fraud and the misuse of ration documents. Rye and rye products are included in the cereal coupon and feeding bonemeal (ground bone) containing more than 30 per cent albuminoid, is added to the list of rationed proteins. Molassed feeding stuffs other than compounds are added to horse-feed rations. Some feeding stuffs are derationed. Provisions relating to the supply of mixtures other than compounds or concentrates are modified. Ration documents in the possession of a livestock keeper who has ceased to keep any class of livestock for which they were issued, must be returned by him to the authorities. Producers and approved buyers of feeding stuffs, other than growers, may not feed rationed stuffs to their own livestock unless the appropriate ration documents are immediately surrendered. The list of rationed feeding stuffs issued in directions on September 30, 1941, remain in force. For most mixtures the buyer is now required to surrender coupons to correspond with the value and kind of rationed stuffs in them. The Order, which came into force on February 1st, does not affect ration documents and individual licences issued under the 1941 Order, but all directions issued before the one of September 30, 1941, and all general licences, are revoked.

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For the purpose of preparing the Interest Warrants due 1st April, 1942, on the above-mentioned Loan, the BALANCES will be STRUCK on the evening of the 2nd March, 1942, after which date the Stock will be transferred ex-dividend.

For the Bank of Montreal, Financial Agents of the Government of the Dominion of Canada in London.

EDWARD POPE, Manager.

47, Threadneedle Street, E.C.2. 2nd February, 1942.

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CLAIMS PAID EXCEED - £133,000,000

(1940 Accounts)

WILLIAMS DEACON'S BANK LIMITED

BANKING PROBLEMS IN WARTIME

EXPANSION OF DEPOSITS

MR G. P. DEWHURST'S STATEMENT

The annual general meeting of Williams Deacon's Bank, Limited, was held on the 29th ultimo, in Manchester, Mr G. P. Dewhurst, the chairman of the bank, presiding.

The following is the statement prepared by the chairman, which was circulated in advance of the meeting:—

From the report in your hands you will have seen that, apart from certain changes in our directorate, we have suffered a sad loss by the death at the age of 81 of our old friend and colleague, Frank Deacon, the last of his family, and grandson of the John Deacon who in 1826 was admitted into the partnership of Williams Deacon and Co. Though little seen in the City of London during the last few years of his life, he will long be remembered there as a fine type of the old private banker, and a keen and indefatigable supporter of a number of religious and charitable objects. To H. W. Haldane, who has relinquished his seat on our board, I would like on behalf of my colleagues to offer our grateful thanks for his unremitting devotion to the affairs of the bank during his term of office, and in like measure to his successor, Kenneth Murray, a very hearty welcome to our board.

INCREASE IN RESOURCES

Turning now to the balance-sheet and statement of accounts, we have, in common with all other banks, to report a very considerable expansion in our current, deposit and other accounts, with a corresponding increase in the amounts lent to the Government in the form of Treasury deposit receipts and subscriptions to their various bond issues; our increased resources have thus promptly been made available to the Treasury, though the revenue therefrom has been largely discounted by a reduction in our advances to customers, heavier taxation, increased overhead charges, and special war time expenditure.

While Government spending and consequent borrowing have been the main factors in the growth of bank deposits, full time employment, higher prices, liquidation of stocks and substantial accumulations of cash for taxation requirements have all tended in the same direction. In the meantime, however, the placing on tap by the Treasury of Tax Reserve Certificates will have the effect of drawing on these accumulations and, while helping to maintain a more even flow of revenue into the Exchequer, should at all events retard the rate of increase in bank deposits.

Further, it is possible, and I feel eminently desirable, that depositors may elect to lend their surplus balances direct to the Government rather than through the medium of the banks; the immediate result to the Treasury is the same, but direct lending does remove the opportunity of hasty withdrawals for unnecessary spending on the part of the individual, and gives him the certainty of a return on his capital at a time when he will need it most and when the scope of its purchasing power will be wider than it is now.

The actual figure of the bank's deposits appears at £62,314,800, which is an increase of nearly 11½ million, or 22 per cent. in excess of last year.

THE ASSETS

On the asset side of the sheet, Treasury deposit receipts now amount to 13½ million, which is an increase of 8 million on the year, and these, together with our cash, balances with other banks, money at call, and bills discounted, constitute a total of £32,502,300 or over 52 per cent. of our deposits. The other important feature to note here is an addition of over five millions to our investments, which now stand at £20,060,812. Advances show the relatively small increase of £540,000 on last year's totals, for while the usual trade demands for accommodation have obviously been reduced, every possible assistance has been given to applications from customers engaged on Government or vital war work. Bank premises account has benefited to the full amount of the year's allocation from profits, and now stands at £957,000.

The extreme liquidity of banking resources brings its own problem, the difficulty of their effective employment, and to achieve this by merely increasing the total of investments would mean that a comparatively moderate fall in values would have a disproportionate effect on figures.

PROFIT AND ALLOCATIONS

Turning now to the figures of Profit & Loss, the net profit for the period covered by the Accounts, after making the usual provisions, has been declared this time after deduction of Tax on dividends payable to our shareholders. Our figure of profit therefore emerges at £184,169 19s. od., which, on the face of it shows a reduction of £8,893 compared with the previous year's profit adjusted to the new basis. On the other hand, allowing for the fact that the tax deducted from shareholders' dividend was more this time, the strictly comparable figure of profit would show a slight increase, a result with which we have every reason to be satisfied, considering increased taxation, expenditure on salaries to those in the Services and to our temporary staff, war-time allowances and war damage insurance. This profit, with the balance of £148,423 12s. 3d. brought forward from last year, gives us a total of £332,593 11s. 3d. now to be dealt with.

After transferring £30,000 to bank premises account and £100,000 to reserve fund, we are in a position to pay a dividend at the rate of 12½ per cent. on both our "A" and "B" shares, and carry forward to next year's accounts £85,406 1s. 3d., as against £148,423 12s. 3d. brought in.

HANDLING OF CLOTHING COUPONS

An interesting innovation has recently been suggested to the banks by the Board of Trade for facilitating the handling of clothing coupons. At present every coupon deposited by the public with the retailer has to be passed back through the various processing trades until it ultimately reaches the original producer, and it is to short-circuit these channels that the banks are to be asked to open a separate coupon account for every trader concerned, the currency being in coupons instead of pounds, and these coupons will only pass once from the retailer to his bank. If we realise the number of coupons involved and the vast amount of work entailed in handling them, the scheme has much to recommend it, but we cannot ignore the fact that it will place considerable further work on the bank staffs, which, I am afraid, can only be regarded as one of the many extra duties incidental to the war.

STAFF CONTRIBUTION TO NATIONAL EFFORT

With regard to our staff, we now have nearly 400 members serving with H.M. Forces in various branches of the Services, and some 60 more are waiting to go by arrangement already made with the Ministry of Labour, and I much regret to have to report the following casualties, namely—one killed, one missing and three prisoners of war. To their relations and friends we take this opportunity of offering our sincerest sympathy.

To meet the gaps caused by these withdrawals in our personnel beside closing a number of branch offices, a large temporary staff has been engaged, and to these, and to our permanent staff alike, we would wish to express our best thanks and keen appreciation of the splendid manner in which they have performed their duties in the bank, and, what is more, have willingly devoted their spare time to the various forms of Civil Defence. In other words, the troubles and difficulties of an exceptional year have been surmounted and the work of the bank carried on in its best traditions. And finally, to our general manager, Mr Thomson, the assistant general managers and other officials of the bank, our special thanks are due for the extremely efficient manner in which they have discharged the duties and responsibilities of their respective positions in these anxious times.

The report and accounts were unanimously adopted.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

THE AMERICAN ASSETS

SIR HUGO CUNLIFFE-OWEN'S STATEMENT

The thirty-ninth annual general meeting of the British-American Tobacco Company, Limited, was held, on the 2nd instant, in London, Sir Hugo Cunliffe-Owen, Bart., the chairman of the company, presiding.

The chairman, in the course of his speech, said: Taking the assets side of the balance-sheet first, you will have observed that investments in shares and bonds in subsidiary companies at cost or under, amount to £24,011,458, showing a reduction of £5,246,333. This reduction is almost entirely accounted for by the redemption of bonds and shares in a subsidiary company in the United States of America.

Loans and current accounts with subsidiary companies (less provision for doubtful accounts) have increased during the year by £88,059. This represents additional advances to subsidiary companies for the purpose of carrying on their business. Investments in shares and bonds in associated companies, at cost or under, and loans and current accounts with associated companies (less provision for doubtful accounts) together show an increase of £156,192 over the corresponding figure for last year. Apart from the purchase of a small number of shares in an associated company, the balance represents increased advances to associated companies in the normal course of business.

You will notice that, during the year, we have invested £3,053,125 in Government securities. This is in addition to purchases of Government securities by subsidiary and associated companies in this country, to which I referred in my speech last year. During the year under review the value of stocks of leaf, manufactured goods and materials, at cost or under, has decreased by £301,112. This is due to larger shipments of leaf tobacco from our stocks to associated companies in various parts of the world. Cash at bankers (in England and abroad), in transit and at call has increased during the year by £2,261,869. Since the end of the year under review, however, your company has purchased Tax Reserve Certificates to the value of £2,500,000.

This brings me to the last item, namely, profit and loss account. This account shows a net profit for the year, after deducting all charges and expenses and providing for taxation, of £4,087,565, a decrease of £777,877. The directors recommend the distribution on February 12th next of a final dividend (free of United Kingdom income-tax) on the issued ordinary stock of 3d. per £1 of stock, amounting to £296,972, leaving £2,338,157 to be carried forward.

POSITION IN U.S.A. EXPLAINED

In the early part of last year your directors were advised that it would be necessary to dispose of investments in a subsidiary company in the United States of America, in order to provide His Majesty's Government with additional U.S. dollar funds. It was subsequently agreed, however, that provided we could obtain by some other means an amount of U.S. dollars equivalent to what we could expect to realise from the sale of the American business under the conditions then existing in the United States, we would not be compelled to divest ourselves of all interest in the company.

The value of the American business as a going concern was assessed by experts in the United States at \$40,000,000. After protracted negotiations, our subsidiary company in the United States was successful in obtaining a loan of \$40,000,000 from Reconstruction Finance Corporation, which is, in fact, a corporation sponsored by the United States Government. This loan was used by our subsidiary company firstly to repay a loan of \$15,000,000 from one of the New York banks. The balance of \$25,000,000 was used to redeem all outstanding bond issues, and to purchase outstanding preference shares and certain other investments owned by your company.

As a result of the transaction your company received the sum of \$25,000,000, which was placed at the disposal of the Bank of England in exchange for an equivalent amount in sterling. Your company still continues to own directly and indirectly the whole of the ordinary capital of the American subsidiary company. One of the conditions of the loan by Reconstruction Finance Corporation was that our subsidiary company in the United States

could pay no dividend on their ordinary shares for a period of five years, or until at least \$10,000,000 of the loan had been repaid, whichever is the later.

It is to this fact that the reduction in your company's income for the past year is largely due. However, as the agreement was only made in the middle of your company's past financial year, the full effect of the restriction on the declaration of dividends by the subsidiary company has not been reflected in the accounts under review. While the temporary loss in income is regrettable, it is well to remember that your company has received, as a result of the deal, a sum no less than would have been received had your subsidiary company in the United States been sold outright, yet your company still continues to own the same interest in the ordinary shares that it held before.

INCREASED TAXATION

Apart from the loss of income from the United States, to which I have referred, we have again had to suffer the effects of substantial increases in taxation in this country, and, indirectly, the effects of substantial increases in taxation on our subsidiary and associated companies operating in various countries abroad. Not only have income-taxes been increased, but excess profits taxes have also been enacted in various countries, which largely preclude our obtaining the benefit of increased earnings of our subsidiary and associated companies. In view of all these circumstances, I think you will agree that the results for the past year cannot be considered unsatisfactory.

I feel sure you would like me to say something with regard to the prospects for the current financial year. In spite of the difficult conditions that have prevailed in China for some long time past, the business of your associated companies in China was well maintained up to the time of the declaration of war by Japan on this country. The occupation of China and Hongkong by the Japanese Forces means that we no longer have any contact with, and for the time being can receive no dividends from, your associated companies in this area.

I am sorry to say that this means a serious loss in income to your company which must continue until such time as normal intercourse with China is resumed.

In view of all the foregoing, and taking into account the further temporary loss in income from your company's investments in the United States of America, to which I have previously referred, you will not be surprised that your directors have decided to declare the first interim dividend (free of United Kingdom income-tax) for the current financial year at the reduced rate of 5d. per £1 of stock.

DIVIDEND POLICY

In the past your directors have been in the habit of declaring interim dividends quarterly, but, with a view to economy, especially necessary at this time, your directors propose, instead, that interim dividends declared shall be payable half-yearly in future. The intention is to declare a second quarterly interim dividend payable on March 31st of this year; a third interim dividend payable on September 30, 1942, in respect of the six months' period from April 1st to September 30, 1942, and half-yearly thereafter.

Any interim dividend declared for the period October 1st to March 31st in each subsequent year will be paid on March 31st, together with any final dividend which it may be decided to distribute out of your company's profits during the preceding financial year. You will note that this distribution of interim dividends half-yearly instead of quarterly will still ensure that you will receive such dividends within the tax year, as previously. While it is impossible to forecast what contingencies may arise in future and subject to any further increase in taxation in this country, your directors anticipate that profits will be sufficient to justify the declaration of an interim dividend at the rate of 5d. per £1 of stock on March 31, 1942, and a proportional one—that is to say, 10d.—on September 30, 1942.

The report and accounts were unanimously adopted.

BANK OF NEW SOUTH WALES

AUSTRALIA'S WAR EFFORT

At the ordinary general meeting of the Bank of New South Wales, held at the head office, Sydney, on Friday, November 28, 1941, the chairman, Sir Robert W. Gillespie, President of the Bank, moved the adoption of the report and balance-sheet.

The following are extracts from his address:—Australia can look back with pride upon an ever-increasing flow of war materials, not only for its own needs but for those of the rest of the Empire and of our Allies. Australia has virtually full employment to-day, and urgently needs greater production of war materials and further enlistments in the Forces.

Certain sections of the community have criticised the banks and called them war profiteers because they benefit from credit expansion by receiving additional deposits. Bank profits are, in fact, extremely low when compared with those of other Australian businesses. The banks proved their good faith by voluntarily entering into an agreement with the late Government to limit profits and to give full co-operation in checking inflation and aiding the war effort generally. It is now proposed to determine the relationship by regulations, nominally to achieve the same ends. There are many sound reasons, based on national interest, why the banks should not be subjected to rigid political control. We are not in agreement with the Government on this matter, but we shall not allow this to influence our readiness to contribute to the war effort.

AUSTRALIAN INDUSTRIES

The war has proved a very powerful stimulus to Australian industry. This year has shown an impressive increase in the production of arms and equipment for the fighting forces. The old problem of unemployment has given way, at least temporarily, to one of finding men for jobs. Regulations have restricted the extension of non-essential undertakings to a large extent, but little co-operation exists between the various controlling bodies, and no well-defined system of priorities has been designed to release the maximum resources for our most urgent needs.

At this time last year, after a year of war, a certain amount of stability had been restored to the primary industries by British contracts to purchase large quantities of Australian produce. Early this year, however, the increasing seriousness of the shipping shortage made vital changes necessary in the contracts and led to temporary confusion. I drew attention last year to the need for reorganisation if primary producers were to contribute their utmost to the war effort. Change in methods of processing many products has been necessary in order to supply Britain's urgent needs. In every case emphasis has to be placed on reducing bulk.

Despite the reduction in available shipping, Australian overseas trade in the second year of the war was maintained at a high level. Higher average prices of both imports and exports to some extent concealed the fall in volume. In none of the last three years has the surplus of exports over imports been sufficient to meet overseas interest payments, and yet London funds have risen. A substantial addition was made to the funds by the British Government's purchases of export commodities, but a greater addition is derived from the provision in Australia of a wide range of materials for Empire and Allied Governments. It is expected that London funds this year will increase sufficiently to enable Australia to do without financial assistance from the British Government in providing for war expenditure abroad.

NEW ZEALAND

New Zealand has had some creditable achievements in the second year of the war. Symptoms of inflation are even less evident than a year ago, and the rise in prices has been definitely slowed down. The big increases in taxation introduced with the 1940-41 Budget probably helped to bring spending power more into line with goods available for consumption. New Zealand's contributions of manpower to the fighting forces have been made at great sacrifice to the industrial organisation.

There has been less movement in trading bank figures in the past year than for some time. The effects of war finance in New Zealand have been very different from Australia. In New Zealand employment and wages were already at a high level before the war and the financial policy pursued had made deposits high.

Full copies of the speech may be obtained from the London office of the Bank, 29, Threadneedle Street, London, E.C. 2.

DALGETY AND COMPANY, LIMITED

THE WOOL POSITION

The adjourned fifty-seventh annual general meeting of Dalgety and Co., Limited, was held on the 5th instant at 65-68, Leadenhall Street, London, E.C.

Major-General Sir John H. Davidson, K.C.M.G., chairman of the company, presided.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts and was taken as read:—

The recent extension of the war by the wanton attack made by Japan on America and the British Empire has brought hostilities to the doorstep of the Commonwealth and the Dominion. The war effort in both these countries and Great Britain has been accelerated and will no doubt be further intensified. Apart from the numbers, efficiency and valour of the men already on active service, the Commonwealth in its recent Budget has voted the immense sum of £220,000,000, while the Dominion has voted £NZ70,000,000 for war purposes during the current year. It is our task to facilitate the war effort to the utmost degree. While taxation is a heavy burden and may yet rise, it must be nearing saturation point. There is, however, still much that can be done by the people both at home and overseas in the restriction of spending and ensuring great increase in lending to the Government for the prosecution of the war.

As regards the business of the company during the past year, you will realise that my remarks must be restricted. Fair prices have again been obtained by growers for their wool, due to the purchase by the British Government of the entire clips from both Australia and New Zealand. Last year's Australian clip has been estimated at 3,611,923 bales, of which practically the whole amount has been disposed of, and the gross value was £A60,937,986. It is not expected that there will be much change in the Commonwealth wool production this season. In New Zealand last year's production was estimated at 948,163 bales, which was a record, and the value of the wool realised was £NZ17,273,081. It is predicted that there will be little change in the 1941-42 production, so that a satisfactory clip is again to be expected. The company secured its due proportion of wool disposed of, and in 1940-41 we sold in Australia, New Zealand and London 663,165 bales.

PROBLEMS OF ACCUMULATIONS

Last year reference was made to the probability of accumulations due to the loss of Continental markets and the bearing this would have on marketing problems after the war. That danger still remains. The strain on shipping has created a serious storage problem, and in Australia this has had to be met by the provision of stores erected by the Commonwealth Government. Shipments have been on a smaller scale than in the previous season, when it was found possible to lift the bulk of the clips of Australia and New Zealand.

Fortunately, great relief has been afforded by the United States of America, where, in addition to the wool which is being shipped for storage under what is termed the Strategic Plan, large quantities have been purchased by commercial interests, much of which has already left the Commonwealth. In fact, America has largely taken the place of the lost Continental and Japanese markets, and this may well continue under present circumstances. Australia, too, is using considerably more wool, not only for her own Army requirements, but also for those of the Armies of India and the Near East. Wool also figures among the supplies which are to be sent to Russia, which may prove another important outlet. The situation regarding stock accumulations in the countries of origin is therefore better than at one time might have been hoped. In East Africa our business still continues to expand satisfactorily.

The directors have decided to recommend a dividend on the basis of profits actually earned during the year, and to carry last year's surplus provision to reserve in view of the profound difficulties and uncertainties and the rising costs and taxation.

The report and accounts were unanimously adopted; the proposed final dividend of 4s. per share, less tax, making 7 per cent. for the year, was approved, and at a subsequent extraordinary general meeting a resolution was passed altering the articles of association with reference to the remuneration of the directors.

THE NATIONAL BUILDING SOCIETY

ANNUAL GENERAL MEETING—30TH JANUARY, 1942

POINTS FROM THE CHAIRMAN'S SPEECH

"The accounts now before you represent the ninety-second issue in an unbroken series, and they show how successfully the organisation has been adapted to preserve effectively the business of the Society.

"The aggregate of investment in shares and deposits exceeds £29½ millions. Over £800,000 in new share subscriptions have been received during the year. The total for share withdrawals was lower than the figure for any other year during the past decade. Mortgage repayments have been well maintained, amounting to £3,200,000.

"The financial position of the Society has become more liquid. Cash at the Bank exceeded £700,000, while investments are now well over one million pounds. . . . Our most considerable contribution to war finance is the very large proportion of our revenue paid in taxation. In these circumstances, interest rate reductions were announced, the interest paid on share accounts being reduced to 2½% per annum, free of income tax. . . . The gross equivalent yield is five per cent. for those shareholders liable to tax at the full standard rate.

"Reserves have been increased to the very respectable total of £2½ millions. To turn to the main support of the funds invested with us, those 58,700 carefully selected mortgages in all parts of Great Britain and Northern Ireland. . . . we welcome the security of the War Damage Act, 1941.

"We realize the paramount duty of maintaining our organisation, with all its strength and experience, to provide an essential element in post-war reconstruction. The application of our knowledge and training to the creation of more satisfactory living conditions for the community as a whole is a task upon which we shall be proud to be engaged."

CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

STATEMENT BY THE CHAIRMAN (MR. A. CHESTER BEATTY)

The adjourned seventeenth annual general meeting of Consolidated African Selection Trust, Limited, is to be held on the 10th instant, at Selection Trust Building, Mason's Avenue, London.

The following are extracts from the statement by the chairman (Mr. A. Chester Beatty) circulated with the report and accounts:—

The net profit for the year ended June 30, 1941, was £351,357, compared with £418,011 for the preceding year. The directors recommend a final dividend at the rate of 3d., free of income-tax,

Shorter Comments

Trinidad Leaseholds.—Directors announce final dividend of 10 (7½) per cent for year to June 30, 1941, making 15 per cent unchanged on the year.

Bengal and N. Western Railway.—Gross earnings for half-year 210 lakhs (202), working exes. 92 lakhs (92) net earnings 118 lakhs (110). The company's share of net earnings after Indian tax and other exes. £361,350 (£372,134). Div. 18 (16) per cent.

U.K. and Argentine Trust.—The auditor's report for 1941 shows certificates issued: £2,452,650 nominal capital 4 per

cent "A" Certs (£2,839,350 a year ago). 5½ per cent "B" Certs. £2,504,635 (same). £5,367,075 "C" Certs. (same). Deposited in trust £5,367,075 nominal British Govt. 3 per cent Conversion Loan (same). £6,030,700 (£6,417,400) of Argentine Govt. 4 per cent. Sterling Bonds, 1933. Balance of assets on cash and securities at cost £168,764 (£169,000). Forward £58,319 (£48,471).

Brazilian Traction. (U.S.\$000s).—Gross earnings December, 1941 \$3,748 (\$3,356). Net earnings (before depreciation and amortization) \$1,983 (\$1,715). Gross earnings 1941 \$42,770 (\$37,738). Net earnings \$23,034 (\$19,136).

Mount Lyell Mining and Railway.—Total revenue year ended September 30, 1941, £1,154,401 (£1,098,424). Mining and other expenses £806,325 (£754,265). Depreciation £63,018 (£64,446). Profit £169,318 (£183,095). Dividend 8½ per cent (10). Taxation £54,996 (£50,018). To reserves £300,000, making total Reserves £1,598,301. **Canadian Pacific Railway** (\$000s).—Gross earnings for December \$21,204 (\$16,336). Net earnings \$5,091 (\$4,806). Aggregate gross earnings in 1941 \$221,446 (\$170,965). Agg. net earnings \$45,958 (\$35,639). 10 days' gross earnings to Jan. 31st \$7,127 (\$4,964), agg. gross earnings in January \$18,660 (\$14,685).

(Continued at foot of column 3, page 204)

per 5s. unit of ordinary stock. This will make a total for the financial year of 6d., free of tax.

The market in gem stones continues to be restricted, but the demand for diamonds suitable for industry has expanded and we are making every effort to maintain our output in order to ensure adequate supplies for the war needs of our country and Allies.

Our reserves of proved diamond-bearing ground are ample to enable us to meet all likely demands for many years, and indications in our undeveloped areas are such that we may expect large additional reserves will eventually be developed.

The Diamond Trading Company's sales for 1941 were substantially higher than for the previous year. The benefit from our participation in the amount of these sales will be reflected mainly in the accounts for the current financial year. I believe that our profits for our financial year ending on June 30, 1942, will be at least as good as those for the year ended June 30, 1941.

ORIENT STEAM NAVIGATION COMPANY, LIMITED

RESERVES STRENGTHENED

The adjourned forty-second ordinary general meeting of Orient Steam Navigation Company, Limited, was held, on the 29th ultimo, at 122, Leadenhall Street, London, E.C. Mr I. C. Geddes presided.

The following is from the statement circulated with the accounts:—The amounts due at the time of the previous balance-sheet for recoveries under insurance policies in respect of lost steamers were received during the year. Pending the time, when new ships can be built to replace those lost, the money has been put into Government War Loans. We have also invested in this way any surplus cash from the reserves made for depreciation and other matters. The investments in the present balance-sheet accordingly show a considerable increase on the previous year's figures; and there is a corresponding increase in the income from investments included in the profit and loss account.

We estimate that we are free from liability for excess profits tax for the period from the start of the tax up to June 30, 1941. We have, however, made provision for a part of the income-tax that will fall on us next year on account of this year's profits. We have also set aside a further £50,000 to strengthen the pensions reserve fund and £100,000 to general reserve.

Under present conditions of service, the opportunity to keep your ships up to the same high standard as in peace-time is lacking. When, however, the ships are returned to us there will be an accumulation of deferred repairs which under the terms of hire are an obligation of the owner; we have made some provision for this.

Peace-time requirements.—When the time comes for the reconditioning of ships, it seems inevitable that an impoverished world will require less first-class accommodation than that provided in our ships when they were laid down. Then, too, air travel is another factor which may affect the flow of first-class travel by sea. It is very necessary that Government should give guidance as to how far they intend to weigh the scales in favour of air. Government policy will depend, not only how we reconstruct our ships, but also our outlook on future building.

The report and accounts were adopted.

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended	Aggregate from Jan. 1 to
	Jan. 1, 1941	Jan. 31, 1941
Working days—	6	27
Birmingham	2,132	2,516
Bradford	2,608	2,955
Bristol	2,020	2,391
Hull	835	1,004
Leeds	1,463	1,818
Leicester	855	841
Liverpool	6,796	4,417
Manchester	12,514	13,330
Newcastle	1,657	2,032
Nottingham	669	483
Sheffield	468	711
Southampton	99	200
12 Towns	32,114	32,698
Dublin*	5,755	6,425

* Jan. 25, 1941, and Jan. 24, 1942.
† For weeks ending Jan. 10th, 17th and 24th; 1942, aggregate clearing understated by £657,907.

OVERSEAS BANK
RETURNS
NATIONAL BANK OF ROMANIA
Million lei

	Nov. 1940	Sept. 1941	Oct. 1941	Oct. 1941
Assets				
Gold and gold exchange	32,039	33,715	33,716	33,797
Foreign exchange	1,155	18,422	18,734	18,599
Commercial bills	20,395	24,943	24,995	25,113
Treasury bills issued				
Losses on credits	4,409	4,080	4,081	4,081
Advances on secs.	5,771	6,158	6,147	6,195
State debt	3,566	3,548	3,548	3,548
Secs. and Participations	2,585	4,554	4,554	4,554
LIABILITIES				
Notes in circulation	63,532	89,691	90,176	90,772
Other sight liabilities	14,291	28,281	28,419	28,166
Long-term liabilities	2,980	1,897	1,957	1,940

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

	Jan. 30, 1941	Jan. 15, 1942	Jan. 22, 1942	Jan. 29, 1942
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifi. on hand and due from Treasury	19,897	20,488	20,523	20,522
Total reserves	20,219	20,840	20,890	20,906
Total cash reserves	373	338	353	371
Total U.S. Govt. sec.	2,184	2,254	2,250	2,243
Total bills and sec.	2,195	2,268	2,263	2,256
Total resources	23,317	24,440	24,400	24,275
LIABILITIES				
F.R. notes in circ.	5,846	8,171	8,199	8,230
Excess int. bank res.	6,800	3,560	3,580	3,480
Mr. bank res. dep.	14,347	12,992	13,145	13,075
Govt. deposits	258	419	284	302
Total deposits	16,405	14,805	14,616	14,756
Total liabilities	23,317	24,440	24,400	24,275
Reserve ratio	91.1%	90.7%	90.7%	90.9%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	22,110	22,740	22,750	22,744
Treasury & bank currency	3,097	3,252	3,255	3,256
LIABILITIES				
Money in circulation	8,548	11,062	11,077	11,097
Treasury cash and dep.	2,458	2,643	2,488	2,498

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

	Dec. 1940	Nov. 1941	Nov. 1941	Dec. 1941
Assets				
Gold and stg. exch.	1940	1941	1941	1941
Advances to State	11.55	14.25	13.85	13.86
Investments	26.84	22.93	22.59	23.06
LIABILITIES				
Bank Notes	21.41	22.28	22.29	23.02
Demand liab. : State	6.56	8.49	8.04	9.36
Banks and others	12.77	9.27	9.04	7.36
Reserve to sight liab.	28.3%	35.5%	35.1%	34.5%

NATIONAL BANK OF HUNGARY
Million pengő

	Oct. 1940	Sept. 1941	Sept. 1941	Oct. 1941
Assets				
Metal Reserve	1940	1941	1941	1941
Gold coin and bullion	124.1	124.1	100.1	100.1
Foreign exchange	41.5	18.9	16.3	17.2
Int. bills, wts., and sec.	780.1	963.6	1016.7	1000.9
Advances to Treasury	503.1	802.3	802.3	801.3
LIABILITIES				
Notes in circulation	1320.6	1805.8	1808.5	1883.3
Sight liabilities	178.5	383.2	337.5	356.4

CENTRAL BANK OF TURKEY
Million Turkish pounds

	Oct. 19, 1940	Oct. 4, 1941	Oct. 17, 1941	Oct. 21, 1941
ASSETS				
Gold	108.3	116.6	115.4	113.9
Clearing and other exch.	22.2	47.2	49.5	47.7
Treasury bonds	139.4	137.0	137.0	137.0
Commercial bills	263.3	279.8	275.9	282.8
Securities	55.3	53.7	53.6	53.6
Advances	72.8	175.3	173.3	173.3
LIABILITIES				
Notes issued	373.4	498.0	503.0	509.5
Deposits	154.2	152.3	150.4	152.4
Clearing and other exch.	31.0	27.8	27.2	28.4

AUSTRALIAN COMMONWEALTH
BANK—Million £A's

	Nov. 1940	Nov. 1941	Nov. 1941	Nov. 1941
Assets				
Gold and English ster.	16.71	18.96	19.96	19.96
Other coin, bullion, etc.	6.07	6.47	5.78	6.06
Call money, London	55.12	32.81	33.78	32.85
Secs. and Treas. bills	92.33	67.12	66.12	65.93
Discounts and advances	29.75	20.10	21.44	20.98
LIABILITIES				
Notes issued	61.62	74.36	74.86	75.36
Deposits, etc.	118.75	114.42	115.04	114.65

RESERVE BANK OF INDIA
Million rupees

	Jan. 24, 1941	Jan. 2, 1942	Jan. 16, 1942	Jan. 23, 1942
Assets				
Gold coin & bullion	444	444	444	444
Rupee coin	308	338	325	321
Balances abroad	584	516	453	425
Sterling securities	1,355	2,376	2,406	2,459
Ind. Govt. rup. sec.	496	415	415	415
Investments	72	92	119	102
Notes in circ.: India	2,289	3,211	3,276	3,295
Burma	148	214	216	223
Deposits : Govts.	230	238	169	372
Banks	446	340	358	372
Reserve ratio	69.1%	79.0%	79.4%	79.8%

BRITISH WHOLESALE PRICES

	Jan. 27, 1942	Feb. 3, 1942
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	35 7½	35 6
Eng. Gaz. av. per cwt. (e)	15 8	15 7
Flour per 280 lb.		
Straights d/d London	33 3	33 3
Barley Eng. Gaz. av. per cwt. (e)	37 3	39 11
Oats (e)	14 11	14 11
Maize, La Plata, 480 lb., f.o.b.	13 9	13 9
MEAT —Beef, per 8 lb.		
English long sides	4 8	4 8
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English	4 4	4 4
Imported	4 4	4 4
Pork, English per 8 lb.	8 0	8 0
BACON—(per cwt.)—Wilts, cut side	126 0	126 0
HAMS—(per cwt.)—Green	132 0	132 0
OTHER FOODS		
Butter (per cwt.)—All Grades	142 0	142 0
First hand		
CHEESE (per cwt.)	99 2	99 2
Home Produced	99 2	99 2
Imported	99 2	99 2
COCONUTS (per cwt.)		
Accra, g.f.	45 0	45 0
Grenada fine	81 0	81 0
COFFEE (per cwt.)		
Santos, supr. c. & f.	Nom	Nom
Costa Rica medium to good	190 0	190 0
EGGS (per 120)—English	20 0	20 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)		
English, new	7 3	7 3
SUGAR (per cwt.)	8 3	8 6
Centrifugals, 96%, prpt. shipm.		
c.i.f. U.K./Cont.		
Refined London		
Granulated, 2 cwt. bags, domestic	49 10	49 10
consumption	21 7	21 7
West India Crystallised	47 6	47 6
TOBACCO (per lb.)		
Indian, stemmed and unstemmed	0 8	0 8
Rhodesian, stemmed and unstemmed	0 10	0 10
stemmed	2 6	2 6
TEXTILES		
Raw, Mid-American	9.25	9.25
Giza, F.G.F.	12.05	12.05
Yarns, 32's Twist	16.85	16.85
40's " "	18.16	18.16
60's " "	25.75	25.75
Cloth, 32 in. Printers, 116 yards, s. d.	28 9	28 9
16 x 16, 32's & 50's		
36 in. Shirtings, 75 yards	41 0	41 0
19 x 19, 32's & 40's		
TEXTILES—continued		
Cloth, 36 in. ditto, 38 yards, s. d.	15 4	15 4
" 39 in. ditto, 37½ yards, s. d.	14 4	14 4
FLAX (per ton)—		
Livonian ZK	Nom	Nom
Bernau HD	Nom	Nom
HEMP (per ton)—Manilla, spot	30/0/0	30/0/0
JUTE (per ton)—		
Daisce 2/3 c.i.f. Dundee	35/0/0	36/10/0
Common 8 lb. cops (per spindle)	4 11½	4 11½
10½/40 Hessians, per yd.	0 6.38	0 6.38
8/40 Hessians, per yd.	0 4.94	0 4.94
100 yds.	46 8	47 8
7½/40 "	34 8	35 2
Sisal (per ton)—African, Jan.	30 0	30 0
Mar.—No. 1	30 0	30 0
WOOL (per lb.)—		
Lincoln weathers, washed	19½	19½
Selected blackfaced, greasy	14	14
Australian serd. fleece 70's	37	37
Cape serd. average snow white	39½	39½
N.Z. serd. 2nd pieces, 50-56's	24	24
Tops		
64's warp	45	45
56's super carded	39	39
48's average carded	31	31
44's prepared	29½	29½
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	31 7	31 7
Durham, best gas, f.o.b. Tyne	27 10½	27 10½
c.i.f. U.K./Cont.	28 10½	28 10½
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	128 0	128 0
Bars, Middlesbrough	312 6	312 6
Steel, rails, heavy	290 6	290 6
Thinplates (home, i.e. 14 x 20)	29 9	29 9
NON-FERROUS METALS (per ton)—		
Copper (e)—Electrolytic	62/0/0	62/0/0
Tin—Standard cash	275/0/0	275/0/0
Three months	25/0/0	25/0/0
Lead (d)—Soft, foreign, cash	25/0/0	25/0/0
Spelter (d)—G.O.B., spot	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	195/0/0	195/0/0
Antimony, English, 99%	120/0/0	120/0/0
Wolfram, Empire	2/10/0	2/10/0
Platinum, refined	9/0/0	9/0/0
Quicksilver	48/0/0	48/0/0
GOLD (per fine ounce)	168 0	168 0
SILVER (per ounce)—		
Cash	1 11½	1 11½

7s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return.
(a) Including import duty and delivery charges.

(b) Higher Pool prices in some zones.
(c) Price is at buyer's premises.
(d) Average for weeks ended Nov. 29 and Dec. 6.

COMMODITY AND INDUSTRY NEWS

Cotton.—The market for cotton yarn and cloth has been rather quieter. Spinners and manufacturers have no difficulty in selling and disposing of the present limited production, but buyers have displayed rather less enterprise and trade has been adversely affected by various uncertainties which exist. On the export side there is some apprehension about the effect of present inaccessibility of many markets in the Far East. It is being suggested that the Far Eastern quotas should be transferred to markets which are accessible, but no official announcement has yet been made. In the circumstances, to a large extent, operations have been confined to Central and South America, Canada and South Africa, with occasional small lots for Egypt and West Africa. Demand for the Ministry of Supply has been persistent in a variety of fabrics. A few more sales have been reported in utility cloths for the home trade. Spinners of yarn have continued to ration supplies. Most of the orders booked have been to meet the requirements of Government work. The Control of the Cotton Industry (No. 28) Order, which came into operation on February 5th, amends the provisions in regard to the method of arriving at the raw cotton basis for American-type yarn prices, but present prices remain in effect unchanged.

Tea Dealings.—The Minister of Food has made an Order, which is to be published shortly, under which no wholesaler or retailer will be permitted, except as otherwise provided in the Order, either to supply or obtain tea without a duly authorised permit. This Order, the Tea (Restriction on Dealings) Order, will come into force on February 9th. Its general effect will be to tighten up the system of tea allocation.

Imports With Enemy Content.—The Board of Trade has made the Import (Certificates of Origin and Interest) Order, which reduces the percentage of enemy content allowed in the goods covered by certificates of origin and interest from 25 to 5 per cent. These certificates, signed by a British consular officer, state that of the cost of the goods described, not more than the permitted percentage was derived from materials grown or produced or from work done within enemy territory, and that no person who is an enemy has any interest in the goods described. The new Order comes into operation on April 1st, and affects imports of many kinds from Liberia, Liechtenstein, Portugal, Spain, Sweden, Switzerland and Turkey.

Raw Wool Prices.—The present issue prices for wool and tops for the home civilian trade are to remain unchanged until June 30th. The Wool Control has made no announcement on future prices for the export trade. These are fixed until April 15th for yarn for export and until June 15th in the fabric export trade.

Poultry Foods Rationing.—In view of the limited supply of maize available for feeding purposes, maize and maize products and compound chick rearing foods are now obtainable only against chick food coupons. Manufactured and imported maize meal may continue to be supplied against ordinary ration coupons. Not more than 40 per cent of the value of chick food coupons may be taken in maize, either as maize meal or in the form of maize products included in compounds.

Hand Knitting Yarn.—The Board of Trade announce that the period during which hand knitting yarns measuring less than 100 yards per ounce may be sold at 4s. per coupon has been indefinitely extended. The period was due to end on April 30th. The temporary rating of 8

ounces per coupon for yarn containing 16 per cent or less of wool and for yarn sold retail at less than 4½d. per ounce, applies only until February 28th, as originally announced.

Use of Gold.—The Board of Trade have made an Order (The Limitation of Supplies (Miscellaneous) (No. 14) Order, 1942) which revises the conditions in which manufacturers may supply controlled goods containing gold. Since January 1st registered persons have not been allowed to supply controlled goods of class 15 (jewellery, and goldsmiths' and silversmiths' wares) of their own manufacture if the metal content of these goods includes 37½ per cent, or more, by weight of gold. The prohibition will in future apply to goods consisting of or containing any gold finer than 9 carat, and it will extend not only to class 15 but also to class 14 (fancy goods, including cigarette cases, cigarette holders, fountain pens, etc.). The prohibition also extends to goods of these classes manufactured by unregistered persons. In future therefore manufacturers may use 9 carat gold, but no finer, in the making of these goods. The new Order also corrects two small errors in the Limitation of Supplies (Miscellaneous) (No. 13) Order in the list of goods excepted from control in class 12. The first item of this list will now read: "Cinematograph film of standard width of 1½ ins. in lengths exceeding 100 feet."

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

	From (000 quarters)	Week Ended	From Apr. 1 to
		Jan. 17, 1942	Jan. 24, 1942
Argentina	45	54	6,705
Atlantic America	5	34	2,815
			1,427
			1,541

Source: The Corn Trade News

WORLD SHIPMENTS OF WHEAT AND FLOUR

	From (000 quarters)	Week Ended	From Aug. 1 to
		Jan. 17, 1942	Jan. 24, 1942
N. America	534	601	9,553
Argentina, Uruguay	202	268	4,829
			12,651
			4,362

Source: The Corn Trade News

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

(1935=100)					
	Jan. 29, 1942	Jan. 30, 1942	Feb. 2, 1942	Feb. 3, 1942	Feb. 4, 1942
Crops	116.5	116.6	116.6	116.5	116.5
Raw materials	171.0	171.0	171.0	171.0	171.0
Complete Index	141.2	141.2	141.2	141.2	141.2
•					
	Mar. 31, '93*	Aug. 31, 1939	Feb. 4, 1941	Jan. 5, 1942	Jan. 28, 1942
Crops	147.9	92.2	105.4	115.7	116.6
Raw materials	207.3	122.9	167.1	171.0	171.0
Complete Index	175.1	106.4	132.7	140.7	141.2

COMPANY RESULTS (January 22 to February 4, 1942)

Company	Year Ended	Appropriation										Preceding Year		
		Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Prefer. Div.	Ord. Div.	Rate	To Free Reserves	± or - in Carry Forward	Total Profit	Net Profit	Ord. Div.	
		£	£	£	£	£	£	%	£	£	£	£	%	
Coal, Iron and Steel														
Steel Developments	Dec. 31	4,513	...	4,263	9,425	...	4,119	5½	...	+ 94	4,469	4,169	5½	
Financial, Land, &c.														
Brown (Charles) Holdings	Dec. 31	29,631	...	22,539	23,413	16,500	6,090	4	...	- 51	28,634	23,366	4	
Davenport (C. B.) &c. Holdings	Oct. 31	51,918	...	43,231	115,527	5,000	25,000	10	8,062	+ 5,169	59,447	48,234	10	
Law Debenture Corporation	June 30	69,667	...	25,215	26,215	5,000	(a) 25,018	14	Dr. 3,803	...	75,237	32,188	14	
London Property Investment	Dec. 31	30,366	...	10,612	10,612	...	9,442	6 & 5	1,170	...	32,930	13,710	6 & 5	
Scottish American Investment	Dec. 31	287,207	...	112,772	209,881	40,077	60,740	10 & 7	20,000	+ 8,045	299,240	133,650	10 & 7	
Tobacco Securities	Oct. 31	432,216	...	432,216	594,471	...	427,833	(b)	...	+ 4,383	498,910	498,910	(b)	
Hotels, Restaurants, &c.														
Carlton Hotel	Aug. 31	15,520	...	Dr. 3,640	3,559	...	...	...	...	- 3,640	15,453	1,455	Nil	
Motor, Aviation, &c.														
Associated Motor Cycles	Aug. 31	91,188	1,395	10,894	24,123	...	10,552	10	...	+ 342	74,730	12,789	10	
Rubber														
Bandar Sumatra	June 30	15,525	878	9,031	10,709	...	...	...	3,000	+ 6,031	15,490	7,820	4	
Bantardawa	June 30	9,332	...	2,396	3,065	...	...	...	...	+ 2,396	10,299	3,715	3	
Java Produce	Mar. 31	36,929	1,500	9,838	14,643	...	...	...	...	+ 9,838	18,470	8,668	6	
Rubber Estates of Malaya	Sept. 30	74,330	2,452	17,086	19,686	...	4,000	2	13,000	+ 86	55,524	21,083	5	
Serom	Sept. 30	20,648	1,166	2,903	3,564	976	...	...	...	+ 1,927	16,279	3,202	5	
Shipping														
Alexander Shipping Co.	Mar. 31	60,161	...	44,261	87,988	7,200	37,500	12½	...	- 439	103,091	38,772	5½	
Orient Steam Navigation	June 30	599,301	300,000	249,302	315,248	82,260	52,044	5½	100,000	+ 14,998	580,285	180,284	10	
Shops and Stores														
Finlay & Co.	Sept. 30	59,682	...	21,182	41,237	1,250	17,500	10	5,000	- 2,568	59,733	24,733	10	
Stead & Simpson	Dec. 31	47,904	...	23,404	105,591	12,000	20,000	10	...	- 8,596	63,622	23,122	10	
Textiles														
Bennett (James) & Co. (Warrington)	Dec. 19	48,716	1,588	10,363	11,000	...	8,000	10	2,500	- 137	62,438	14,440	10	
Huddersfield Fine Worsteds	Dec. 31	39,555	...	6,435	20,560	...	8,438	7½	...	- 2,003	30,856	9,748	7½	
Wilson, Smith & Sutcliffe	Sept. 30	16,040	...	14,400	16,520	...	...	...	...	+ 14,400	14,242	14,242	Nil	
Tramway and Omnibus														
Tilling & British Automobile	Dec. 31	694,963	...	581,974	740,321	20,000	520,000	6½	50,000	- 8,026	628,198	567,837	7½	
United Service Transport	Sept. 30	22,917	9,366	9,770	10,065	9,455	509	13-614	...	- 194	16,661	9,754	13-614	
Trusts														
Bay Hall Trust	Dec. 31	111,017	...	70,514	141,842	...	65,897	6½	...	+ 4,617	109,161	75,144	6½	
Caribonum Trust	Jan. 31	47,469	...	46,747	47,881	8,405	38,500	11	...	- 158	55,191	54,887	11	
Debenute Corporation	Dec. 31	218,915	...	81,984	151,658	25,432	50,865	10	...	+ 5,687	233,055	100,591	4½	
English & New York Trust	Dec. 31	73,616	...	20,758	58,329	11,906	7,144	4½	...	+ 1,708	73,997	23,329	3	
Lancashire & London Investment	Dec. 31	1,519	...	538	1,881	...	517	3	2,000	+ 21	1,389	567	2	
London Stockholders Investment	Dec. 31	37,948	...	19,237	29,758	9,900	6,750	2½	...	+ 587	36,210	17,342	1½	
Second Scottish United Investors	Dec. 15	62,164	...	15,342	32,398	11,625	2,395	1½	...	+ 1,392	63,566	18,589	1½	
Venture Trust	Dec. 31	17,796	...	11,062	3,286	...	5,403	5	...	+ 5,659	11,994	Dr. 2,636	Nil	
Waterworks														
Chester Waterworks	Dec. 31	65,443	...	13,069	23,754	5,842	6,634	6	...	+ 593	61,985	12,517	10 & 7	
Cleveland Water Co.	Dec. 31	9,765	...	4,576	14,674	...	3,400	10 & 7	...	+ 1,176	9,487	4,967	10 & 7	
Whitby Waterworks	Dec. 31	10,492	...	2,225	4,641	726	878	7½ & 5½	...	+ 621	9,938	2,905	25	
Other Companies														
Alders (Tamworth)	Oct. 31	60,211	5,845	11,498	16,056	2,858	12,500	25	...	- 3,860	48,978	23,631	25	
Bell & Nicholson	Dec. 31	35,341	3,206	30,715	65,876	1,400	21,000	14	10,000	- 1,685	41,032	35,878	14	
Erry Hill Brickworks	Dec. 31	15,445	...	5,173	7,371	3,250	2,700	5	...	- 77	14,566	6,216	6	
Bignells Limited	Nov. 29	37,682	6,085	4,708	11,597	2,419	2,250	6	...	+ 39	44,552	6,183	17-901	
Brit.-Am. American Tobacco Co.	Sept. 30	4,087,565	...	4,087,565	6,387,830	585,000	3,464,674	14-58½	Dr. 65,000	+ 37,891	4,865,442	4,865,442	25	
British & Colonial Furniture	June 30	151,096	...	Dr. 20,266	50,746	...	(c) 45,000	25	...	+ 266	159,798	23,061	25	
Brooke Tool Manufacturing	Sept. 30	39,081	...	28,563	52,247	...	...	...	...	+ 3,566	39,981	21,118	7½	
Cavendish Furniture Co.	June 30	73,277	...	2,083	3,869	...	...	...	...	+ 2,083	95,461	79,849	50	
Crossley (John) & Sons	Nov. 29	98,151	...	48,150	59,554	29,699	17,819	5	...	+ 632	149,850	12,228	5	
Dixor Limited	Dec. 31	25,689	276	1,203	9,690	666	2,688	10	...	- 2,151	48,576	3,866	10	
Gilbert (D. M.) & Co.	Sept. 30	7,878	...	Dr. 291	1,377	...	...	...	4,095	- 461	149,054	65,311	15	
Lotus Limited	Dec. 31	221,810	...	49,902	65,283	12,250	34,018	10	...	+ 672	28,818	13,498	10	
Lunt (Richard) & Co.	Dec. 31	26,228	...	24,228	45,792	800	20,100	15	...	- 995	52,181	7,311	60	
Pharoah Gane Co.	Dec. 31	40,247	...	13,043	31,232	11,063	2,975	10	...	+ 4,898	9,967	6,833	10	
Pratt (J. Alfred) & Co.	Oct. 31	36,226	...	19,598	35,882	7,500	7,200	6	...	+ 235	14,096	101,002	15	
Radcliffe's Edible Products	Sept. 30	11,282	396	3,696	4,396	3,150	781	25	25,000	- 1,596	202,002	154,781	25	
Timpson (William)	Dec. 31	197,895	...	77,232	87,939	13,156	37,500	15	75,000	+ 1,111	162,573	16,017	10	
Westinghouse Brake & Signal	Sept. 30	143,939	...	131,629	224,613	...	57,740	10	...	+ 2,303	17,718	...	10	
Weber (L. & J.) & Phillips	Dec. 31	25,800	...	19,943	31,266	...	16,740	9	...	...	...	...	10	
Totals (£000's)														
Jan. 1 to Jan. 21, 1942		No. of Cos. 60	11,713	1,273	4,788	7,716	660	3,094	...	944	11,408	4,754	...	
Jan. 22 to Feb. 4, 1942		53	8,749	334	6,485	10,068	992	5,150	...	254	9,593	7,509	...	
Total Jan. 1 to Feb. 4, 1942		113	20,462	1,607	11,273	17,784	1,652	8,244	...	1,198	20,996	12,263	...	

* For half year.

† Free of Income Tax.

(a) Includes £4,018 paid on Founders' Share.

(b) 16% on Ord. Capital and 4-5714% on Deferred Capital.

(c) 18 months.

(d) Also 24% Cash Capital Bon.

(tax free) out of Realised Capital Profits.

* For half year. † Free of Income Tax. (a) Includes £4,018 paid on Founders' Share. (b) 16% on Ord. Capital and 4-5714% on Deferred Capital. (c) 18 months. (d) Also 24% Cash Capital Bon. (tax free) out of Realised Capital Profits.

AMERICAN WHOLESALE PRICES

	Jan. 27, 1942	Feb. 3, 1942		Jan. 27, 1942	Feb. 3, 1942		Jan. 27, 1942	Feb. 3, 1942
Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
GRAINS (per bushel)			METALS (per lb.)—cont.			MISCELLANEOUS (per lb.)—cont.		
Wheat, Chicago, May	132½	129½	Spelter, East St. Louis, spot	8-25	8-25	Petroleum, Mid-cont. crude, per barrel	117	117
" Winnipeg, May	80½	80½	MISCELLANEOUS (per lb.)			Rubber, N.Y. smkd, sheet spot	24	24
Maize, Chicago, May	90½	87½	Cocoa, N.Y., Accra, Mar.	8-50	8-44	" Feb.-Mar.	24	24
Oats, Chicago, May	59½	58½	Coffee, N.Y., cash—			Sugar, N.Y., Cuban C. 96 deg. spot	3-74½	3-74½
Rye, Chicago, May	91½	85½	Rio, No. 7	9½	9½	Sugar, N.Y., 96 deg., No. 4, 100 lb.	...	...
Barley, Winnipeg, May	64½	64½	Santos, No. 4	13½	13½	Cuba, Mar.	...	...
METALS (per lb.)			Cotton, N.Y., Am. mid., spot	20-96	19-74	Moody's Index of staple commodities, Dec. 31, 1931=100	227-3	227-3
Copper, Connecticut	12-00	12-00	" Am. mid., Feb.	19-33	18-13			
Tin, N.Y., Straits, spot	52-00	52-00	Cotton Oil, N.Y., Mar.	13-98	13-95			
Lead, N.Y., spot	5-85	6-50	Lard, Chicago, Mar.	12-32½	12-22½			

Shorter Comments

(Continued from page 204)

United River Plate Telephone.—Gross earnings for nine months ended Sept. 30th £3,181,089 (£3,089,024), net earnings £1,582,984 (£1,619,563). Depn. £709,005 (£683,101), deb. int. £281,281 (£273,720), net income £533,006 (£613,930).

Fine Cotton Spinners.—At a meeting of the Preference Stockholders' Committee on Feb. 3rd, it was decided to recommend to its members and all preference stockholders the scheme of arrangement to be submitted to the stockholders on Feb. 19th.

Cons. African Selection Trust.—Total revenue year ended June 30th £381,510 (£439,339), exes. £30,153 (£21,328), taxation £157,500 (£131,558). Available for divs. £173,103 (£266,326), pref. div. £9,062 (£9,536), ord. div. £151,234 (£150,812), equal to 10 per cent (same). Reserve nil (£100,000), carry fwd. £59,806 (£46,999).

Rand Selection Corp.—Total revenue year ended Sept. 30th £396,943 (£364,535). Exes. £32,365 (£32,952), note interest £50,000 (same), net profit £314,578 (£281,583), written off shareholdings £30,000 (nil). Div. 30 per cent. (25), carry forward £159,376 (£174,798).

Bradford Permanent Building Society.—Report for 1941 shows deposits £1,090,411, new advances (£90,503). Total borrowing outstanding £4,351,485 (£4,589,185). Investments £402,222 (£244,129), cash £4,785,000 (£4,864,938). Net £104,338 (£131,912), after taxation, £72,551 (£47,738).

Shawinigan Water and Power (Can. Socy.).—Gross revenue 1941 reached highest level of \$20,064 (\$17,065). Depreciation \$2,000. Income and profits taxes (\$1,340). Net profit \$2,320 (\$2,064). Dividends \$1,960 (same). Surplus \$360 (\$104).

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INDUSTRY

impair the symmetry of the scheme. The Admiralty has "contracted out" over a wide portion of its field of production. Coal, it seems, may not be included with oil and electricity among the new Ministry's ancillary duties of supervision. The responsibilities of executive Ministers and their right of appeal to the Minister of Defence (Mr Churchill), or to the War Cabinet (Mr Churchill again) remain unimpaired. Lord Beaverbrook has "direct access" to the controls administered by the Ministry of Supply and the Ministry of Aircraft Production. He will "direct" the various regional organisations and capacity clearing centres. But the administrative relations between the controls and the departments up to now responsible for them are not to be upset. The area boards have been under the Production Executive for some time; and the substitution of a Minister of Production is not to "affect the relations between departments and their regional officers." All this may reasonably be no more than a recognition of the fact that the Ministry of Production is, very properly, not to be a giant administrative department. But, admittedly, it may portend something else less desirable. Clearly, areas of sovereignty have been formally marked out and hedged round by safeguards. It remains to be seen how far formality will in fact become friction and conflict. It must be admitted that the upshot might be capable, in that case, of fatally crippling the new order; but there is no reason to pre-suppose this. Ministers must remain responsible for what they administer. As Mr Churchill has pointed out, it is not a question of legal status, but of good will; and if the good will is lacking the contestants should not be Ministers of any kind.

Perhaps the most sobering doubt about the new arrangement is the fact that Lord Beaverbrook cannot be in two places at the same time. His first function is to take "prime responsibility for all the war production" in this country; his second is to handle all discussions with the United States about munitions and raw materials. The Prime Minister contends that these two functions are inseparable; and it is true that Anglo-American production must be more and more intimately dovetailed. But the real question is whether, physically,

the two functions are not incompatible. Mr Churchill, by way of analogy, adduces Mr Donald Nelson, the Production Supervisor of the United States. But Mr Nelson is not his country's representative on the combined Boards set up here and in the United States to deal with munitions assignment and raw materials. Production can be decided internationally. It can only be controlled and directed nationally; and it is a whole-time job. As it is, Lord Beaverbrook will go on his travels again; and it may well prove to be an invidious position for all concerned that Sir Andrew Duncan, the new Minister of Supply, who (in addition to his own heavy departmental duties) is to speak for Lord Beaverbrook in the Commons, will be his deputy when the Minister of Production is away.

It can only be said at this stage that the new Ministry may work well; there is no insuperable reason why it should not. If anything is really in question, it is the Minister, not the Ministry. Apparently Mr Churchill is now wholeheartedly behind the arrangement which his critics have wanted for so long. The most surprising revelation in recent discussions is that the Prime Minister has wanted a Ministry of Production all along. He remembers with satisfaction the combination of supply and aircraft production in his Ministry of Munitions during the last war. As indeed his critics might have reminded him sooner, it was a comprehensive, authoritative and centralised Ministry of Supply that Winston Churchill urged upon the Chamberlain Government in the dead days before the war. The Prime Minister told all this to the House on Tuesday. It seems that the Production Executive was never more than an expedient compromise, made necessary by the fact that in the winter of 1940-41 Lord Beaverbrook was too ill to take on the large job. Now he is well again, and there is a Minister of Production, as everyone, it appears, has wished, on both sides of the Atlantic. The difference between Mr Churchill and those who are still, on what must be recognised as very good grounds, sceptical is that, to him, Lord Beaverbrook is the only possible choice, while, to them, he is a gamble.

Middle Eastern Outlook

THE Middle East still lies outside the actual zone of conflict, but each fighting season must make its immunity more precarious. The area it covers offers Hitler too many strategic and economic advantages for anything short of decisive defence or previous defeat to hold his armies back. It is one way to India—if the Japanese threat develops, one prong of a gigantic pincer movement; it opens up a vulnerable Russian flank; its oil could float the Axis war effort almost indefinitely. Even though the direction of Hitler's spring offensive is still in doubt, it would be folly to minimise the possibility that control of the Middle East is the next objective.

The situation there is obviously far healthier than towards the end of last winter. In Iraq, the Rashid Ali Government were preparing for their *coup d'état*, Dentz was intriguing with the Axis disarmament commissions

in Syria, and in Iran the momentum of German influence and propaganda was gathering force. Had all these crises come to a head simultaneously and been backed by strong German intervention through Turkey, it is almost certain that Axis troops would at this moment have been at the frontiers of India. Nowhere would they have found effective opposition. The Allied armies were far distant and outnumbered, the local governments and peoples riddled with treachery and subversion.

The position to-day is very different. The Turkish army is still intact, and since December last has been officially in receipt of Lend-Lease material. The Government has strongly reaffirmed its defensive alliance with Great Britain, and at the reopening of the Kamutay last autumn President İnönü flatly referred to the "independence of the Balkans" as one of the cornerstones of Turkish foreign policy. In Syria, the Free French have replaced the craven men of Vichy, independence has been formally granted to the Syrians and the Lebanese, and a friendly Syrian President, Sheikh Taj Addin-el-Husni, is co-operating warmly with the British and French authorities. In Iraq, the Government of General Nuri-es-Said is busy liquidating the Rashid revolt. A widespread purge has cleared the army, the administration and the teaching profession of pro-Axis elements, and the five ringleaders of the *coup d'état* have been condemned to death by an Iraqi court-martial. In Iran, the long awaited treaty between Iran and the two occupying Powers, Great Britain and Russia, has at last been signed, and according to its provisions the Allies are to maintain garrisons in the country, use its communications, and employ its labour force for as long as the war lasts. Finally in Egypt, an

end has been put to the vacillations of the young king and the machinations of his advisers, and a strong popular Wafdist government, pledged to loyal maintenance of the Anglo-Egyptian Treaty, has come into power.

This surprising change for the better is due in part to Hitler's, in part to the Allies', action. It is difficult to believe that if the Nazis had devoted all their resources in May and June last year to backing the intrigues of Rashid Ali, General Dentz and Reza Shah Pahlevi, the Allies would have been able to prevent Axis control of the whole region, still less to secure control for themselves. It was Hitler's decision to attack Russia that entailed the Nazis' abandonment of all their hopeful quivering elements in the Middle East. Yet, even though this decision was crucial, it remains true that thereafter the action of the Allies shaped the course of events. Great Britain's active intervention in Iraq and Syria, and the Russo-British intervention in Iran, have been followed by the Russians' long resistance and their great winter counter-offensive.

Nor has the Allies' increased influence been due only to the power factor. In all the Middle Eastern countries the Allies have provided models of how Great Powers should deal with less powerful neighbours. In Iraq, for example, the armistice terms went out of their way not to bruise Iraq's sense of independent sovereignty. No attempt was made to trespass on internal administration; the Iraqis were left to clean out their own traitors; the army was not compelled to abandon its arms and equipment; and little or no pressure was put on the Prime Minister, Jamil Madfai, General Nuri-es-Said's predecessor in the period immediately after the revolt, to take action against malcontents which would give credence to Axis tales of aggressive British imperialism. Again, the treaty with Iran provides in the most meticulous way not only for the safeguarding of Iran's sovereign independence but for the country's total immunity from any of the unpleasant consequences of occupation. No charges are to be levied for all the vast work of improvement which is being carried out on Iran's ports and means of communication, and, in the event of hostilities, the Iranian army is to provide only for the maintenance of internal order. All the fighting is to be done by the two Allies. The comparison with the fleeing of Europe under the "new order" and the millions of Axis satellites sent to die on the battlefields of Russia is too obvious to need greater emphasis.

The position is thus incomparably better than a year ago. But it would be folly to suggest that all is well. Until Hitler is decisively defeated, the most unsettling factor in the Middle Eastern situation is the fear of backing the loser. This fear plays straight into the Nazis' hands, for in the hour of victory they can be guaranteed to be ruthless to former opponents, whereas the British can be guaranteed to be magnanimous. The Iranian Government's long hesitation before signing the Anglo-Russian-Iranian Treaty was due not only to the delays entailed by

the moving of the Russian Foreign Commissariat to Kuibyshev but to the Iranians' overmastering fear last autumn that Germany's advance in South Russia was irresistible, and that the Panzer divisions would very shortly make their threatening appearance on the Caucasian frontiers of Iran.

Axis propaganda plays on these fears, and adds other suspicions and anxieties. A new propaganda centre has been established at Athens, where dissident Syrians and Iraqi are collected, and whither, it is rumoured, Rashid Ali and the Mufti of Jerusalem are to be sent. In this propaganda, two lines are particularly effective, the first that Britain has "let Russia in," the second that British—and French—imperialism is using the emergency to undermine the independence which it "grudgingly" granted to the nations of the Middle East. In Turkey, the rumours circulated at the time of Mr Eden's visit to Moscow—of Russian control of the Straits, of a "bolshévised" Europe—were so vivid and disturbing that diplomatic *démarches* were necessary to reassure public opinion. Again in Iran, the presence of Russian forces is linked with the Persians' deeply-rooted fear of Russian expansionism, and Britain is blamed for both. The line of British and French imperialism is played more vigorously in Syria, Iraq and Egypt. And in Syria, at least, the situation in part assists Axis propaganda. The extreme Syrian Nationalists appear to be no more reconciled to Free France than to Vichy. The appointment of Sheikh Taj Addin is resented on the grounds of his friendliness with General Catroux, the Free French Commander-in-Chief, and the Nationalists support M. Atassi, who was President in 1939 when the Syrian constitution was suspended.

There are only two ways in which these disintegrating factors in the Middle Eastern position can be met. Fear of Hitler's victory can be countered only by defeating the Axis and by effective local defence. This depends in part upon world strategy, where the outlook is balanced between Russia's successes and the United States' entry into the war, on the one hand, and the British reverses in the Far East and Libya, on the other. It also depends upon the amount of men and materials that can be pumped into the Middle Eastern defence zone. The United Nations have been hard at work throughout the winter perfecting a strong defensive line from Alexandria to the Caspian. It has yet to stand up to the test of battle.

The other centre of disturbance—fear of Russia, fear of British imperialism, fanned by skilful Axis propaganda—can only be countered by positive and effective propaganda on the part of the United Nations and a much more concrete and detailed demonstration of how the framework of international relations established in the Atlantic Charter will work out for the nations of the Middle East. The United Nations have yet to devise their "new order." They cannot rely for ever on the unattractiveness of Hitler's version.

AMERICAN SURVEY

now appears every week. It contains a long article, correspondence from the United States, and a series of notes. The intention is to provide a miniature weekly review of American public affairs. Among the contents of this week's American Survey, which appears on pages 220-223, are—

The Growth of Lend-Lease
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Shopkeepers in Distress

THE second interim report of the Board of Trade Committee on retail trade is a disappointing document. The account it gives of the ills to which war-time shopkeeping is heir is admirable. "The governing facts," limited and dwindling supplies, restrictions on the price and quality of goods and the withdrawal of labour, are lucidly stated with their likely implications for all the different classes of shopkeeper. But this is a description in the most general terms, which might have been written at any time during the last eighteen months or two years without any appreciable research. There is no evidence that any clinical scrutiny has been made of specific cases of dislocation and hardship; and the Committee, after nine months, is not yet able to recommend remedies. The trade associations, meanwhile, have apparently been more eager to oppose wartime restrictions than to assist in making them operate fairly and efficiently.

A process of contraction has been going on for a long time and on a large scale, without any alleviation. It is only by the curtailment of supplies for civilians that the physical transfer of materials, plant, labour and transport facilities to war purposes can be effected. The measure of the contraction that must already have taken place in retailing is the present immense output of munitions and the great size of the armed forces. It has been carried through by attrition, distress and bankruptcy. When this Committee was set up last May, it may still have been mainly a problem of expediting the release of labour and resources from the retail trades. Since then, however, the devil has taken the hindmost among the shopkeepers. It is, of course, still imperative to ensure that the civilian "ration" of necessities is sold and distributed, as well as manufactured, by as few hands as possible. That is why no plans for "concentrating" retail trade can be entirely too late. It is true, too, that the natural disposition of the individual shopkeeper, in default of any guidance or guarantees about the future, to "hang on," until he is finally crushed by the weight of dwindling turnover, falling profit margins, and immovable rates and taxes, is a considerable and serious cumulative drag on the release of resources for war-work. But, while compensation for shopkeepers in 1940 would have been an instrument of war economy, in 1942 it will partake of a relief measure.

It is, of course, quite true that concentration cannot be applied to retail trade as it can to manufacturing industry. In industry, factories employing fewer than 20 persons were left out of the concentration schemes. In the non-food trades, which are the Board of Trade Committee's concern, there are perhaps 300,000 shops employing a million and a quarter persons—a remarkable and important reservoir for wartime manpower and womanpower. Establishments employing only a handful of persons represent something like nine-tenths of the total establishments and conduct perhaps half of the trades' total turnover. But the fact that concentration on the model of industry is difficult, if not impossible, in shopkeeping is not an argument for doing nothing.

Wartime Restrictions

This is not to suggest, of course, that retailing has been spared from official control. The reverse is rather the case. In a very real sense, the contraction of retail trade has been deliberately contrived; the trouble is that its consequences, in human terms, have been left unguided—with results that cannot be fully known until exact researches have been done. Supplies to retail trade have been restricted; first, by the raw material controls which, as soon as the war started, restricted supplies to manufacturers; secondly, by the Limitation of Supplies Orders of 1940 which imposed quotas upon civilian suppliers; and, thirdly, by the rationing of consumers for

clothing and furnishing fabrics which was introduced last year. The quality of supplies has been consciously influenced, in the clothing and footwear trades, by the introduction of standard "utility" goods, relatively inexpensive to buy and not costly in the use of labour for their manufacture. Prices have been controlled; in 1939, it was laid down that only the extra costs due to war, including those due to the fall in turnover, could be added to the pre-war prices; and in 1941, the control was made more rigid when the Board of Trade was given power to fix maximum prices or maximum margins through the whole process of distribution from the manufacturer to the retail shop. It is estimated that, under the rationing scheme, only half the clothing available before the war is now forthcoming. Only two-thirds at the most of the pre-war supply of footwear (leather and rubber) is available. Only one-eighth of the yardage available before the war for household linens and blankets is now supplied. Supplies of china, earthenware and glass are one-fifth of pre-war supplies and those of toilet preparations one-quarter. In 1942, there will be no new wireless sets for civilians. The supply of stationery has been cut by three-quarters. The only outstanding exception is the case of tobacco and cigarettes, where more supplies are being handled by retailers than before the war. By the two National Service Acts of the war, nearly two-thirds of the men in retail trade are liable to be taken away and, including the Registration for Employment Orders, well over one-third of the women; it is estimated that one-half of the labour force of retail trade is now subject to calling up for service with the armed forces or for war-work, and there is no reservation, only deferment in individual cases.

The Incidence of Loss

The control of prices and quality, in its latest stages, has considerably restricted the ability of retailers to adapt themselves to the more stringent conditions of wartime. The Committee describes the Control of Prices Act of last year as "a clear notice to retailers that prices cannot be unreasonably loaded with increases in expenses due to the declining volume of turnover." The shopkeeper, by the strict control over his margins, and by the pressure upon him to sell inexpensive standard goods in the case of clothing and footwear, is robbed of what the Committee calls his "freedom to manoeuvre," his adaptability. From the beginning of the war until last year, he was able to make adjustments in his business, to go to new sources of supply, to seek out new customers, to adapt his price schedules, to draw upon his stocks and his financial reserves. Now, these cushions have very largely gone. His fixed items of expenditure, rent, rates and overheads remain, but, in the new imposed price structure, his total profits are necessarily falling away; he is being squeezed out by a process which, as between individual shopkeepers, is simply hit-or-miss.

Nor does this process fall equally upon all classes of shopkeepers. The Committee estimates that half the country's retail trade in non-food products is done by what they call unit shops, independent businesses with one owner or a few employees; and wartime changes hit small shopkeepers very differently from the department stores, the multiple shops, the chain stores and the co-operatives, each of which groups probably handles ten per cent or more of the country's non-food turnover. The department stores can concentrate their business within their own structure by closing down departments. The chain stores can close down branches. For the "unit" shops, it is simply a problem of survival; in Glasgow, where an independent enquiry has been made, more than one-quarter of the small non-food shops have already been closed down by *force majeure*. The prob-

lem as the Committee sees it is the problem of the small shopkeeper. What can he do? If he amalgamates with one or more of his competitors, there is the problem of the rent and rates which may still have to be paid upon his premises and of his re-entry into business when the war is over. If he closes down—"withdraws" as the Committee puts it—there is the immediate problem of relief for his liabilities and the eventual problem of his reinstatement. Until now, his tendency has been to hang on until driven out. There has been no relief in the law for him to have recourse to, until his capital has run out and he has become virtually insolvent, in which case the Liabilities (Wartime Adjustment) Act is available. The problem as the Committee leaves it is—what can be done about this situation? And the Committee is inclined to rely for its solution upon "voluntary agreement and co-operation among the retail traders themselves" whereby compensation could be provided by those who remain in business.

It should be emphasised that no argument on this matter should be simply a plea for "the small man." The problem is in the first place one of efficiency in war economy, and if it is demonstrable that the large stores can deliver the goods in wartime with the least use of manpower and other resources, then the small shopkeeper must be permitted to depart. There is a case for suggesting that the variety and local contacts of small shopkeepers are of especial virtue in wartime, but none for suggesting that they have any right to impede the war effort. Nor should the discussion be permitted to degenerate into a mere plea for shopkeepers, as such. Shopkeepers are citizens among many others. If the question of compensation for wartime losses and hardships is raised, the whole community is equally affected; and Mr. Churchill has laid down that to introduce general compensation would "open up a field to which there would be no bounds." Shopkeepers are not the worst-off members of the community. Soldiers and other members of the armed forces are the worst off, the worst paid, in the most danger and with the worst prospects. But shopkeepers and shop assistants, being very numerous, are very representative of a basic problem of wartime economy which has not yet been settled in any way. As potential soldiers or war-workers, shopkeepers bulk very largely; as returning citizens after the war, they will be equally numerous. They are representative of a national problem, a double problem, a problem firstly of wartime mobilisation and, secondly, of peacetime demobilisation. Is it possible to help them, and other citizens in a similar plight, now and when the war is over?

The Case for Compensation

It is a question, therefore, of seeing this particular problem of war economy through to its ultimate implications. We must know what we are doing. While the war is on, there is, and always has been ever since the war started, a sound case for compensating individuals for

wartime losses and hardships due to circumstances over which they individually have no control. After the war, those who have served will want work and a decent living. In the case of retail trade, within the strait-jacket of wartime restrictions, the big shops, the multiples and the chains are better off than the small shopkeeper; and the trade associations are apparently content that this should be so. In numbers of members, the associations are stronger than before the war, because they are looked upon as the only guardians of the shopkeepers' interests; but the majority of their individual members, the small shopkeepers, are individually very much weaker. The result is that the pressure towards quasi-monopoly, which was so evident before the war, is being much expedited, by the exigencies of wartime. There have been several signs of this—the pressure of trade associations to make maximum prices minimum prices also, and the demand of trade associations to restrict entry into the various retail trades. It may be that, in retail trade as in industry, the mechanism for wartime efficiency must inevitably smack of monopoly. But this problem should be faced by those who, like this Board of Trade Committee, are asked to report upon wartime problems. Have they, in other words, plans which will be fair to both the individual and the community, while the war is on; and have they a picture in their mind of the process of postwar unscrambling?

It would be unfair to let it be supposed that the Board of Trade Committee has no constructive proposals. As long ago as last July, it was plain that their wish was to see retail trade concentrated or "telescoped" by voluntary agreement, so that those traders who gained would compensate those who lost. They favour co-operative schemes for maintaining the shrunken structure of wartime retailing and for making possible its expansion again when plentiful supplies are available. The great mistake of the Committee is to leave it to the trade associations to decide what should be done. This is a decision which should be made only by the community through its Government. The Committee has proposed, in fact, that the Liabilities (Wartime Adjustment) Act or its principles should be made applicable to shopkeepers before they are destitute. Let the Government and not the trade associations consider this and make the decision—remembering that a remedy which leaves creditors to hold the baby, instead of debtors, is hardly a palliative, and certainly not a cure. Let the Government adumbrate the sort of schemes which it shall be incumbent upon the retail trades to accept. Above all, let the Government decide, for shopkeepers and for all citizens, how the burden of wartime losses shall be borne and how the opportunities of peacetime trading after the war shall be shared. There would seem to be two overriding conditions which the Government should consider in making their choice; first, the determination to root out inequity, so far as is humanly possible, while the war is on; and, secondly, the intention to restore the freest possible trade in commodities when the war is over.

Trouble in Argentina

IF the election of a Popular Front President in Chile should lead—as is generally expected—to the breaking off of diplomatic relations with the Axis Powers, Argentina will be left the only American State to maintain normal contact with Germany, Italy and Japan. This isolationism does not spring from any particular ideological sympathy for the aggressor States. It has its roots partly in an external circumstance, the political and industrial predominance of the United States, partly in an internal one, the political tension inside Argentina. Of the two, the latter is more important, since its nature—an acute divergence between popular opinion and the Government on the question of co-operative pan-Americanism versus isolated neutrality—prevents the Government from reacting fully to the remarkable

increase in American solidarity between the two wars or even to its own improved relations with the United States.

These have been chiefly in the economic sphere. Much of the old political hostility, which made the Argentina of President Irigoyen in the last war the coolest and most unco-operative of neutrals, still remains. Argentina has, it is true, attended the regular Pan-American Conferences which are implicitly under the auspices of the United States, but the Government's intention has been on most occasions to water down the resolutions for strong Pan-American action and to counter the undoubted leadership of the United States by a rather truculent show of independence. The Rio conference was no exception. The trouble is that neither inter-American confidence, nor the example of neighbouring countries, nor even the forbear-

ing "good neighbour" policy of the United States can settle Argentina's biggest political grievance—that of not being the leader of Latin America. All the other reasons for hostility towards the United States—fear of encroachment, desire to maintain close links with Europe, trade ties—are probably subsidiary to this psychosis of "near-Great Powerhood," a national aberration that has had curious effects in other Latin countries, nearer home.

In the past economics have buttressed Argentina's aloofness from the United States. Although the country bought and sold substantially there, the percentages were far smaller than those of other Latin American States. Until 1940 not more than about 10 per cent of Argentina's exports went to the United States in exchange for about 20 per cent of her imports. To the basic difficulty that Argentina's principal exports—grain and meat—directly competed with the strong farming interest in the United States were added a number of aggravating factors, for example, the United States embargo on Argentine meat or the exchange control regulations introduced by Argentina after 1931 (and still maintained with various modifications) designed to secure that Argentine imports should be taken from countries where exchange was available to pay for them—an arrangement which was satisfactory to Great Britain, Argentina's principal market, but less so to the United States.

The war has radically altered this situation. Europe in 1939 was taking about three-quarters of Argentina's exports and supplying about 60 per cent of its imports. By 1941, the continent, with the exception of Britain, was virtually cut off, although Argentina did manage slightly to increase its trade with Spain. This entailed a serious fall in economic activity and the piling up of huge surpluses of the staple commodities such as wheat, maize and linseed. The Government countered the crisis by increasing the country's trade within Latin America—largely as a result of a new trade agreement, Brazil's share in Argentina's imports has doubled since 1939—by encouraging increased industrialisation; by using its Grain Board to hold the surpluses and pay the farmers fixed prices; and finally by greatly expanding its trade with the United States. In 1939, the share of the United States in Argentina's imports was 17.2 per cent, in its exports 12 per cent; the corresponding percentages for 1941 are approximately 27.8 and 36.1 per cent.

The change for the better in Argentine-United States relations occurred late in 1940. Until then, Argentina's enforced reliance on the United States for all manner of essential industrial goods had produced a debit balance of \$31 millions. In September, the Argentine Government suspended all exchange permits for United States imports. This crisis proved the point of departure for easier relations. The Government negotiated two large dollar loans (\$60 and 50 millions) through the United States Export-Import Bank and the Currency Stabilisation Fund—a useful piece of legislation which the Argentine Congress subsequently blocked. Meanwhile the vastly increased needs of the defence programme in the United States were solving the problem. During the first ten months of 1941, Argentina's exports to the United States rose by 126 per cent. At the same time, rearmament was swallowing up the raw materials once available for United States exports. Argentina's purchases fell heavily, and by October, 1941, the country's credit balance was over \$53 millions. Under these conditions it became possible to envisage a trade treaty. For the first time in many years both countries needed each other's products. In May, 1941, negotiations were announced, and the treaty was signed in Buenos Aires in October. Though this treaty

POST-WAR AGRICULTURE

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does not solve the problem of grain surpluses, it provides a much larger market in the United States for a wider range of Argentine products, while on the Argentine side, it envisages the end of discrimination against dollar purchases.

Thus the Castillo Government has been far from unco-operative in the economic sphere. Its opposition to a closer understanding with the United States and to strong Pan-American solidarity is political and deeply involved in the domestic troubles of the regime. Dr Castillo, the Acting President, is bent on maintaining the Conservative ascendancy in the Government, in face of strong evidence that the country no longer has confidence in his party. It cannot keep office given the present state of public opinion without recourse to the "management" of elections (the process in the crucial provincial election of Buenos Aires is described in detail on page 224). Nor can it legislate in face of the determined opposition of the Radicals and Socialists in Congress. The reply of Dr Castillo has been to suspend Congress, to set up a semi-totalitarian control over publications and meetings, to make wide use of police powers, and finally to declare "a state of emergency" which gives a formal legal covering to arbitrary acts.

This suppression, both of the opposition and of public opinion generally, has an immediate bearing on the problem of co-operating with the United States and of breaking off relations with the Axis. The opposition and wide sections of the public are united in calling for "hemispheric defence," active solidarity with the United States, the end of diplomatic relations with the aggressors, and a thorough purge of the widespread Nazi activities in Argentina. These four points are the main planks in the opposition platform. It follows that Dr Castillo's Conservatives have tended to take an obstructive line on each of these points. They cannot afford to modify their policy for fear of playing into the hands of the opposition. It is probably untrue to say that they are themselves totalitarian by choice. For example, they have allowed Sr. Damonte Taborda to conduct his sensational investigations into Nazi activities. They have no objection to the democratic system, provided they can monopolise its advantages. But their position is challenged, and this fact alone makes them obstructive to the opposition's programme of clearing the Nazis out.

The fact remains that their policy of neutrality, isolation, and tolerance to Axis activities is profoundly unpopular. Unhappily the opposition itself is too ineffectual to benefit by this state of affairs. Apart from dislike of the Nazis and support for the democracies, the Radicals and Socialists have no programme and are split both between each other and among themselves. Their successful attempt to block the United States credit until the Government had "clarified its internal and international policies" also tended to discredit them with the public, and their lack of unified leadership has made it possible for Dr Castillo to introduce a semi-dictatorial regime with very little popular opposition.

The situation is clearly dangerous. Argentina is yet another example of a democracy going by default for want of sufficient inner cohesion and of parties trailing off into emasculated dictatorships for lack of a dynamic and realistic leadership and policy. So far Dr Castillo's regime is not actively Fascist. But other elements in the country, notably—and ominously—in the armed forces are in close touch with the Nazis, and are pressing for full-blooded national socialism. A military *coup d'état* was only just nipped in the bud last September, and the malcontents in army and air force have on the whole retained their office. If nothing is done to revive democracy, the drift dictatorwards seems inevitable, and the threat both to the American continent and to the Allied cause of the establishment of a Nazi bridgehead on the River Plate need not be underlined. It has not come to this yet, and there is no evidence that Dr Castillo is working for it—the Conservatives are as little anxious to lose their jobs to the Fascists as to the Radicals—but the dangerous possibility remains. Argentina is a country to watch closely in the next crucial months of world war.

NOTES OF THE WEEK

Quo Warranto?

The machinery for inter-Allied collaboration in the struggle against the Axis is taking shape; but, to the lay eye, its outlines are still somewhat blurred. Where Russia and China fit in is still uncertain. When Mr Churchill came back from the United States last month he announced that, in addition to the Anglo-American Boards for allocating munitions, shipping and raw materials, there would be an Anglo-American Combined Chiefs of Staffs Committee in Washington and a Pacific Council, preferably in London. It was known that Australia and New Zealand, on the other hand, preferred Washington to London for the Pacific Council. Last week-end, the tale was carried a stage further, when President Roosevelt announced that "two Pacific Councils" had been set up, and was announced that a Pacific Council had been set up, and was starting work, in London, with representatives of Ministerial status from Australia, New Zealand, Great Britain and the Netherlands—not the United States or China. Meanwhile, it had been announced in Washington that the Combined Chiefs of Staffs Committee spoken of earlier by Mr Churchill had begun work, with service representatives from the United States and Great Britain and with the specific duty, among others, of maintaining liaison with China, the Netherlands East Indies, Australia and New Zealand. At the same time, the view was expressed by the War Department that Washington is properly the "command post" for Pacific operations, just as London is for European and Middle Eastern operations. In default of more explanations, it seems likely that it was the Combined Chiefs of Staffs Committee, in its Pacific aspects, that the President was referring to, when he spoke of "two Pacific Councils." In spite of the fact that Australia and New Zealand are both represented in the London organisation, it seems certain that the decisions are going to be made in Washington. They cannot very well be made in the Pacific Council in London, because the United States is not represented there. It is all very confusing. In fact, there is no Pacific Council representing all the Pacific Allies, and insofar as there is an organ of Pacific decision in Washington, Australia and New Zealand are not represented in it. Possibly it is lack of information that makes the prospect so obscure. Even the status of General Wavell, Supreme Commander in the South West Pacific, is hidden by something very like a cloud. Mr Churchill said that the General would not be bothered by outside instructions; now, President Roosevelt announces that he only has control over the tactical use of the forces at his disposal. If there is any centre of decision in this *galère*, apart from the personal authorities of Mr Roosevelt, Mr Churchill and Premier Stalin, it appears to be in the Combined Chiefs of Staffs Committee, which—significantly enough in view of the debate whether war output should be directed by service chiefs or civilians—is announced as having "taken under its wing" at any rate the American committee of the Munitions Assignment Board.

Imperial Representation

It is difficult to decide how far the project for an Empire War Cabinet has been affected by the institution of the Pacific Council "on a Ministerial plane." At any rate, Mr Churchill made it plain last week that the Empire War Cabinet will in fact make little or no difference to the process of consultation and decision on war policy among the constituent nations of the Commonwealth. So long as decisions are made in London, their making could only be affected by the new procedure if the Dominion representatives were plenipotentiaries and the Dominions were willing to be bound by the decisions arrived at in London. And they are not willing to be so bound. Actually, Mr Churchill said that the position of Sir Earle Page now, since the Empire War Cabinet scheme was accepted, is precisely the same as it was in previous months when he attended as a distinguished visitor. That is, he discusses and expresses his opinion, but he cannot commit his Government, and must refer back before he can explicitly accept any decision. As such, the Empire War Cabinet cannot be

an organ of decision—though the British War Cabinet, which is its substantive body, preserves its national authority intact.

Grave News from Singapore

The only possible reactions to the news from Singapore are pain and bewilderment, pain that there should apparently be so little the British forces can do to check the irresistible Japanese advance, pain that so many Asiatic peoples should be exposed defencelessly to merciless attack, pain that their loyalty and enthusiasm should have been called on so late; and bewilderment that an island apparently so strongly reinforced should be threatened so speedily, that official statements should have been so hopelessly misleading about the true situation, and, finally, bewilderment about the next step in a campaign in which one by one the United Nations' advance bases are being filched from them. The tragic story of the last few days is soon told. After heavy artillery duels, the Japanese seized Ubin island at the eastern end of the Johore strait. The same night they landed in force on the swampy western coasts. Japanese landings continued all the next day, and the defenders were compelled to give ground and more ground. Virtually without air support, they were submitted to the unceasing onslaught of Japanese dive-bombers, and, as so often in British campaigns, individual heroism and a thousand deeds of nameless bravery could not compensate for inferiority in everything else. So quick has the Japanese advance been that one may well question whether General Wavell had not previously decided that the island was untenable, and the various public statements were merely designed to deceive the enemy. The real reinforcements may be in Sumatra and Java, and the trial of strength may still be to come. But there must be a limit to retreat.

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"according to plan," and "falling back to prepared positions." It was perhaps not unreasonable to hope that the Johore Straits represented that limit. In any case, one limit there is that has most definitely been reached—the patience of the public with statements designed to allay their fears and totally confuse their judgment.

Far East: Other Fronts

The Japanese have crossed the Salween River and taken the important coastal town of Martaban. This news is grave, for it means that the enemy has succeeded in crossing the defence line of the Salween at its widest and most obstructive point. The barrier of the Sittang still remains, but the Japanese now have undisturbed control of two useful bases opposite Rangoon. Activity is increasing further north, where Chinese troops have been successful in action on the Thai frontier. But the chief threat to Burma does not lie in the north, where the Salween River runs through deep gorges in the mountainous Shan States. In the Netherlands Indies, after a week of heavy fighting, the defenders are still holding their own. The Japanese have raided Surabaya several times, and the Dutch admit damage to naval installations. Raiding, too, has started on Batavia. The Lieutenant Governor-General, Dr van Mook, in contrast to the more optimistic and less reliable statements of some of his allies, admits that the situation is "touch and go," but there are some encouraging features. Amboina still holds out. The Dutch rearguard at Balikpapan has fought so vigorously that the Japanese are only now beginning their advance southwards to Banjarmasin (which they claimed to have captured a week ago). And it is possible that Macassar is still holding out. Clearly the Japanese are not yet ready for a general offensive, and every week gained increases the hope of reinforcement. Finally, in the Philippines, the undaunted stand of General MacArthur and his Americans and Filipinos carries on in the face of unbelievable odds.

Visit to Delhi

The visit of General and Mme. Chiang Kai-shek and his suite to New Delhi, where they are the guests of the Viceroy, is an event of first class importance. The chief purpose of the visit is, of course, to continue the staff talks initiated last December by General Wavell's visit to Chungking. Since the loss of Malaya, the integrity of Burma has become the first military concern for both China and India, and it must be presumed that joint-defence plans for the Burma Road are being completed. It is by no means clear why the Chinese forces in Burma have scarcely been used against the enemy. These seasoned and well-armed contingents can ill be spared from service in China and it is well known that nothing would please the Chinese authorities more than to see them thrown into battle at the first opportunity. Moreover, the Chinese continue to demonstrate their ability to defeat the Japanese, given anything approaching equality of equipment. The recent recapture of Waichow and Poklo, with a consequent threat to the Canton-Kowloon railway, is an important success. It is vital and expedient to permit China to play that leading part in the extended war against Japan which General Chiang is willing and anxious to undertake. The meeting at Delhi must eliminate any breath of suspicion that China is not considered as a first-class ally. In actual fact, her military record against Japan begins to look a great deal better than that of the ABDA powers. General Chiang's visit has a further and equally vital significance. The Generalissimo lost no time in seeking a meeting with Pandit Jawaharlal Nehru, who visited Chungking two years ago, and it is possible that he will see Mr Gandhi as well as other Indian political leaders. Indian public opinion has been deeply stirred by the gallant Chinese struggle against Japan and both nations prize the cultural affinity between their civilisations. There are grounds for hope that the current deadlock between the British authorities and Congress may be eased through willingness on both sides to co-operate fully with the Chinese.

Agricultural Prices

There are all the signs of a first-class quarrel behind the scenes over the new schedule of prices to be paid to farmers for their produce. There undoubtedly was a pledge,

or at least an understanding, that the farming community would be compensated for the effect of the recent increase in the minimum wage for agricultural labourers. The question is whether this means that the full cost of the increased wages must be added to prices, regardless of the fact that, before the rise in wages, farmers' profits were, on the average, higher than at any time since the last war. Should the Treasury, as trustee for the community, secure the continuance of these profits at the public expense? (The fact that, over a certain level, farmers' profits are subject to EPT is, of course, irrelevant; they are only in the same position as all other profits.) The Ministry of Agriculture's case is that high prices and high profits are necessary to secure production. This, if true, would be a serious argument. But is it true? The sequence of events in recent months has been that the more efficient farmers have been enabled to make high profits and, by bidding for labour in a seller's market, have pushed the rate of wages up to £3 a week, a level subsequently endorsed by the Wages Board. If they are now compensated for the full effect of the higher wages, will they not bid the rate up to £4? This likelihood is at least as large as the opposite one that a reduction in the average level of profits will cause some of the less efficient farmers to reduce their production.

Canadian Vote of Confidence

Four by-elections have taken place in Canada and Mr Mackenzie King's Government seems to have won a notable victory. The Liberal Dominion Government is confronted with opposition from two sides. There are those, in the Liberal party as well as among the Conservatives, who believe that the conduct of the war is lacking in energy and decision; and there are those, mainly among the Liberals of French Canada, who are opposed to the introduction of conscription for overseas service. Thus, Mr Mackenzie King is assailed at once for doing too little and for proposing to do too much. The conscription issue has been a potential bone of discord ever since the war started. At present, Canadians can be conscripted for home service, but not to go abroad. Recently, Mr Mackenzie King announced that a plebiscite would be held, by which the people of Canada would be asked to give his Government a free hand to increase the size of the armed forces and the scale of war production. This was interpreted by one group of his critics as an act of indecision, handing to the people the responsibility which should be taken by the Government; the other group interpreted it as a dictatorial decision to use mere force of numbers to conscript all Canadians of whatever creed or locality, including the French minority, to serve anywhere. From the Government's point of view, these were the issues before the electors in the by-elections, two in Quebec and two in Ontario; and, from this viewpoint, the Government did well. In Quebec East, the leader of a new anti-conscription group was soundly defeated by the new Minister of Justice; in Welland, Ontario, the new Minister of Labour was returned; Mr Meighen, who has been re-elected leader of the Conservatives and is forthright in his denunciation of the Government's lack of drive, was defeated. This does not mean that the political scene in Canada is now clear. The Minister of Labour was returned on a split vote, in which his Conservative opponent polled 10,000 votes to his 12,000 votes and a Co-operative Commonwealth Federation Candidate as many as 6,000. Probably most significant of all, Mr Meighen was defeated in a straight fight also by a Co-operative Commonwealth Federation candidate. The fact is that, in spite of the incapacity of any political opposition to shake Mr Mackenzie King, and in spite of the quite remarkable dimensions of Canada's present war effort, there is a not insignificant lack of faith in Mr Mackenzie King and his colleagues as the most suitable war leaders. This tendency is most sharply reflected, perhaps, in the rise of the Co-operative Commonwealth Federation, which is a Socialist or Labour group and has already won a striking success in British Columbia.

Australia Mobilises

Strong measures for mobilising Australia's resources were announced by Mr Curtin this week. Some of them are familiar to this country. For instance, all employment is henceforward only to take place through the Government labour bureaux, and employees in vital industries

cannot be dismissed or leave their jobs without Government consent. Others go much farther. The sale or investment of capital, except in war loans or officially sanctioned issues, is forbidden, in order to prevent hedging against the effects of war by purchases of real estate, stamps, etc. Moreover, profits are to be pegged at a maximum of 4 per cent on capital (paid-up capital and re-invested reserves), and profits exceeding this rate will either be passed on to the consumer by price reductions or will be taxed. Others, again, are of interest in that they show how Australia is tackling the problem, still unsolved over here, of prices and wages. The prices of all goods and services are to be pegged, with the present levels as maxima. Similarly, wages will be pegged at their present levels for the duration. In theory, these measures would exclude the fear of inflation; that the Government itself realises that they cannot be complete is shown by the proviso that wages will continue to be adjusted to the cost of living. The most serious gap in the machinery of control, however, is the continued absence of rationing or other restrictions on consumption. Great Britain learned long ago the futility of controlling the prices of goods in short supply without restricting the amounts that can be bought, and it is difficult to understand why Mr Curtin, who is prepared to go so notably far in so many respects, should have stopped short of a measure which, above all, would benefit Australian workers. It may be that this further essential instalment is still to come. Or it may be that no shortage of consumption goods is expected, in which case Australia's war effort will still not match the resolutions and resources of the Australian people.

Nest-Eggs

The Government has shown commendable speed in the preparation of its latest patchwork scheme for the improvement of Service pay and allowances, and it would perhaps be ungracious to minimise the extent of the concessions announced this week. The men's first concern is for their families; psychologically, as well as practically, the decision to reduce by 3s. 6d. a week the compulsory allotments from the pay of serving men claiming dependants' allowances is important; and the increase in the allowance for each child by 1s. per week is welcome if not unimpressive. The total cost of these two concessions is estimated at £22,500,000. The men's second concern is for their future; and perhaps the most interesting of the concessions is the announcement that all "other ranks" are to receive a post-war credit—without prejudice to the grant of a war gratuity—of 6d. per day or approximately £9 a year (and 4d. a day or £6 a year for serving women). This nest-egg is intended to remove the post-war discrepancy between the financial position of the civilian worker and the fighting man; but it is doubtful whether the actual sum conceded will significantly do this. The civilian is at liberty to build up two sorts of post-war credit, one in the form of voluntary saving and one compulsorily accumulated through receding part of income tax. A post-war credit of approximately £9 per annum accrues under the income-tax credits scheme to a bachelor earning rather less than £125 yearly; to a childless married couple earning approximately £190 yearly; or to a married couple with three children earning between £350 and £400 yearly, assuming that no investment income is possessed in any of these cases. If the Service nest-egg is designed to even out the financial discrepancy with any arithmetical accuracy—which, of course, it is probably not, in any precise manner—it must assume the total remuneration in cash and kind of the average ranker to be so much less than the rate of earnings quoted above as to permit £9 to be the equivalent of both the post-war credit from income tax and the annual average total of voluntary savings at that rate of remuneration. Thus, the new grant, if conceived logically, implies that the total worth of Army pay to the single man is less than £2 a week, although it also assumes a marked rise in the remuneration of married men with children. The announcement contains a further obscurity. The current cost to the Exchequer is estimated at £32,500,000; but this sum is to provide post-war credit. Civilian nest-eggs, whether acquired through forced or voluntary saving, rank as revenue for the Treasury. Service nest-eggs should not rank as expenditure, since they, too, represent no current charge whatsoever. They are a gift which is immediately and automatically re-lent. In any case, this tinkering with the problem of Service pay does not come near to solving the basic inequity. The

nation has decided not to hold down the pay of civilian workers. The corollary is that, for the sake of justice and good order, it must decide to raise the pay of its serving millions—even if it costs, say, £200 millions a year, less than 5 per cent of total Government expenditure.

Placemen

The first year of the House of Commons Disqualification (Temporary Provisions) Act is approaching its close; unless it is renewed before March 6th it will then expire, and a not inconsiderable body of members will then presumably find themselves unseated. Last week's debate on the report of the Select Committee on Offices or Places of Profit under the Crown, which was fully summarised in *The Economist* of November 22, 1941 (page 618), showed that the House is perfectly willing to renew the Act, without in any way modifying its distaste of the principle underlying it. Somewhat incomprehensibly, however, the Government has not agreed to all the Select Committee's recommendations for amendments. It is prepared to limit the number of certificates that may be given in any particular period, but it is not willing to alter the form of the certificate to state that it is also in the public interest that a Member, appointed to an office of profit, should remain a Member of Parliament. Nor has it agreed to limit the period of exemption from disqualification unless it is extended by Order-in-Council or resolution of the House. Possibly this last recommendation would, as Mr Greenwood suggested, have led to undesirable debates on the action of a public servant, but such a difficulty would surely not be insuperable. More regrettable, however, is the Government's apparent reluctance to draft legislation embodying the Select Committee's peacetime recommendations—though legislation of some sort is promised. In this reluctance it finds itself with Mr Maxton as bedfellow, for Mr Maxton, a member of the Committee, was opposed to legislation on the ground that Parliament would probably be completely altered by the war. He countered Mr Pethick-Lawrence's assertion that Queen Anne is not dead with a prophecy that the post-war world might see a Parliament in which the vegetable, meat, poultry and butter controllers would be required to take their seats. Mr Maxton was undoubtedly right in declaring that the time will come for a restatement of the principles dividing Government and Opposition. But Parliament's control of the Executive, which it was the real object of the Select Committee to reaffirm, will be as firm a principle after the war as it has been since the reign of Anne.

The PPS

On one point in the debate on places of profit under the Crown there was some marked divergence of opinion. This was the position of Parliamentary Private Secretaries. The Select Committee decided that they could not be included in any proposed legislation, because they have no legal status or even existence, but it recommended that the num-



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ber of these curious creatures should be limited. The House of Commons did not seem able, last week, to decide whether they should be suppressed, restricted or left alone. One view is that these posts give promising back-benchers an insight into government; another that the voting strength of the Government is increased by the number of these batmen or errand boys—to use some of the more opprobrious descriptions; yet another that though the PPS is bound to his Minister and the Department, he is not tied to the whole team of Ministers. Even a fag may turn; and on crucial issues a PPS, if he is worth anything at all, should be relied upon to exercise his own judgment, and put his membership of Parliament first. But what is undesirable is that he should be treated as a junior Minister, and shown confidential papers belonging not only to his Minister's Department, but to others as well. This practice must clearly limit his independence, and it is time for a restatement of his position and duties. If the functions of a PPS were clearly defined, it should not be beyond the constitutional ingenuity of the English to graft him into the machinery of Government without weakening the independence of Parliament.

Germany's New Tone

The Germans have changed their tone about the Russian front in the last week. The earlier insistence on the intense hardships and difficulties and on heavy Russian attacks has given place to a new note of optimism. Some reports speak of the end of a static front and the likelihood of an early beginning to the spring offensive. The Russians are twitted on having used up precious men and materials before the testing time has really come. The Germans have even risked the publication of a definitive "winter line" map which blandly omits the three great Russian salients at Velikiye Lugi, Kirov and Gavrillovka. The purpose of all this is obscure. In fact, the Germans have at least two months more to wait before large scale movements can begin again, and at no point do they appear to have recovered the initiative. Nevertheless, it would be dangerous to dismiss the changed tone as whistling in the dark. In spite of the Russians' superhuman efforts, the Germans have so far achieved what must at one time have seemed the impossible, maintained a vast army, unprepared for winter war, intact and firmly on the defensive, through the hideous cold of a Russian winter. That the strain has been almost more than the executive officers concerned could bear is perhaps illustrated by the rising toll of death and disease among Hitler's more responsible executives. This week, the death in a flying accident of Dr Todt, the great Nazi road and fortification expert, has been announced. Many German soldiers will remember him not so much as the man who built the Siegfried line, but as the man who got 60 million warm garments out to the Russian front.

Soap Rationing

Soap rationing, when it came, was generally a surprise, and the Ministry of Food must, on the whole, be congratulated on having kept its secret. Buying for stock immediately prior to the announcement was on a small scale, and in no way comparable with the buying before the false report of soap rationing last summer. The new rationing, which came into force on February 9th, permits a weekly purchase of 4 oz of scrubbing soap or 3 oz toilet soap or soap flakes, or 6 or 12 oz of soft soap or soap powder according to quality. Shaving soap and shampoos are excluded from the ration for the present. The weakness of the scheme is undoubtedly the fact that it penalises those who do their laundry at home. Laundries require a permit for the purchase of soap, but are not rationed. It is not yet clear whether the washerwoman who takes in laundry from her neighbours will be eligible for such a permit. If she is not, the system also bears hardly on her and on her customers. The great difficulty is that it is the poorest members of society who do their washing at home. Incidentally, the shortage of laundry girls prevents most laundries from taking on new customers. Industrial workers in dirty occupations must also, in the interests of hygiene, be allowed access to extra soap. Probably this need could be met most effectively by an issue at the place of work analogous to the extra food rations obtainable at canteens by heavy workers. Soap rationing is a necessary and inevitable step. Indeed, it is impossible to understand why, in view of the

economy in shipping space which it procures, it was not introduced when the yellow ration books were first issued twenty-eight weeks ago. But there is no doubt that equity requires an amendment which allows those who do all their washing at home to apply for an extra allowance. Even at the cost of a cut in the basic issue, this need and the special needs of workers must be met.

Time and Output

If there is any experience of the last war which has not been lost in the present one, it is the fact that hours of work cannot be indefinitely and indiscriminately lengthened without endangering both the quantity and the quality of output. It was this fact that led to the setting-up of the Health of Munitions Workers Committee during the last war, and later to the formation of the Medical Research Council and the Industrial Health Research Board. The latter body has devoted much work and energy to this problem of hours since September, 1939. Its latest report on hours of work, lost time and labour wastage reaffirms, against the background of a detailed statistical inquiry by sampling, that increased output is dependent upon the well-being of workers in the widest sense, both outside and inside the factory, and that only with a strict consideration of health factors, accident prevention and a reasonable adjustment of the hours of work can an increase be achieved. Otherwise "more work" will simply mean less efficiency and qualitative deterioration. With certain reservations, the conclusion of this inquiry is that the time lost by sickness, injury and absence varies directly with the weekly hours of work; it is usually reasonably low when the hours of work are less than 60 a week, but is higher, and sometimes quite excessive, when the hours are between 60 and 75. One important factor emerges. When hours of work are suddenly increased at a time of great emergency, as was the case in May, 1940, an initial spurt of extra effort on the part of the workers will raise weekly output immediately and substantially. There have been similar exertions with similar results in invaded Russia. But, the report emphasises, this is usually followed by a fall in both hourly and weekly output, which continues at a varying rate until the hours of work are again reduced; and the chief cause of this fall is, of course, the additional fatigue and strain caused by long hours of work. During the period of decline after the 1940 spurt, the amount of time lost through sickness, injury and absence without permission rapidly increased, and workers tended to become listless and stale. The remedy adopted, wisely, was a reduction in hours. On the basis of these researches, the Board believes that weekly hours of work, over an extended period, should not exceed 60-65 for men and 55-60 for women.

Halt in Libya

After a fairly rapid retreat eastwards, the British have established a new defence line in Libya, at Gazala, where the escarpment ends and the coast road passes between the hills and the sea. Here the enemy, to advance further, must either attack on a narrow front or else undertake a wide encircling movement to the south. There have been reports of patrol activity at Merklil, and Rommel is perhaps testing out the terrain in this sector. An attempt should bring him into collision with the British forces formerly holding Msus, but nothing has been heard of them since Rommel's columns swung off on to the coast road. The position has thus been stabilised to some extent. The next bout in the campaign depends, as usual, upon reinforcements. The British position is frankly a mystery. Rommel's advance has been, in part, due to his great superiority in fire power. Against his heavy tanks, the British have so far only been able to set "light forces" of infantry. It cannot be supposed that the military authorities hoped to hold Cyrenaica, let alone advance to Tripoli, with only light mechanised units. Where has the heavy British material gone? Rommel's position is clearer. His heavy reinforcements have been shipped across the Mediterranean in convoys protected by the Italian fleet German submarines, and the *Luftwaffe*, stationed in Sicily. Only one of these convoys was seriously interfered with, and it very foolhardily made its way from the Ionian Sea to Tripoli. And even this convoy was only attacked by aircraft. The Mediterranean fleet has suffered severely in the last nine months. Crete was the first severe blow, and there have been others, for example, the loss of the warship *Barham*, and the December raid on Alexandria by Italian "shock naval units."

Vichy at it Again

Rommel has also received considerable assistance from Vichy. This has not perhaps taken the form of regular convoys from Marseilles to harbours in Tunisia and Tripoli, but valuable material—oil, wine, wheat, olives—has been sent across the Tunisian frontier and week by week a stream of armaments and transport vehicles are coming from the French factories to feed the Axis forces on every front. The fact that the United States is reported to have undertaken to begin once again—on a modified scale—the provisioning of North Africa gives the last touch of incongruity to Vichy's involved and discreditable situation, and the favour extended to the perfidious administration of an obviously irresponsible octogenarian is one among many things that passes comprehension in this war. Whether Vichy's extra help is part of a wider attempt to bring the rest of Latin Europe into the conflict remains to be seen. That new pressure has been exerted on Vichy, Madrid and even Lisbon appears certain. It is the reaction that is in doubt. Madame Pétain has gone to see Franco and Dr Salazar is meeting the Caudillo at Seville. Are these joint discussions for defence or offence?

Trouble in Tangier

The riots in Tangier last week-end mark a climax in a long crescendo of intrigue and tension. Nor was the serious bomb outrage which occurred on the previous Friday, and resulted in a number of British deaths, the first explosion in recent weeks. The demonstrations on the latest occasion were, however, on a different scale from any earlier disturbances. Hotels and offices were sacked, and much glass broken, including the windows of the British Consulate-General. The declaration of martial law by General Uriate, who commands the Spanish forces, appears to have been both belated and ineffective, while the attitude of the Spanish police throughout the incident leaves connivance as the sole explanation. It is not quite clear why the Spanish authorities should permit the Germans to stage such an obvious frame-up. Moorish sentiment, both in the Spanish and French Protectorates and in the former International Zone at Tangier, is fanatically anti-European. It is in normal times, and for obvious reasons, less anti-British than anti-French and anti-Spanish. The spirit of Abd-el-Krim is not dead and the Spaniards play with fire if they permit the precarious existing order to be upset in the interests of Germany. Anti-British feeling in Tangier may conceivably be exploited by Hitler to bring to a head the obstinately dormant antipathy between the British Government and the Government of General Franco. In the long run, it is Moorish nationalism alone which can profit from last week-end's excesses. A strong protest has, of course, been lodged with the Spanish authorities by the British Consul-General. It is more than improbable that General Franco will be deceived by this elaborate manoeuvre any more than by the incident of Fernando Po or the Vichy Government by the incident of the *St. Denis*.

Jamaica's Constitution

It is almost a year since the Government announced its proposals for a new constitution for Jamaica. Since then, it has been made quite clear that they displeased both the reactionaries and the People's National Party, which consists of the political progressives. The latter objected to the over-riding powers given to the Governor and to the separation of the legislature from the executive. But power lay in the hands of the reactionaries whose influence in the Legislative Council, owing to the very unrepresentative nature of the present constitution, is predominant; and last August the Council rejected the proposals, demanding instead a bi-camera legislature such as exists in Barbados, where an oligarchy, proud of its three hundred year old constitution, is steadfastly resisting popular pressure for social and political reforms. The Colonial Office is to be congratulated that it has not allowed the conflict of opinion in Jamaica to stop the progress of reform in that colony. Last month, Lord Moyne sent the Governor new proposals, which reaffirm the principle that adult suffrage must be the foundation of reform. They also make good one of the most serious omissions in the original scheme by abolishing the property qualifications for membership of the Legislative Council, substituting instead a deposit of £150 as in this country. The fears of the People's National Party about the Governor's over-riding powers are said to be based on a misapprehension; he is given no new power, but his existing powers must be redefined in the light of new circumstances.

Lord Moyne has not, on the other hand, accepted the demands of the PNP for executive responsibility. A certain number of elected members of the Legislative Council will be admitted to the Privy Council (which, however, will continue to be an advisory body only), and the enlargement of the Legislative Council will facilitate the development of advisory committees which were recommended by the West India Royal Commission in order to initiate the elected members into the business of administration. But there is no question, yet, of giving the colony responsible, as well as representative, government. Whether this new approach by the Colonial Office will solve the deadlock is uncertain. It has, however, asked the Governor to proceed at once with the necessary steps, such as the holding of a census, on which a new electoral register based on universal suffrage can be prepared; and a general election will then be held instead of waiting, as was announced last March, until after the war.

Ministry of Planning

The Government's promise to set up a central planning body has now been carried out. Lord Reith's Ministry of Works and Buildings now becomes a Ministry of Works and Planning. It will exercise the functions hitherto possessed by the Ministry of Health under the Town and Country Planning Acts; and it now remains to transform the new body into an Authority with positive powers. The Ministry of Health has had little more than the negative duty of approving schemes submitted by local authorities, themselves hampered in their planning of the use of land by lack of financial facilities to obtain control over its disposition. The outlines of the new powers that the Ministry of Planning needs are being worked out by the Uthwatt Committee, which has already recommended public acquisition of development rights in bombed areas, slum areas and undeveloped land; and the Committee is now at work on the key problem of compensation. In fact, the only way to make the new Ministry capable of ensuring, authoritatively, that "the national policy of urban and rural development is carried out as a single whole" is for the State to decide now to assume ownership, by purchase, of land where and when development is planned.

Shorter Notes

Barely a week after he assumed the democratic office of Prime Minister, Quisling has assumed the powers of a dictator. By a decree published on February 7, the authority of the King and Storting is vested in the minister president subject to ratification by the head of the Department of Justice for legislation at variance with the constitution. Presumably the Storting, even under German occupation, continued to have a definite nuisance value. Now that the Quisling Government enjoys the status of a puppet rather than a subject power, it is important to create the fiction that it is the free and democratic element which is in the minority.

In an article entitled "Australia's War Effort" on page 177 of *The Economist* last week, it was erroneously stated that the Commonwealth's iron and steel industry was located in the Broken Hill district in New South Wales. In fact, the main steel mills of the Broken Hill Proprietary Company, Ltd., are at Newcastle, a deep water port some 70 miles north of Sydney; the company also operates a large steel plant at Port Kembla, about 60 miles south of Sydney.

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AMERICAN SURVEY

The Growth of Lend-Lease

THE President's third quarterly report to Congress on Lend-Lease operations, copies of which have now reached this country, covers the period to November 30, 1941—just seven days before the Japanese attack. The subsequent developments have not affected—or have not yet affected—the framework of Lend-Lease; but they have manifestly transformed the whole character of the problem of supplying material aid from America to the other United Nations. November 30th is, therefore, a convenient stopping-place for a survey of Lend-Lease while it still retained its original character as an aspect of pre-belligerency.

The workings of Lend-Lease have never been properly understood in Great Britain—or, indeed, in the United States. There is still a tendency to speak and think as if the Lend-Lease Act authorised the President to make dollars available to Britain and other nations, with which they could continue to buy what they needed in the United States. In recent weeks, for example, it has frequently been stated on both sides of the Atlantic that Lend-Lease was now to come to an end "because the two countries have now decided to pool their resources." Actually, it is the essence of the whole plan that no money passes. As Lend-Lease, gradually extends to cover the whole of British requirements in the United States, the British purchasing programme will be wound up. The decision to pool resources was not made in December, but in March; and Lend-Lease is not an alternative to pooling, it is the instrument of pooling.

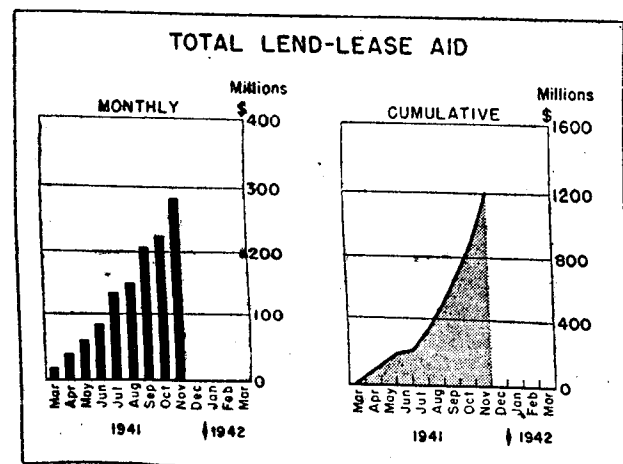
Nor, save in a formal sense, is there any distinction in the American Government's production programme. When

the defence of the United States. The two Appropriation Acts of March and October prescribe the financial limits within which this can be done. OLLA exercises such of the President's powers as he has delegated to it. The formal procedure is that the British (or other would-be beneficiary) representatives in Washington submit to OLLA a "requisition" for the goods they require. This requisition must set forth the use to which the requested article or service is to be put and the reason why it is needed. OLLA then examines the requisition to see whether it complies with the conditions of the Act, two of which are that "the defence aid requested must not be obtainable, as a practical matter, by payment therefor in American dollars or other currency available to the requisitioning country" and that "the requested Lend-Lease aid must be of the most economical and efficient type suitable for the intended use." When the requisition has passed these tests, it is sent to the "procurement agency" (i.e., the War Department, the Navy Department, the Department of Agriculture, etc.) for execution. In the early months, the machinery proved to be extremely slow and cumbersome. Every document had to go to the President and each stage of the procedure was dealt with separately. A number of simplifications have been gradually introduced. The President still exercises all powers of policy-making, but Mr Stettinius, the Administrator, has power to sign the documents. Items are not treated one by one, but lumped together in a programme. Authorisation to procure, allocation of funds and authorisation to transfer are now usually granted simultaneously. The result has been to cut a great deal of red tape, though complaints of delay are still to be heard.

On November 30th, the Act had been extended to 33 countries, counting the British Empire as one. Every Latin American country appeared on the list, as well as China, Egypt, Belgium, Free France, Greece, Iceland, the Netherlands, Norway, Poland, Russia, Turkey and Yugoslavia. Czechoslovakia has since been added. Although, as has been emphasised from the start, the relations between the United States and these beneficiaries are strictly physical and non-financial, the progress of operations under the Act is necessarily reported in financial terms. As with all American Governmental production statistics, two sets of figures are presented. The first refers to the successive stages of authorising expenditure; the second set of figures refers to the actual production and delivery of goods. The first measures what is going to be done; the second what has been done. The following table gives figures of appropriations (i.e., funds provided by Congress), allocations (i.e., the value of production programmes, adopted) and obligations (i.e., contracts placed) up to November 30th:—

	(Millions of Dollars)		
	Appropriated	Allocated	Obligated
Ordnance and ordnance stores	2,650	2,215	947
Aircraft, etc.	2,710	2,040	1,727
Tanks and other vehicles	847	628	316
Ships	1,628	1,303	713
Misc. military equipment	431	311	70
Production facilities in USA	1,977	757	427
Agricultural and industrial commodities	3,043	1,665	930
Servicing, repair of ships, etc.	341	167	109
Services and expenses	325	95	3
Administrative expenses	20	5	1
Total	12,972	9,186	5,243

"Lend-Lease aid" says the report, "cannot be adequately reflected by figures alone. It includes the repair of hundreds of ships and the 2,000,000 tons of American shipping that have been made available to carry defence goods. It includes the shipways that will produce Lend-Lease ships and the training of airplane pilots for Lend-Lease countries. It includes the goods which have been completed and the facilities that are being expanded to produce more goods. It includes the raw materials and machine tools that have made it possible for the Lend-Lease countries to step up their production of war material." So far, however, as the



the Lend-Lease Act was passed nearly a year ago, the funds that had been appropriated by Congress for armament production were still comparatively small. The Lend-Lease appropriations were the means of placing additional orders and in that sense—but in that sense only—it could be said that there was a Lend-Lease production programme on top of the domestic programme. But the beneficiaries of Lend-Lease have not had to wait for the maturing of the contracts that were placed with the Lend-Lease appropriations. In actual delivery, if not in contract-placing, there has from the start been a substantial degree of merging of the Lend-Lease and domestic categories. This merging is growing. Since Pearl Harbour there is a new policy which largely dispenses with the need for specific Lend-Lease appropriations. Each of the two gigantic Appropriation Bills passed by Congress in recent weeks contains a provision that the materials to be manufactured may—up to a stated total—be transferred under Lend-Lease.

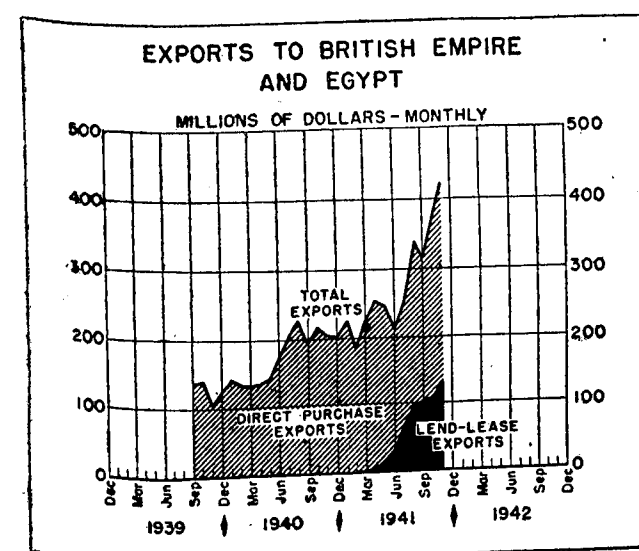
The Office of Lend-Lease Administration (OLLA for short) thus neither buys nor sells anything. The original Act took the form of providing that the President might authorise the War and Navy Departments (and others) "to manufacture . . . or otherwise procure . . . any defence article" and "to sell, transfer title to, exchange, lease, lend or otherwise dispose of" these articles to the government of any country whose defence the President deems vital to

aid actually provided can be represented in money figures, the facts are given in the following table:—

	Millions of Dollars	Total to November 30, 1941
Defence articles transferred	723	723
Articles awaiting transfer or use	140	140
Articles in process of manufacture	92	92
Servicing and repair of ships	79	79
Rental and charter of ships, etc.	92	92
Production facilities in USA	75	75
Miscellaneous expenses	1	1
Total	1,202	1,202

It is this table that is represented in the chart reproduced opposite. The report gives actual quantitative figures for a number of non-military goods transferred. The largest items by weight are 719,834,984 pounds of grain and cereal products, 548,091,424 pounds of fruits and vegetables, 535,742,451 pounds of meat and fish products, 30,546,999 barrels of petroleum products and 1,361,492 tons of iron and steel.

The value of Lend-Lease goods actually exported up to November 30, 1941, was \$595 millions. The difference between this figure and the \$723 millions of goods transferred is to be explained by (i) the fact that ships are not "exports"; (ii) the use of Lend-Lease goods in the United States; and (iii) the building up of stocks at the ports. The



report includes an interesting chart, reproduced here, of exports to the British Empire and Egypt, with the comment that "the black area may be expected to increase rapidly, whereas the shaded area will tend to decline. The important consideration is to keep total exports at steadily increasing levels." It can, incidentally, be deduced from this chart that exports to the British Empire and Egypt must make up more than 90 per cent of the Lend-Lease exports to date.

The tendency has been noticeable both in British and in American opinion to consider Lend-Lease as a purely temporary and outmoded expedient, and to measure its value by the relatively moderate amount of goods actually transferred up to date. But this would be a profound mistake. The slow beginning is due to the fact that armament production in general in America is still at a comparatively early stage. No other device could have provided goods any more quickly. The merit of Lend-Lease, which lies in the fact that it avoids the creation of purely financial indebtedness and puts the relations between nations on a basis of reality, is one that will grow with time. Lend-Lease has not been superseded, the probability is that it will not be superseded, the certainty is that it ought not to be superseded.

Budgeting for Defence

[FROM OUR NEW YORK CORRESPONDENT]

January 13th.

THE Budget message for the year 1942-43 proposed total expenditures of \$59,000 millions, compared with estimated expenditures for the current fiscal year of \$31,000 millions and actual expenditures for the year 1940-41 of under \$13,000 millions. Receipts for the year 1942-43 were put at \$16,500 millions, compared with estimated receipts

for the current fiscal year of \$12,000 millions and actual receipts for the year 1940-41 of \$7,600 millions.

For the item of national defence, the proposal for the year 1942-43 is \$53,000 millions; the estimate for the current fiscal year is \$24,000 millions; the actual expenditure for the year 1940-41 was \$6,300 millions.

Budget figures of this magnitude are, of course, far beyond the intellectual comprehension of the individual. Their presentation, however, focused individual thought on a number of related themes more readily grasped. Among the public there has been from the first a confusion of thought identifying a "war programme with a spending programme. That is, the war effort was considered a prosperity effort on a magnificent scale. The "pork-barrel" is one of the oldest of American institutions, and in and out of Congress there is a persistent disposition to regard defence appropriations in this traditional aspect. This attitude did not vanish with the declaration of war; but there is evidence that it is receding.

The first evidence came in the opposition to certain features of the price-fixing legislation that would have made farmers special beneficiaries. This legislation was described by the President as a Bill to compel inflation, and the Press has generally been outspoken in its criticism. Yet, as a matter of fact, the claims of the farm pressure group were as valid as—even more valid than—the claims of other pressure groups that have made successful exactions during the past year. The outcry is a symptom of a hardening of public opinion.

A second sequence of the Budget message is an increased emphasis in discussion of the effect of advancing prices on the war effort. The rapid rise in prices over the past year has made the public realise that \$50,000 millions will buy only about \$40,000 millions of services and materials at the prices of a year ago; and with prices rising rapidly (as they have been in recent weeks) there is an increased realisation that the sum appropriated is significant only as it is related to the amount of materials and services which the appropriation will buy.

Third, the comparison of the budgeted sum with the estimated national income has increased the number of persons who realise that the allocation of half the national money income to defence means the allocation of half the national physical output to defence. In short, a nation cannot allocate half its national output to defence and maintain "business as usual." For many months it has been verbally unfashionable to speak of business as usual; but such is the dichotomy of the human mind that people could simultaneously condemn the slogan of "business as usual" and personally follow the motto of "business better than usual."

Nothing would be easier than for Congress to pass the Budget appropriations, even though these are half the national income. But to translate these appropriations into half the national output is another matter. At the present time, the human and material resources of this country are approximately fully employed, and not above a quarter of that effort is related to the war programme. While there is still some potential expansion left in the economy, for all practical purposes it can be ignored, and any increment of the war effort will derive from diversion or subtraction from the present civil consumption. This is, in substance, the task to which the President has appointed Mr Donald M. Nelson.

This appointment is compared with that of Mr Bernard M. Baruch as head of the War Industries Board in 1917. Actually, in 1917-18 nothing like half the national output went into the war effort, and the task assigned is proportionately greater.

American Notes

Pollyanna Limited

There could be no better proof—if proof be needed—of the wholeheartedness of the American war effort than the recent outcry in the American press against complacency and "pollyannaism" in certain quarters. While it must be granted that America entered the war at a more strenuous moment than Britain, it does credit to the American people that within two months of their declaration, they are already on their guard against undue optimism and are demanding to be told the worst. A warning against overconfidence by Mr Batt, head of the Materials Division of the War Production Board, has been widely welcomed. Leaders in many newspapers and most of the well-known

columnists are almost overcritical of American "lethargy" and over-optimism. The Administration is under fire on this score; Mr Jesse Jones in particular has laid himself open to attack by suggesting that consumer sacrifices need only be temporary. This tempting doctrine appears to have aroused great indignation. It is also argued that communiques from the Pacific war zone lay too much emphasis on isolated acts of gallantry and fail to present a comprehensive and balanced account of the situation. The comparative immunity of the United States from attack and the consciousness of vast economic resources are not conducive to a great sense of urgency, and it is all the more heartening that the American people are so thoroughly alive to the sacrifices which they will have to make and the trials that lie ahead.

It is a little less fortunate that the mood of strenuous endeavour is also resulting in widespread drawing of invidious comparisons between British and American efforts. This tendency is, of course, being actively fostered by the ex-isolationists and by such constant Anglophobes as Mr Hearst and Col McCormick. There is said to be something called "the Churchill strategy" that concentrates all the available troops and supplies in the British Isles and starves all other theatres of war. There is, of course, nothing remarkable in a wave of criticism of the effectiveness of British arms—the same criticism is to be heard in England. British stock has slumped before and will rise again. But it is a great pity that, as between one United Nation and another, there should be any comparisons of determination, courage, sagacity or foresight. Fortunately, the great sound mass of American opinion (much larger and much sounder than is commonly supposed) is taking no part in the clamour, which does its authors little credit and is, in the main, a conscious or unconscious attempt to forget how very wrong they have been in all their judgments on the war.

Labour Issues

The disputes that have already been referred to the new War Labour Board involve a number of key war industries. Negotiations between the Steel Workers Organising Committee (CIO) and the Bethlehem Steel Corporation have broken down over the questions of wage increases, the closed shop, and the "check-off" (i.e., the demand that union subscriptions should be collected by the employer by deduction from wages.) Bethlehem, together with the three other companies affected, employs about 200,000 workers. This group, known as "little Steel," has been notoriously more obdurate in its dealings with labour than "big Steel," the U.S. Steel Corporation. The Automobile Workers Union has also placed an appeal with the Labour Board, having been unable to convince management that double pay for Sunday work should continue. Labour relations have also been strained at Youngstown Sheet and Tube Company and at the Wright Aeronautical Corporation. None of these disputes has reached the strike stage, but on the Pacific Coast welders walked out of San Francisco shipyards, demanding autonomous union status within the AFL, and interstate bus transportation was tied up by an AFL strike against the Greyhound Lines for higher wages for maintenance employees. So far the issue of the union shop has not been very much to the fore, although this was left open when the Board was established, much to the disappointment of management representatives. It is suggested that the policy of the Board will be to create industry agreements similar to that establishing the War Emergency Maritime Board, which will make binding decisions in all the industry's labour disputes and will pass on proposals for labour training. Obviously such agreements will be more easily reached and will work better in industries with a background of good relations between managements and well established unions, than in those where unions are still fighting for recognition, such as copper mining. Co-operation by both the AFL and CIO with the government in regional production conferences has been announced, and labour representatives have formed a committee to advise the Office of Civilian Defence. An encouraging light on labour's state of mind is provided by two recent Gallup polls. Asked what they considered the most important problem organised labour faced, 54 per cent of union leaders questioned and 48 per cent of members answered to increase production. In another poll 55 per cent of union leaders questioned and 58 per cent of union members agreed that the government should have

the right in war-time to dictate wages and hours and tell workers what jobs they should hold.

New Taxes

The Administration's tax proposals now seem likely to include something in the nature of a general sales tax, although there is disagreement on the form it will take. It has been reported that opposition by retailers and labour may result in the substitution of a tax on "value added" by industry for the more conventional sales tax, though more recently the case for the retail sales tax has been said to be gaining ground in Congress and the Treasury. In addition to raising new revenue, the purpose of such a new tax would be to reduce consumer purchasing power, and in particular to limit the increases due to defence spending. The tax on value added would be levied on the output of manufacturers less cost of materials and services purchased—in other words, on the sum of payrolls, interest payments, rents and profits. Credit would be allowed for social security payroll taxes, and small enterprises would be exempted for administrative reasons. A rate of between 5 per cent and 10 per cent, to yield about \$3,000 millions is suggested. A third proposal is the reportedly unpopular "withholding" tax, under which a percentage of pay would be withheld at source for the Treasury. It is thought that the adoption of the "value added" tax might make possible a lower rate for the withholding tax. It certainly would be easier and cheaper to collect than a retail sales tax, but it is hard to believe that it would be much more equitable, as foodstuffs would probably be excluded in both cases. Both taxes will "soak the consumer"—and most painfully and unfairly in the lower income brackets. The argument that a sales tax is preferable to the withholding tax because the former at least "leaves the payer of the tax with some choice as to how much he pays" seems singularly ill-taken. The vast majority, laying out their income on necessities, have little control over their spending. In any case, it can hardly be a virtue of a wartime tax that it allows some tax-payers to avoid it. Given the defence programme, real purchasing power in the hands of consumers will decline. The tax policy adopted will determine whether the reduction will be just and orderly, or whether it will be accomplished through inflation. The programme accepted will be an interesting and accurate reflection of the degree to which Congress is willing and able to face the disagreeable realities of total war.

Teapot Tempest

Accusations of frivolous activities against the OCD—the Office of Civilian Defence—have provided an apparently welcome relief from the sombreness of the news from the Far East. Mayor La Guardia's resignation from the Directorship has concentrated Congressional attacks upon Mrs Roosevelt and the appointment of two of her friends, Mr Melvin Douglas and Miss Mayris Chaney. The new director, Mr Landis, announced that Mrs Roosevelt will continue as head of the Community and Volunteer Participation Division and that Mr Douglas would head the Arts Council of the Information Division. The House of Representatives voted the OCD \$100 millions for the purchase of gas masks and other equipment, but inserted a provision forbidding the use of OCD funds for "instruction in physical fitness by dancers, fan dancers, street shows, theatrical performances or other public entertainment." Mrs Roosevelt has offered to answer Congressional questions regarding "sinecure" jobs, and has defended the reorganisation of the department. Mr Douglas and Miss Chaney have announced that they are serving the government without salaries, and not for \$8,000 a year and \$4,600 as charged. The existence of an Arts Council, an Information Division, a Bureau of Children's Activities, and a Physical Fitness Division suggests that, while the appointments of Mr Douglas and Miss Chaney may have been perfectly sound, the necessities of civilian defence have been rather broadly conceived. Public opinion can be relied on to see to it that excessive energies and funds are not absorbed in such activities to the detriment of more essential work.

Machine Tools

The War Production Board last week announced that machine tool production in 1942 will have to reach at least \$1,500 millions—perhaps \$2,000 millions—if the President's

victory programme is to be realised. Even the more modest figure is twice the large output of 1941 and fifteen times as large as that of a normal pre-war year. Two years of steadily expanding output have greatly increased the industry's capacity, but it is reported that doubts are felt whether the utmost effort in 1942 will raise output above \$1,300 millions. There are only about 200 firms in the industry, and in 1941 they produced over 200,000 machine tools, more than 20 per cent of the number in operation in the United States in 1940. During 1940 the labour force expanded from 78,100 to 110,000; average hours are 52 per week compared with about 42 in all durable goods industries. Nearly all manufacturers operate two shifts, and over half are on three. The increase in the efficiency of the units produced is roughly estimated at three times the pre-war level. Even so, in December the industry's orders amounted to under \$600 millions. The chief difficulty is that probably about half of these were concentrated on the producers of "critical" machine tools—horizontal and vertical boring mills, planers, turret lathes, milling machines, internal grinders, radial drills.

The shortage of skilled labour is the most serious obstacle to further production increases, but complaints are also heard about the need for working capital to finance the larger output. The Government has agreed to pay 30 per cent down on new orders to meet needs for more working capital. Some companies have lost sub-contractors to the Army and Navy and it is alleged that sometimes essential work is held up by unnecessarily large orders from defence contractors. In other instances, delivery of produced units has been held up two or three months because the necessary tooling had not been built. Training of labour is being pushed under Government and private auspices; the fact that about half the labour force has been trained since 1939 suggests that the labour shortage should not be insuperable in time. The Production Division of the WPB is making a careful analysis of each manufacturer of critical tools to insure that the maximum possible man-hours are obtained on each shift and to spread sub-contracting to the fullest possible extent. It is improbable that any possible production of machine tools would completely satisfy the demand at this stage, but attention to bottle-necks in production added to economy in use should go far towards filling essential requirements.

Over the Gold Peak?

A scarcely perceptible movement in the weekly returns of the Federal Reserve Banks is perhaps the most momentous of the changes revealed by the figures of the past four months. It is the decline in the total monetary gold stock from a peak of \$22,796,000,000 touched on October 29, 1941, to a figure of \$22,738,000,000 recorded on February 5th last. The steep increase in this item went on almost uninterrupted until the end of October. The curve then flattened for a fortnight, and since then there has been a gradual decline, interrupted by two or three weekly hesitations, but nevertheless unmistakable. It is too early to claim on the basis of this evidence that the international gold tide has at long last turned away from the United States, but a four months' break in an underlying trend which has persisted for close on a decade is of sufficient moment to attract the closest attention. The most important sources which have of late years fed the stream of gold flowing to the United States, namely the accumulated reserves of British countries, have now run dry. Current production may still find its way to the United States, but even this may be a somewhat dwindling stream over the months to come. On the other hand, a fully belligerent America will inevitably tend to curtail its exports to the remaining open markets—mainly the South American republics—and will be increasing its purchases of primary materials in those countries, both on its own and on Allied account. Already the unsold surpluses of South American countries of which so much was being spoken and written up to last summer are beginning to vanish like magic. If the balance of payments of the United States is to turn adverse there is no reason why it should not find its counterpart in exports of gold. Evidence of such movements from the United States cannot now be obtained since the Department of Commerce has since May, 1941, suspended the publication of bullion export statistics by countries of destination. As evidence of the direction in which US gold may be trending it may be noted that imports of gold into Argentina during the first ten months of 1941 exceeded exports by 11,395,000 pesos as compared with net exports of 190,204,000 pesos in the corresponding period of 1940.

Coke for Furnaces

The planned increase in the output of the steel industry in the United States, and the intention of raising non-ferrous metal production to its potential maximum will materially affect the country's coke requirements. A special investigation into the distribution of coke in the United States, recently completed by the Bureau of Mines, showed that in 1940 no less than 69.2 per cent of the country's coke supplies was used by furnaces, while an additional 3.4 per cent of the total went into foundries. As recently as the middle of November last the Bureau of Mines pointed out in a report to the Defence Departments that so far supplies of coke had been sufficient to meet the increased demands of the armament programme. Production in the first nine months of 1941, the latest official figure then available, was 47,980,000 tons, an increase of 16 per cent on the year. Production of coke (excluding coke produced in gas retorts, which is of no interest to the metallurgical industry) in the whole of 1941 was estimated by the Bureau of Mines at 65,000,000 tons, or 14 per cent more than a year before and 8.5 per cent more than in 1929, the previous record production year. Although the 1941 output exceeded that of the peak year of the last war (1918) by 15 per cent, a further combined increase by at least 25 per cent will be needed in the next two years to secure adequate coke supplies for the steel and non-ferrous metal production programmes. At the end of 1941 the potential annual coke producing capacity of United States coke-ovens (both the by-product and bee-hive types), according to official data, was approximately 72,000,000 tons, which is only just over 10 per cent more than last year's actual production. Moreover, the capacity estimate included ovens with an annual capacity of between 2 and 3 million tons in need of repair or adjustment in order to reach the scheduled maximum output. It is obvious, therefore, that a major expansion in the number and size of coke-ovens will be needed. Actually, a substantial expansion programme of the US coke-oven industry was initiated in 1940. At the end of that year no less than 492 coke-ovens were under construction, and an additional 73 ovens, which had been abandoned years ago, were reconditioned. The annual capacity involved was 3,000,000 tons. Figures for the end of last year are not available so far, but it appears from industrial reports that the rate of expansion has been almost doubled in 1941.

Shorter Notes

Correction: It was mistakenly reported in the British press last week that the President had signed the bill to restrict the propaganda and information activities of agents of foreign principals. So far from this being true, the President has vetoed the Bill. This will avoid the uncomfortable situation that would have arisen if such bodies as the British Information Services were to be more hampered in their activities now that they represent one of America's allies than they were when the United States was still formally neutral.

Under the sugar-rationing plan household sugar stocks must be revealed, and those who have hoarded sugar will not be allowed to purchase their weekly three-quarters of a pound until their stocks are exhausted. Falsification of reports will be punishable by penalties up to \$10,000 fine and ten years imprisonment. The nation's school teachers are to supervise registration and issuance of ration books. Household and industrial sugar consumption is to be reduced by one-third. Sugar prices have increased by almost one cent a pound and a ceiling on retail prices has been threatened.

The War Department has announced that it proposes to expand the Army Air Force to 2,000,000 officers and men, half of this to take place this year. A complete Air Course is to be given to cadets at the West Point Military Academy, to save the additional year now required for training after graduation.

The President has met with the CIO and AFL committee to plan labour's co-operation in the war effort. The CIO representatives are President Murray, Mr Thomas of the United Automobile Workers, and Mr Julius Emspak of the United Electrical Workers. The AFL group includes Mr William Green, Vice-President Tobin, and Secretary-Treasurer George Meany. The move is generally considered as a rebuff to John L. Lewis.

THE WORLD OVERSEAS

Restraint in Argentina

(From Our Buenos Aires Correspondent)

January 7th

BEFORE the outbreak of war between Japan and the United States, Acting President Castillo had frequently stressed Argentina's neutrality as the keynote of her foreign policy. This was the theme of his opening message to Congress last May, which was described by a disappointed press as lacking in vigour. In October, he declared that: "Foreign problems should not disturb us, simply because Argentina is and can only be Argentina. For the rest it is a question of different ideals and differing interests." In a strongly worded editorial article on December 9th entitled "War Reaches America," *La Prensa* described these words as disconcerting, citing them as evidence of "a policy of very recent date . . . which is out of tune with true Pan-Americanism and which is, in fact, its negation." The article continued: "It is a policy—if such it may be called—which attempts to remove Argentina from America and from the world, to place it where?" Deploing that there should be in South America those who are indifferent or deaf to the implications of the war's expansion, the article stated that, though these are known to be very few, great danger lies in the fact that they include men in public places. Argentina's decree, declaring the United States non-belligerent, while expressly maintaining her own neutrality towards Japan, was issued on December 9th, when the Acting President cabled its contents to President Roosevelt together with a message qualifying the aggression as "unjustified and lamentable." *La Prensa*, in a subsequent editorial, claimed that both decree and cable were the coldest of all the expressions of solidarity emanating from Latin American countries, and added: "Without a shadow of doubt, the telegram is very far from being in keeping with Argentine public sentiment; it is a colourless document, diplomatic to an extreme, lacking all emotion. Truth compels us to say so."

These typical press comments on the Cabinet's reticence regarding Argentina's relations with the Axis Powers, and the extent to which she is willing to co-operate in hemispherical defence, are a fair indication of popular feeling, which widely approved the warm unofficial messages of support cabled to President Roosevelt by President Ortiz, who handed over his office to Vice-President Castillo owing to ill-health, and by the former President, General Justo. The latter's message significantly stated: "The people of my country stand solidly beside the great northern democracy and its illustrious President." Ignoring a popular appeal to convolve Congress, which is in recess until May, the Government decreed on December 16th a state of emergency and suspended the constitutional guarantees throughout the country "in view of the international situation." Newspapers were simultaneously advised by the police that they must refrain from comment on this measure, as also from all tendentious appreciations of the international situation and any publication calculated to disturb internal political peace. The popular Buenos Aires evening paper, *Noticias Gráficas*, promptly appeared with a blank column on its front page headed: "No evil may be spoken of anyone."

An outcome of the measure which has, on the whole,

been taken calmly, is the disappearance from the public platform of *Acción Argentina*, a vigorous movement embracing anti-totalitarian opinion of all shades. At the same time, the measure has had the effect of subduing comment on the manipulation of the Buenos Aires provincial elections in the interests of the country's present Conservative Government. This province, whose political support is of the utmost importance to the Federal Government, had been "intervened" (that is, the Provincial Government's powers were taken over by a Federal official) after notorious financial mismanagement during the term of the Conservative, and reportedly pro-Fascist, Governor Fresco. Before polling took place on December 7th, a sensation was caused by the discovery of a large stock of completed voting papers in an unauthorised printing establishment. The Conservative Party's victory, after widespread disturbances at the booths, was branded unanimously by the responsible press as fraudulent, and the existing tension between the Government and the national Opposition, the Radical Party, has increased considerably. The latter now points to a list of fraudulent elections which have taken place within a year covering three important provinces. On the eve of the declaration of a state of emergency, *La Prensa* condemned the frauds as damaging to the country's prestige in the eyes of the world, and supported the widespread conviction that they had been engineered by totalitarian elements, stating: "The attempt against popular suffrage and addiction to the dictatorships have much in common."

Fifth Column Dangers

According to Deputy Damonte Taborda, Chairman of the Committee of Investigation into Anti-Argentine Activities, who recently visited the United States, where he consulted the reports of the Dies Committee, Argentina stands in greater danger from Fifth Column activities than any other American country. Nevertheless, in contrast to the reported throttling of German propaganda in other nations of the western hemisphere, no expression of Government policy has yet been made as regards the disclosures contained in the reports of the Committee of Investigation. The Trans-ocean news agency which they condemn continues to function, and the local German-inspired and German-financed newspaper, *El Pampero*, although it has prudently abandoned much of its scurrility since the police warning was issued to the press, continues to appear and to voice as stridently as ever its distrust of the United States in the interests of Argentine "nationalism."

The restraint imposed upon the press, coupled with the fact that Congress is in recess and that arbitrary powers have been given to the police under the state of emergency, probably explains why the steadily rising popular voice, condemning deference to the Axis Powers and expressing exasperation with the present Cabinet's policy, has sunk to a murmur. Nevertheless, the warm tributes to Mr Churchill's recent declarations in the United States Congress show the deep interest with which the people of Argentina are following the gearing of the western hemisphere to meet the threat to its greatest Power. *La Prensa*, a fervent advocate of the freedom of international trade, has followed up its panegyric on the Atlantic Charter with an editorial dealing with the prospects of reconstructed post-war trade. It recalls that when Argentina complained of the effects of the Ottawa Agreement and the 1930 American tariff, it was pointed out that she had invited reprisals by her own high tariffs established in 1930-32. Claiming that the Ottawa Agreements and the United States tariff were no small factors in causing the world crisis which culminated in the war, the paper makes a spirited plea for the consideration now of post-war trade problems, with good will between all the democracies.

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Starving Greece

[BY A CORRESPONDENT]

February 9th

ONCE again Greece has found her economic life particularly vulnerable to the impact of war. Two-thirds of all Greeks are normally employed in agriculture, but mainly in the cultivation of a few specialised crops, such as tobacco, grapes, and olives, which are exported in large quantities, while there is a deficiency of most of the ordinary foods. The area under cultivation was increased by 50 per cent during the 1930's, and the output of tobacco, raisins, etc., has declined, but about 40 per cent of necessary foodstuffs still have to be imported from abroad.

Moreover, the most valuable agricultural industries are concentrated in a few districts; for instance, most of the tobacco cultivation and cattle breeding and much of the grain production is carried out in the two fertile northern plains. Of these, Macedonia has been ceded to Bulgaria, and Thessalia was greatly devastated in last year's warfare. In addition, numerous fugitives from the territories ceded to Bulgaria and Albania have fled to other parts of Greece and must be fed there. Two-thirds of the olive oil—for which Greece has no refineries—is produced in Crete and other remote islands; many of the vineyards are in the Ionian Islands, which are now claimed by Italy.

Most of the goods traffic in Greece is seaborne in normal times, and this has naturally almost come to a standstill. The inadequate road and rail system has further deteriorated through the destruction of bridges and tunnels during the war; it is difficult to find the necessary fuel to drive trains and cars, while most of the draught cattle have been slaughtered.

Whatever stocks were available when the Greek resistance collapsed have been either requisitioned by the army of occupation or "bought" by foreigners with valueless German Treasury notes, which are supposed to be redeemed when the war is over. Axis soldiers, on leave in Greek towns, have been provided with large sums of this "money," which has to be spent in the country itself. The existence of these notes, coupled with the great discrepancy between supply and demand, has naturally produced a strong pressure on the general price level. Wage rates had to be raised by between 110 and 140 per cent between July and November, 1941, alone. The wheat price, which was 8 drachmas per oke (2.8 lb.) in 1940, was fixed at 27 drachmas in 1941, but this was considered insufficient by many farmers, who managed to sell their produce privately at higher prices or in exchange for goods instead of money; the Government threatened them in vain with heavy penalties, including the death penalty, for non-delivery of wheat.

Bread is in normal times the main constituent of the very simple Greek diet; an adult normally consumes 27 oz per day, and his ration was not very much smaller during the war with Italy and Germany. Last December, however, after reductions in the previous months, the official bread allowance reached the low level of 2½ oz; and it has been reported from Corinth and other places that, in fact, no bread or flour has been given to holders of ration cards for many months. The 1941 olive crop, according to an announcement of last August, was then considered sufficient to provide everyone with 11 lb of oil until the end of last year and with adequate quantities during the first half of 1941, but even Axis observers have stated that only very small quantities have in fact been distributed. Even in normal times, almost no other fats are consumed by the Greek masses. The Athens population received small portions of meat on rare occasions during the first six months of the Axis occupation, but these seem to have amounted to less than 1½ lb per head altogether; this is the more remarkable since large numbers of livestock have been slaughtered because of the lack of fodder.

The Blackest Markets

Shops in Greek towns are practically empty, partly because it does not pay for the shopkeepers to sell in their premises at the controlled prices. Unlike other countries, in Greece the black market is not confined to luxuries or semi-luxuries, or even to large-scale transactions in other merchandise, but extends to all kinds of goods that a trader can obtain, including potatoes, onions, tomatoes, soap, etc., which are sold at exorbitant prices. The prices of vegetables and olive oil sold in this way are about ten times as high

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as the official prices, according to the Belgrade *Donau-zeitung*; and potatoes and onions, for instance, sell at three to four times the ordinary prices. The authorities have so far been completely powerless in face of this widespread illicit traffic; the ordinary policemen are unwilling to stop it, and even high Government officials have been convicted for black market activities. The Government is now trying to form a special corps of "incorruptibles" to supervise the black markets.

There is a shortage of many other goods, and a general control of the distribution of raw materials has been instituted by the Ministry of Economic Affairs. The scarcity of coal can be judged from the measures introduced to curtail the electric power consumption in Athens; these include a reduction of current in factories by 50 per cent, a reduction in the number of trams and buses also by 50 per cent, and of underground trains by over 70 per cent; private customers using more than a certain amount of electricity have to pay a surplus charge amounting to five times the ordinary rates.

Pauperism greatly increased last year, and the authorities have found it necessary to protest against the growing "nuisance" of beggars in the cities—among whom there are numerous veterans of the war. Another Government decree limits the number of school lessons to three per day, since the children are physically unable to attend school for longer hours. Already last year there was an increasing mortality rate, according to numerous reports, and various diseases as well as direct starvation have been widespread in recent months.

Palestine in the Third Year of War

[BY A CORRESPONDENT]

February 2nd

RECENT reports from Palestine give an encouraging picture of the national economy under the stress of war. In September, 1939, it was feared that the country, which had made extraordinary progress since the first World War, in spite of internal strife, would be seriously affected. Its export trade depended in great measure upon a single crop—citrus fruit; and its imports, on which its young industries had been built, were several times greater in value than its exports. Both imports and exports were threatened by the outbreak of hostilities; and when Italy entered the war and the Mediterranean became, if not *mare nostrum*, at least *mare semi-clausum*, the position was for a time very grave. The export of oranges and grape fruit was cut down to a tithe of the pre-war figure, and there were fears both for the food supply of the population, and for the maintenance of the industries. The Government came to the help of the orange-growers and the manufacturers. It arranged for loans to keep the established groves in cultivation; and it established a War Supply Board to assist producers in solving their supply problems, and in bringing Palestinian industry into the large organisation of the Eastern Supply Council.

Latest figures from Palestine show an encouraging increase in agricultural production for local food supply, and in industrial production both for home and export. Dairy, vegetable and grain farming have made steady progress since 1939. Thus, the imports of butter fell from

746 tons during the first half of 1940 to 437 tons during the first six months of 1941; but there was no rationing in Palestine. The milk yield increased by over 10 per cent on the previous year. The increased cultivation of vegetables by Jewish settlers is still more marked. The Jewish farmers have also doubled their cereal crops since the outbreak of war. The area under grain cultivation rose from about 40,000 acres in 1938-9 to about 70,000 acres last year.

Reducing Arab Indebtedness

At the same time, the position of the Arab cultivators has greatly improved. Never since the British occupation has there been such a lively demand for the products of the fellahin. Prices have risen to a remarkable extent for grain, olive oil and dairy produce. While the cost of production for the more scientific agriculture of the Jews has risen substantially, the costs of production for the fellah, who works his holding with the help of his own family, are little affected. Peasant cultivators, therefore, enjoy the high prices received for their products to the full; and they are now in the unprecedented position of being able to reduce their burden of debt with comparative ease. It is estimated that a peasant who harvests 4 or 5 tons of wheat now receives between £30 and £40 a year more than before the war; that is a very considerable sum for the Arab cultivator. During the last few months there has, indeed, been a serious rise in the cost of living in the towns, owing to the higher price of food, for which an outbreak of profiteering was partly responsible. It is stated that a ton of potatoes bought in Syria for £17 was sold in Palestine shops at four times that price. The Government and the Jewish bodies have taken steps to stop the speculation.

It is estimated that the annual value of the output of the Jewish factories is fifteen million pounds, and the number of Jews engaged in manufacturing between forty and fifty thousand. The value of non-Jewish industrial production, including foreign-owned as well as Arab enterprises, is estimated at between three and four million pounds. The removal of the threat of invasion of Palestine last year restored the confidence of investors; as a result, a number of new Jewish enterprises have sprung up, while factories that were previously closed have been reopened. The expansion is illustrated by the figures of the linking-up of new industries with the Palestine Electric Corporation. In 1941 they were nearly double the total for 1939.

The war has involved in Palestine, as in England, the introduction of controls, licences and Government supervision generally. But the assistance of the War Supply Board in obtaining raw materials for the factories has been increasingly recognised. And the Government was instrumental in organising a Palestine Industrial Exhibition in Cairo last August, which was welcomed as an impressive demonstration of the position and possibilities of Palestinian industries in the economic life of the Middle East. Besides the output of munitions, textiles and a great variety of consumers' goods for war purposes, which is the principal development, the war has led to the expansion of a few highly skilled industries for which Jewish workmen are specially qualified. Diamond cutting, in which, before the war, Jews were prominent at Amsterdam and Antwerp, has found a new home in Tel-aviv. The manufacture of scientific instruments has been successfully established, and also the manufacture of pharmaceutical and chemical products, for which the minerals of the Dead Sea offer special facilities.

German Europe Changes in Command

SPECTACULAR changes in the German military command have been followed by a reshuffle of important positions in the economic administration. The price commissar, Josef Wagner, who had held this office since 1936, was replaced by Dr Fischboeck; no explanation was given, and Hitler did not even offer the customary thanks. A few days later, Hitler created a new office, and appointed the motor-car expert, Jakob Wehrin, to be Inspector-General of Motor Transport. Hitler explained that he was in need of quick and reliable information about motor transport.

Wehrin has overriding powers to gather the necessary information, and is responsible directly to Hitler. This means that the new Inspector-General is superior to Major-General von Schell, the special commissar for motor-car production and transport. At the same time, Ministerial Director Dr Mansfeld was made Secretary of State in the Ministry of Labour, in place of Dr. Syrup, who was put on the sick list. Dr Mansfeld, it was explained, will intensify the search for labour for the war industry. On January 30th, the anniversary of Hitler's coming to power, Ministerial Director Gunther Schulze-Fieltz was appointed Secretary of State in Dr Todt's Ministry; a few days later Dr Todt, who

combined more offices than any other man in Germany, was killed in an air-crash.

These changes are too numerous to be without significance. It is safe to assume that they mark the beginning of a process of adapting Germany's war economy to the new conditions created by the protracted large-scale military campaign against Soviet Russia. In 1942, Germany's problem is the manufacture of munitions and weapons for a progressively growing *Wehrmacht* by the use of progressively fewer workers. Until the attack on Soviet Russia, Germany's military effort and her economic effort seemed to be well balanced. Long intervals between successive short campaigns, and the conquest of almost the entire Continent of Europe, enabled war production to be distributed over the industry of all Germany and German Europe.

Yet, even before the attack on Soviet Russia, there were disturbing signs of the growing tension which is probably unavoidable in an economy planned for maximum production. Excessive liquidity created an alarming boom in share prices, which was only stopped by a complicated system of profit and dividend stops. The influx of foreign workers hastily trained women and unskilled labour, together with the cost-plus-profit system for public orders, led to a gradual reduction in the efficiency of industry. In spite of the large booty gathered during 1939 and 1940, German economy was beginning to draw on its capital. Under these circumstances, the Minister of Economic Affairs, Dr. Funk, the price commissar, Wagner, and other Ministers, pursued contradictory policies. Wagner tried to mop up excessive purchasing power by the profit and dividend stop, and by gradually reducing the profit margin which employers earned by the cost-plus-profit system. Dr. Funk adopted the policy of frightening speculators by the threat of the registration of shares, which was finally introduced at the end of 1941. The Minister of Finance imposed new taxes; but by the system of "iron savings" the wages tax was slightly reduced; and at the same time, efficiency wages were introduced which actually reduced wages. During the autumn of 1941, public discussion of economic policy was almost unrestricted. Big business appeared to be demanding greater freedom from bureaucratic restrictions, while the price commissar, Wagner, and other influential old Nazis, seemed to want the abolition of profits, of the bourses, and, generally speaking, of private business.

The first sign of an actual change in policy was the introduction of fixed prices for armament orders, which was gradually to replace the cost-plus-profit system. This favours the most modern factories and the most integrated concerns. The process of concentration in industry will be accelerated, because the obsolete and inefficient factories will no longer be able to make any profit at all. The cumbersome control over costing, painstakingly built up by Commissar Wagner, becomes superfluous, and the mopping up of excessive profits, which are now termed differential profits, is no longer necessary. The leader of the Industry Group has stated that industry is well satisfied with the new principle of fixed prices, which allows a just profit to the efficient firm. Yet Price Commissar Wagner, who introduced the new principle, has been replaced by Dr Fischboeck; the main task of the new price commissar is confined to controlling the prices of civilian goods. It is evident that the new principle of fixed prices by itself would put an end to the dispersal of public orders over the whole of industry. Indeed, the concentration of industries, which was halted after the conquest of Poland, has now been made the foundation of the production programme for 1942. In western democratic eyes it seems to be a victory by big business over the Nazi idealist, Josef Wagner. But, in simple fact, it means that Wagner's main work, the cumbersome control of costing, has become superfluous.

The magic principle of the programme for 1942 is rationalisation. The system of fixed prices and rationalisation brings into new prominence the so-called self-governing economic organisations, particularly the Industry Group, under its president, Wilhelm Zangen. The Industry Group will assist the Government in fixing prices for public orders, and will be responsible for the formation of so-called "rationalisation shock troops." These shock troops, composed of engineers, will introduce new methods.

But the great number of workers mobilised for the expanded forces cannot be replaced by concentration and rationalisation only. Additional workers are wanted. The number of foreign workers employed in Germany already exceeds two millions, not including prisoners of war. The reserves of unemployed German women are almost exhausted, and the importation of greater numbers of foreign workers must certainly reduce the effect of industrial collaboration with occupied countries. There seems to be no

prospect for further voluntary recruits for work. It is known that Dr Syrup, who was replaced by Dr Mansfeld, used his powers to conscript labour sparingly; Dr Mansfeld, on the other hand, is said to be in favour of conscripting labour on a large scale. The German press indicates that conscription may even be extended to occupied countries. There is no doubt that the new governments of Bohemia and Moravia and Norway will introduce conscription if they are asked. The main reserves which Dr Mansfeld is about to mobilise, however, are Russian prisoners of war and Russian civilians. The German press hints that at least one million Russians will be employed. If Dr Mansfeld should succeed, the number of foreign workers employed in Germany may increase to something like 5½ millions, or nearly one-quarter of the total workers employed.

There is no doubt the Nazis are inaugurating a stupendous effort with these changes in the commanding positions. The original programme of complete concentration has been adapted to the present situation; but private industry has been given some measure of self-control and freedom to retain all profits made under the system of fixed prices. Yet the maximum effort can hardly exceed the overall production of 1941 simply because no actual increment of resources is visible.

The Capital Market.—An unusually long period elapsed between the announcement that the registration of shares was intended, and the actual issue of the decree, which then left it to the Minister of Economic Affairs to announce supplementary decrees or Orders. The first supplementary decree was formulated in vague terms, and ordered only the registration of a small part of share transactions. It seems obvious that the Minister intended to keep the capital market in suspense. Actually, the announcements were sufficient to arrest the upward trend in share prices.

Factory Discipline.—The Labour Trustee for Saxony, on January 16, 1942, issued a significant order with the purpose of strengthening factory discipline. The order is based on the wages decree of June, 1938, which introduced a system of warnings and fines against offences relating to the maintenance of order and safety in factories. In Saxony, managers are now empowered to impose fines on workers who absent themselves from work, who are not punctual, or leave their places before the end of the working-day. The Labour Trustee explained that the decree is not only in the interest of the employer, but will also benefit the workers. Dr. Ley, the leader of the German Labour Front, began at the same time a campaign for reducing absenteeism caused by sickness, and appealed in numerous meetings for more work.

Tobacco Rationing.—After local experiments with control cards for smokers, the Minister for Economic Affairs has decreed the introduction of "smokers' control cards" for the whole Reich. Men over 18 years of age and women over 25 may apply for these cards; but the cards constitute no right to a specified number of cigarettes, cigars, or quantity of tobacco. The cards contain coupons for each day, and the tobacconist distributes rations according to his supplies. Sales of tobacco without coupons is prohibited. Women are entitled to only one-half of the rations supplied to men. Local experiments have shown that cigarette queues disappeared, but non-smokers have begun buying tobacco and cigarettes for resale to heavy smokers.

The supply situation deteriorated during 1941. Tobacco production in the Balkan countries, the main source of supply for Germany, fell because of the campaign in the spring of 1941. Transport difficulties and the increased demand of the *Wehrmacht* strained the supply situation. Compared with 1939, the cigarette quota for 1942 was reduced by 14 per cent.

Loan to Roumania.—Germany has granted a Rm. 600 millions loan to Roumania for the purpose of assisting reconstruction and the armament programme. The January meeting of the German-Roumanian Industrial Committee discussed the expansion of Roumania's chemical, paper, iron and oil industries. It seems that the greater part of the loan will be used for Roumania's oil industry, and for improving communications. Germany promised the supply of railway material. During the last two years 52 new industrial companies were founded, and German capital holds interest in 19 of them. During 1940 and the first eight months of 1941, Germany supplied 895 tractors, 2,261 seed-drilling machines, and 29,515 ploughs.

THE BUSINESS WORLD

The Banking Position—III

The Banks in Transition

THE two preceding articles in this series have dealt with two aspects of what is substantially the same matter—the extent to which the banks are being led to place increasing proportions of their total assets in short-term, low-interest Government securities. Formally, this is leading to a great increase in the banks' liquidity. But this may be a temporary phenomenon, lasting only until there is some form of funding. And, in any case, is only in the legal sense that the floating debt of the Government can be said to be a liquid form of asset for the banks.

It was argued a week ago that the volume of bank credit—that is, the total resources of the banking system—is unlikely to recede very far from the maximum figure it will touch at the end of the war. Credit is often created, and it is being created now; but it is seldom destroyed, and never without extremely unpleasant consequences. After the last war, in spite of deliberate deflation, a 50 per cent fall of prices from their post-war peak, and long years of industrial stagnation, only about 8½ per cent of the credit existing at the peak was ever withdrawn. After this war it may be supposed that more conscious attempts will be made to keep prices up, interest rates down, and employment at a maximum, and that the further creation of credit is more likely to find a place in official policy than its destruction. This being so, there is no likelihood that the banks will be able to reduce their holdings of gilt-edged investments by selling them to their depositors.

There remains, however, another possibility. Is it not possible that there will be a brisk demand for advances from the banks, which will enable them to shift some of their assets back into this more remunerative form, without any painful shrinkage of the whole credit structure—indeed, possibly with some further expansion? This question brings up the third important aspect of the changes that have been taking place in bank balance-sheets. The total of advances has been falling, in absolute figures, since the beginning of the war. But this is merely an intensification of a tendency that has long been in evidence. Between the end of 1928 and the end of 1938, the national income in money terms rose by some 15 per cent and the deposits of the English joint-stock banks by 16 per cent.

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But the loans and advances of the Clearing Banks actually declined over the same period by some £23 millions. It is not only in war-time that a declining demand for bank advances is in evidence; it is a trend of some standing. Nor is the phenomenon confined to this country. It can be observed even more strikingly in the United States.

It appears, then, that the banks' holdings of gilt-edged securities are rising, both absolutely and relatively, while their advances are falling, relatively for some time past and now absolutely. These two phenomena are not, of course, independent of each other; one is the cause of the other. Traditional banking practice might lead to the assumption that it is the fall in advances that causes the rise in investments. But this can hardly be accepted. The banks have not bought investments because they could find nothing else to do with their resources—or, rather, this has only been the last link in the chain of causation. The real impelling force has been the decision of public policy that they must buy investments—first of all to push interest rates down, and subsequently to provide funds for war expenditure. It is much nearer the truth to say that the rise in investments has been the cause of the falling demand for advances. When the banking system creates credit at the instance of the authorities, the created credit lodges somewhere. Somebody holds the increased bank deposits. That "somebody" is, in very large measure, the industrialist, the merchant, the business firm which would otherwise have had to ask for accommodation. The creation of credit makes the business world more liquid and enables it to meet its own requirements of working capital.

This fact—for such it seems to be—leads to some interesting reflections on the effects of an increase in the quantity of money available to the public. According to the accepted doctrines, of almost any school, the public is said to have fairly definite views about the quantity of money it chooses to hold. Monetary theory is—or was—largely built up on the concept of a stable relationship between the national income and the quantity of money, or on the alternative concept of a velocity of circulation of money which might, indeed, vary from good years to bad, but tended always to come back to its norm. If the public was presented with increased quantities of money, then sooner or later it would discover that it was holding too much relatively to its income; it would spend the excess, and prices would be driven up until the desired relationship was restored between income and money holdings. Hence all the prophecies that the present creation of credit, if it is not causing inflation at present, will surely do so later. Hence, also, the desire to collect savings in funded form and the belief that they cannot safely be left in cash.

But what actually happens appears to be very different. The following figures compare the totals of deposits of the English and Scottish joint-stock banks with Mr. Colin Clark's estimates of net national income at market prices:—

	Net National Income at Market Prices (per annum) (1)	Total of Deposits (2)	Col. (2) as % of Col. (1)
	(£ millions)	(£ millions)	%
1894-1903	1,666	682	40.9
1904-10	1,940	795	41.0
1911-13	2,241	896	40.0
1924-29	4,274	2,115	49.5
1930-34	4,050	2,259	55.8
1935-38	4,805	2,599	54.1

Before the last war, there appears to have been a very stable relationship. But in the period 1924-29, when the war-time changes had been absorbed, the ratio had altered. Had the public been determined, as before the war, to hold no more than 40 per cent of its income in money, either some £400 millions of bank credit would have had to be destroyed, or else prices would have been pushed up until the national income was nearly a quarter higher. Similarly, in the period 1930-34, when the national income was shrinking and credit was (in the later years of the period) being deliberately expanded, the public appeared to be willing to accept a substantially larger volume of liquid cash. Even in the years of rapid recovery after 1935, the ratio hardly fell.

This pattern of behaviour seems to be so persistent and so well established (it could be illustrated even more clearly from American figures) that its continuance after the present war may perhaps be assumed. The credit now being and shortly to be created, that is to say, will not be used to finance a rise in prices and a consequent rise in the money national income (or, at least, not all of it will be so used). The public will passively accept it as a permanent addition to its cash holdings. And one of the consequences will be that business will have even less necessity to have recourse to the banking system for its working capital. The demand for advances will continue to decline.

If this forecast is correct, then the banks are not passing through a period of temporary abnormality, but are undergoing a permanent change of character. The original conception of a bank was of an institution that collected the savings of the public and used them to finance the short-term capital needs of industry and commerce. The description has long been partially, and is now very largely, inaccurate. On the liabilities side of their balance-sheets, British

and American banks do not nowadays so much collect the savings of the public as hold its current cash. (To the extent that deposits have come into existence as the result of deliberate credit creation, it is particularly misleading to think of them as savings.) On the assets side, the banks are increasingly becoming not so much providers of short-term capital to business as providers of long-term funds for the Government.

This change in their functions, now likely to be carried much further, will, of course, have considerable repercussions on the banks' structure and operations. One alternative course of action would be for the banks to seek means of investing their resources in long-term capital for industry, which would raise, of course, very difficult and dangerous questions of liquidity and solvency. In any case, it is probable that the banks will have to change their ideas of how they earn their expenses and profits. When over half their assets were lent out as advances, and a large part of the remainder invested in securities and bills yielding anything up to 5 per cent, it was perfectly natural for the assets to carry the whole cost of the business and leave something over for the payment of interest on deposits. But if the assets are to be predominantly in Government paper and earning an average of, say, 2 per cent, this will no longer be a possibility. It may be necessary to recognise in practice that the current account depositor is not nowadays doing the bank a service in depositing his money so much as accepting from the bank the service of handling his current funds. It may be necessary to secure, by a gradual transition, that the liabilities, rather than the assets, carry the costs of the business. And that may conceivably lead to the further conclusion that those costs have been allowed, in the recent decades of lavish expansion, to rise to a higher level than can be permanently justified.

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As at 30th June, 1941:—General Bank Balances ... £130,752,179

Savings Bank Balances ... 150,553,565

Note Issue Department ... 77,144,518

Rural Credits Department ... 2,389,454

Other items ... 19,795,546

£380,635,262

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(1940 Accounts)

Finance and Banking

Circulation Creeping Up

The banks have again been preoccupied this week with the tasks of effecting substantial transfers of tax money and of adjusting their cash position accordingly. They have in consequence been poor buyers of bills from the market, and in the early part of the week the special buyer had to come to the assistance of the market by way of purchases of March maturities. The supply of these in the hands of the market must now be running dry. Bank cash has been further affected this week by continuing heavy applications for Tax Reserve Certificates, though in this case the impact of the resulting payments has probably been countered by corresponding encashments of Treasury Deposit Receipts. Another influence on the credit situation has been the continued expansion in the note circulation. For the week to last Wednesday this amounted to £3,113,000, carrying the outstanding volume of notes to within £2,000,000 of the high record reached at the end of the year and reducing the amount of unissued notes in reserve to £30,717,000. The effect of this and of an addition of £2,858,000 in Public deposits is seen in a reduction of £5,454,000 in bankers' deposits at the Bank of England.

* * *

Bank Investments over £1,000,000,000

The clearing bank returns for January mark another milestone in the rise of bank investments. They have crossed the £1,000,000,000 mark. At their new level of £1,007,747,000 they are £9,109,000 up on the December 31st figures and some £408,000,000 higher than at the outbreak of the war. Last month's further expansion in investments derives special significance from the fact that it occurred within a considerably contracted volume of bank credit. Deposits show a fall of £107,353,000 compared with December 31st totals. Of this figure £28,328,000 is accounted for by a decline in cheques in course of collection and transit items—a normal movement after their inflation over the turn of the year—and the true fall in deposits therefore amounts to £79,025,000. This is a seasonal movement connected with heavier tax payments and consequent repayment of floating debt by the Government. On this occasion, however, the seasonal trend has been accentuated

COMBINED STATEMENT OF LONDON CLEARING BANKS
(In £ millions)

	Jan. 1941	Sept. 1941	Oct. 1941	Nov. 1941	Dec. 1941	Jan. 1942
Capital and reserves	140.2	140.2	140.2	140.2	140.3	140.3
Acceptances, etc.	105.6	101.5	104.2	108.6	111.1	106.9
Notes in circulation	1.4	1.4	1.5	1.5	1.5	1.5
Current, deposit and other accounts	2,756.5	3,114.5	3,175.5	3,208.2	3,329.1	3,221.8
Total liabilities	3,003.7	3,357.6	3,421.4	3,458.5	3,582.0	3,470.5
Cash	279.1	330.0	328.2	331.7	365.9	330.2
Items in transit	111.8	112.7	114.8	119.3	162.0	133.7
Money at call	130.6	134.0	131.9	128.5	141.3	117.6
Discounts	269.2	315.1	269.9	245.7	171.1	157.0
Treasury deposit receipts	340.5	531.0	595.5	651.0	758.0	738.5
Investments	789.2	939.3	985.9	998.7	998.6	1,007.7
Loans and Advances	909.5	826.2	823.2	809.3	806.7	811.8
Investments in affiliated banks	23.7	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	150.1	145.5	148.2	152.5	154.6	150.2
Total assets	3,003.7	3,357.6	3,421.4	3,458.5	3,582.0	3,470.5

by applications for Tax Reserve Certificates on the part of the banks' customers. These have eaten into deposits and, as was suggested by the last National Debt return, the payments for these Tax Certificates have to a large extent been financed by the banks through recalling Treasury deposit receipts. Since the TDR's are only £19,500,000 down as compared with the December 31st balance-sheets, and since it is known that the maturities for the month of January exceeded payments by some £75,000,000, it is evident that a considerable part of the recalling of these deposits must have occurred towards the end of the month and after the banks' individual statements were made up (their dates vary between January 20th and 29th). On this reasoning the impact of Tax Reserve Certificate subscriptions on deposits and TDR's should be even more apparent in the February statements. Last month's withdrawals of deposits were

wholly balanced by letting liquid assets run off. Apart from a contraction of £35,743,000 in the basis of bank cash from the abnormal level to which it had been swollen at the end of 1941, short loans were recalled to the extent of £23,734,000, bills ran off by £14,039,000, and Treasury deposits, as already stated, fell by £19,500,000. The exceptionally low figure of £117,582,000, to which short loans have been reduced, has not been equalled since 1934, and provides interesting commentary on the exceptionally difficult conditions experienced in the money market during the final days of January. Equally significant is the fall in the bill portfolio to £157,041,000, a figure not equalled since the beginning of the publication of monthly clearing bank returns after the last war. In contrast with this general decline in liquid assets, advances made a slight recovery last month, from £806,718,000 to £811,767,000, probably a seasonal movement connected with temporary bank assistance in meeting customers' heavy tax payments. The liquidity ratio has thus suffered somewhat, the proportion of quick assets to net deposits (deposits less items in transit, etc.), falling from 45.3 on December 31st to 43.5 per cent in January.

* * *

Floating Debt Policy

Events of the past few weeks in the London money market have revealed some friction in the smooth functioning of the machine. The banks have felt the customary seasonal impact of tax payments, which on this occasion has been severe in itself and moreover accentuated by the heavy initial subscriptions for Tax Reserve Certificates. In addition, with the Warships Weeks campaign slowly working up to its climax, they are naturally keeping exceptionally liquid. In meeting calls on their cash and preparing for further stringency between now and the end of the financial year, the banks have been refraining from all but the most selective and hesitant buying of bills from the market. By the January making-up period the banks' bill holding had fallen to about one-fifth of their Treasury Deposit Receipts. The point has been reached at which for some weeks past the discount market has found the true outlet for bills with the official agent of the Bank of England rather than with the clearing banks. It is evident that the combination of the Treasury's floating debt policy and the predilection of the banks for TDR's as opposed to bills has led to a position in which the banks' endeavours to maintain their cash ratio in times of exceptional movements of funds must involve disturbingly heavy proportional changes in their short loans and bill portfolio. These two items are still the truly elastic element in the assets structure and to subject them to the considerable deflation that has occurred over the past six weeks reacts harshly on the money market. Treasury Deposit Receipts are not a comparably elastic instrument. They can only be encashed without penalty in exchange for subscriptions to one of the Government's new issues and such an exchange will aggravate and not cure a taut cash position. A bank can stop buying bills or recall loans from the market, but it can hardly refuse to pay over its part of the quota of Treasury Deposits asked in any week by the Treasury. In the circumstances, it is certainly a defect in the traditional mechanism of credit control that the volume of Treasury Deposit Receipts should have come to represent so overwhelming a proportion of the banks' quick assets. Perhaps the intention of the authorities and of the banks may be to change the traditional mechanism and substitute for it more direct permanent relationships between the central bank and the clearing banks. The position will repay careful watching from this angle.

* * *

AEF Expenditure in Britain

The arrival of United States troops in Ulster has already raised a number of interesting exchange problems for which, however, experience with the Canadian forces has provided some precedents. As in the case of the Canadian troops in this country, the Americans will be paid in sterling at the official rate of exchange. The necessary arrangements have been made by the respective Paymasters. But since there is as yet no hint of exchange control in the United States, there will be no obstacle to American soldiers here receiving remittances in dollars from relatives and friends in the United States. Already Ulster has seen some of the

dollar pocket money which the troops brought over with them. The fear that the expenditure of such dollars may feed a black market in dollar bills and that the American soldiers may find it possible to obtain in some such market a better rate of exchange for their dollars than that provided for them by their own paymaster organisations need not be taken too seriously. If any such market shows signs of developing, the authorities on this side will know how to nip it in the bud.

Life Assurance New Business

Following successive heavy reductions in 1939 and 1940, sums assured by new life policies in 1941 displayed a marked recovery. The 1941 figure represents an increase of 20 per cent on that for the previous year, although it remains nearly 40 per cent below the pre-war (1938) level. A wide range of fluctuations in the experience of individual offices is covered by the all-over expansion. It is noteworthy, especially, that the industrial-cum-ordinary offices, with a combined increase of 35 per cent, fared well by comparison with the purely ordinary offices, which had a combined increase of only 10 per cent. This phenomenon was also a feature of the two previous years, and is largely due to the higher levels of wages and earnings. But the

trend has not been uniform among the offices in the two groups, and it is clear that other influences have been at work. One factor is the varying treatment of the war risk on civilian lives. The majority of offices include this risk at an additional premium, but a few cover it without extra charge, and—at the other extreme—there are some which decline to accept it at all. Again, a number of offices have endeavoured to attract a share of "patriotic" saving by offering endowment policies under which the sums assured are payable in savings bonds in lieu of cash. And one or two offices owe their large totals in substantial measure to the encouragement given to new "group" assurances. Behind these differences of policy lies a fundamental divergence of outlook on the desirability of transacting a large volume of new business at the present time, with the net interest yield on new investments less than 2 per cent, and the future trend unpredictable. Until the rate of return improves, new policies written on the without-profit plan must necessarily be unremunerative, and for this reason many offices consider it wise to progress slowly. From the point of view of existing participating policyholders, there is much to be said for this attitude, since any loss on new assurances will in most cases involve a reduction in the profits available for distribution at the next bonus valuation.

NEW ORDINARY LIFE ASSURANCES

(in £'000's)

Office	1940	1941	Rise or Fall	Office	1940	1941	Rise or Fall	Office	1940	1941	Rise or Fall
Alliance	1,226	1,115*	- 111	Guardian	824	809	- 15	Prudential	18,902	22,400*	+ 3,498
Atlas	2,026	1,925	- 101	Law Union & Rock	1,411	1,384	- 27	Refuge	4,873	6,192*	+ 1,319
Britannic	2,099	4,143	+ 2,044	Legal & General	9,629	10,000*	+ 371	Royal	2,981	3,161*	+ 180
Caledonian	628	958	+ 330	Life Assoc. of Scotland	838	587	- 251	Royal Exchange	2,221	2,718	+ 497
Clerical, Medical & General	786	1,020	+ 234	Liverpool & London & Globe	1,391	1,331*	- 60	Scottish Amicable	928	546	- 382
Colonial Mutual	1,554	1,963	+ 409	Liverpool Victoria	1,700	2,067	+ 367	Scottish Life	697	566	- 131
Commercial Union	2,899	3,811	+ 912	London Assurance	1,435	1,100*	- 335	Scottish Provident	1,402	1,069	- 333
Confederation Life	1,056	1,369	+ 313	London & Scottish	713	562	- 151	Scottish Temperance	615	587	- 28
Co-operative	1,570	2,582	+ 1,012	Mutual Property	618	640	+ 22	Scottish Union & National	474	610	+ 136
Eagle Star	7,644	12,320	+ 4,676	Nat. Mutual of London	414	505	+ 91	Scottish Widows	2,368	2,229	- 139
Equitable	854	775*	- 79	North Brit. & Mercantile	1,965	1,945	- 20	U.K. Provident	2,616	1,914	- 702
Equity & Law	597	552	- 45	Northern	706	802*	+ 96	Wesleyan & General	528	1,059	+ 531
Friends' Prov. & Century	1,360	1,928	+ 568	Norwich Union	6,791	6,650*	- 141				
General Life	788	1,127	+ 339	Pearl	5,786	9,525	+ 3,739	Totals	101,500	121,105	+ 19,605
Gresham	962	1,200*	+ 238								

* Approximate.

Investment

Reaction Continues

The combination of financial influences with the news of continued retreat at Singapore, and in Libya, has led to a further modest falling off in Stock Exchange turnover, and with it a sagging in prices. If the market reaction to the events of the past few weeks differs at all from that of previous occasions, when considerable reverses have been experienced in the field, it is that the decline in business, at least as judged by total bargains marked, has been less than might be expected. This is due in part to seasonal realisations, but it is evident that the bulk of these have been promptly taken up, for industrial equities, although weak, are not appreciably below the December minimum. Another factor of some importance is the large size of tax collections this year despite the scaling down due to the spreading out of wage and salary payments, and the relatively modest Government disbursements, a combination of events which has led to some contraction of the supply of money in the hands of many institutions and some individuals. There has, of course, been the usual seasonal decline in short term borrowing, but this does not release money for longer term investment. Heavy tax payments will, of course, continue for some time to come, but normal supply disbursements should increase, while there are tens of millions to be paid out under the India vesting order on and after March 2nd, and a similar amount for Canadian stocks three weeks later. This month and next are to witness an impressive series of Warships Weeks, which are doubtless calculated to absorb some of these vesting monies. That they will take all is, however, impossible and it is reasonable to look for some improvement in market conditions next month provided there is no countervailing influence. The outlook for equities in general continues, however, to be none too cheerful. Every week makes it more abundantly clear that the standard of life in this country as regards food, clothing and services

is higher than is consonant with total war. There is great unwillingness in high places to curtail any of these, but further restrictions must come and they will bring lower profits for a substantial portion of manufacturing and distributive trades. Against this, there is some reason to hope that concerns engaged mainly on war work will succeed in maintaining profits, after tax, at or near 1941 levels. But nothing better can be expected. This seems to mean a decline in the general level of industrial equities, unless there is a further fall in the rate of interest sufficient to offset the smaller net return. Recovery, when it comes, should, therefore, be at the fixed interest end of the scale, but it is not excluded that it will also affect shares which have suffered a heavy fall and which will be bought for long term capital appreciation.

* * *

Chain Stores out of Favour

One of the major movements among British equities in the past two or three weeks has been the marked weakness of chain-store prices. The fall, which, it will be seen from the following table, is fairly severe, has not affected chain stores dealing principally in foodstuffs, nor has it touched more than very lightly the big stores of London and the provinces, so far as these are represented. It appears to have been initiated by the cut in the Woolworth payment, and to have been accentuated by the results of Boots Pure Drug, but there is a tendency to see in it a reflection of fears as to possible ill-effects, for this type of enterprise, of the extension of concentration to retail trading. Actual results so far announced are in line with what should have been expected from the progressive limitation of public spending. And, when it is remembered that further cuts seem inevitable, it is scarcely necessary to look further to justify prices which, at their new lows, still give yields well within

Industry and Trade

Fuel Economy

The facts that oil has to be imported and that restrictions have been imposed on its consumption have encouraged the view among many consumers that it is in the national interest to change over to domestic fuel wherever possible. True, ships to bring oil to this country are scarce; but coal-miners are also scarce, as is the labour and materials required to convert oil-burning plant to installations using domestic coal and its derivatives. Apart from emphasising the need for strict economy in the use of all fuels, wartime economy must ensure that supplies of all kinds of fuel are used in the most advantageous proportions, given existing installations. Indeed, any large-scale change-over from oil to coal would be uneconomic in present conditions. Accordingly, the Board of Trade has now decided to control plant conversions more effectively. In a statement issued to industrial consumers this week, the Board of Trade announced that no conversions must take place except on the advice of the Government departments concerned. In the case of a consumer executing contracts for one of the Supply departments, he must consult the Ministry concerned which, when necessary, will approach the department of the Board of Trade responsible for the type of fuel to which conversion is contemplated. Other consumers must apply directly to the authority concerned. These are: the Mines Department for coal, the Petroleum Department for liquid fuel, the Directorate of Gas Supply for gas, and the Electricity Commission for electricity. In the case of coal, the approach must be made through the Divisional Coal Officers and in the case of electricity through the local supply undertakings. The Government is also making an effort to increase the use of pitch, of which substantial quantities are still available. These measures suggest that at least in one respect the Government is now taking a broader view of the implications of a wartime fuel policy. Meanwhile, the basic petrol ration for private motorists has been cut by one-sixth for the three-monthly periods ended next April and June.

Rise in Unemployment

The smooth downward trend of the unemployment curve has been broken for the first time since October, 1940. For January 12th, a rise is recorded in the number of unemployed on the registers of employment exchanges in Great Britain. The total rise from December 8th is small, amounting only to 6,494 persons, the total number unemployed being 194,484. There were 170,862 persons wholly unemployed, compared with 165,224 on December 8th. Of these, 87,943 were men, 12,272 were boys, 56,101 women and 14,546 girls. The corresponding numbers on December 8th were 84,235, 8,105, 62,058 and 10,823. In the category of "temporarily stopped," only among men were there substantial rises, the number being 7,214 against 4,356; the figure for boys rose by four to 74. There were 7,047 women and 401 girls temporarily stopped on January 12th, against 7,957 and 878 on December 8th. Fewer persons normally in casual employment were unemployed: 8,946 men, 5 boys and 299 women, against 9,506, 17 and 346 respectively in December. There were no girls in this category in either month. The increases in the number of men wholly and temporarily unemployed were mainly due to severe weather conditions which restricted outdoor employment on the day the count of unemployed was taken. The increases in the number of boys and girls recorded as unemployed was largely due to the registration of school-leavers at the end of December. The rises occurred in the London, Eastern, Midlands and Northern areas.

Road Transport After the War

Early last month the railway companies decided to appoint a Commission charged with the task of enquiring how the efficiency of the undertakings can be improved by schemes of post-war reconstruction or reorganisation. A com-

mittee with a similar task in so far as road transport is concerned, and including representatives of haulage contractors, ancillary users and passenger vehicle operators, was set up last month by Associated Road Operators, one of the trade organisations of the industry. But, in contrast to the railways which collaborate in matters of general policy, the road transport industry has no well-knit central organisation that can speak for the industry as a whole. There are, indeed, a number of organisations, including, apart from the Associated Road Operators, the Standing Joint Committee, the Commercial Motor Users' Association, the National Road Transport Employers' Federation, and others. Attempts to organise the industry as a whole have so far been unsuccessful.

Activity at the Shop Counter

The downward trend in the average daily value of retail sales, as recorded by the Bank of England, continued last December when they were 4.6 per cent smaller than in the corresponding month of 1940. Food sales, as the accompanying table shows, were only slightly down on the year, but the fall in the turnover in other merchandise was again proportionately much more marked. Had it not been for a substantial increase in the sales of the piece-goods and furnishing departments, amounting to 16.7 per cent and 28.7 per cent respectively, the fall in non-food sales would have been considerably bigger. One of the reasons for the

PERCENTAGE CHANGES IN RETAIL SALES FROM PRECEDING YEAR			
	Food and Perishables	Other Merchandise	
1940 November	- 0.3	+ 1.3	
December	+ 0.8	- 6.7	
1941 January	+ 5.8	- 8.8	
February	+ 3.5	+ 1.8	
March	- 2.1	- 2.1	
April	+ 0.9	+ 2.9	
May	- 4.3	- 2.4	
June	- 3.1	+ 6.8	
July	- 6.7	- 15.9	
August	- 1.9	- 10.8	
September	- 0.8	- 8.2	
October	+ 0.2	- 23.5	
November	- 0.4	- 2.3	
December	- 1.9	- 7.4	

increase in the sales of piece-goods and furnishing materials is the fact that they contain many items that are not yet rationed on a per head basis. But since their manufacture is limited by restrictions on raw material supplies and by quotas, and as old stocks are running down, the increase cannot be maintained indefinitely. During January-December, 1941, average daily retail sales were 3.8 per cent lower in value than during the first eleven months of the preceding retail season, when, in turn, they were 3.6 per cent higher than in 1939. Food sales showed a reduction of 1.6 per cent and turnover in other goods one of 6.9 per cent. If prices can be effectively controlled, the fall in the value of non-food sales may be more marked this year than last.

Value of Non-Food Retail Sales

The Second Interim Report of the Retail Trade Committee, discussed on page 212, contains an interesting statement showing the value of retail sales in the main categories, other than food and drink, in 1939, including repairs. While the Committee set out in detail the reduction in new supplies brought about by restrictive measures, it did not attempt to estimate the aggregate value of turnover in 1941 or in the current year. In view of the absence of data concerning stocks, and because of the difficulty in forecasting the movement of prices, an estimate for 1942 is fraught with difficulties; but even an approximation would have been useful. As is shown in the preceding Note, the average daily value of non-food sales in February-December, 1941, as recorded by the Bank of England, was only 6.9 per cent smaller than during the corresponding eleven months in

1940; moreover, since turnover in February-December, 1940, was 5.1 per cent higher than during the corresponding period in 1939, the value of non-food sales last year was almost as high as two years earlier. The Bank of England

ESTIMATED VALUE OF SALES IN 1939

	£ millions	% of Total
Clothing —		
Women's, girls' and infants' wear and dress materials	240	20.0
Men's and boys' wear	140	11.7
Boots and shoes	85	7.1
Total All Clothing	465	38.8
Other Articles —		
Furniture, household textiles and hardware	225	18.8
Tobacco and cigarettes	180	15.0
Books, newspapers, periodicals and stationery	120	10.0
Drugs, perfumery, photographic and optical goods	50	4.2
Sports and travel goods	40	3.3
Household stores	40	3.3
Miscellaneous articles	80	6.6
All other articles	735	61.2
Total Sales	1,200	100.0

returns are derived mainly from the larger undertakings, and their experience is not necessarily a guide to the movement of sales in the small shops, which considerably exceed the former in number, though not in turnover.

Retail Prices in 1941

Both *The Economist* and the Board of Trade's indices indicate that the rise in the wholesale prices of basic materials was comparatively small in the past year; the one recorded a rise of 7.5 per cent between December, 1940, and December, 1941, and the other, which is more comprehensive, one of 4.9 per cent. According to the Board of Trade's calculations, the wholesale prices of food and tobacco rose by 4.2 per cent, against 22.4 per cent in 1940, and those of other industrial materials and manufactures advanced by 5.3 per cent, compared with 21.0 per cent in the preceding year. The comparatively small rise in the wholesale prices of basic materials has assisted the Government in its policy of stabilising retail prices. The Ministry of Labour's index of the cost of living for January 1, 1942, was only 2 per cent higher than a year earlier. Changes in the component indices are shown below:—

INDEX OF THE COST OF LIVING (July, 1914=100)

	Jan. 1st, 1941	Jan. 1st, 1942	% Change
Food	172	163	- 5.2
Rent	164	164	...
Clothing	330	400	+ 21.2
Fuel and light	223	230	+ 3.1
Other items	222	233	+ 5.0
All items	196	200	2.0

The increase in the price of clothing has been substantial, but the difficulty of price control should be lessened by the introduction of the utility clothing scheme and the price regulations attached to it. The sharp rise in clothing prices and the smaller advances in those of fuel and light, and of miscellaneous items, has been partly offset by the 5.2 per cent decline in the index of food prices (changes in the prices of the commodities included in the index are shown on page 239), which probably involved an increase in the subsidies paid by the Government.

Nickel

Statistical information on nickel has become scarce since the outbreak of war, but in a recent report on the industry, Mr Robert C. Stanley, President of the International Nickel Company of Canada, stated that production last year was running far beyond anything experienced in the past. According to the United States Bureau of Mines, the highest world output of nickel before the war was reached

in 1937, when 120,100 metric tons, or twice as much as in 1929, was produced. Of this total no less than 102,015 tons were produced in Canada and 11,600 tons in French New Caledonia. Since then both countries have raised their output. According to information published in the United States, New Caledonia (now a part of Free France) produced 17,500 tons of nickel in 1940, and probably a still larger tonnage in 1941. In Canada, the International Nickel Company is engaged in the execution of a new expansion scheme, aimed at raising its capacity by another 25,000 tons a year. Moreover, the Falconbridge Nickel Mines, Ltd., the only other Canadian producer, has apparently made good the loss of its smelting plant in Norway. Outside the two chief producing countries, no important developments appear to have taken place since the outbreak of war. Brazil is preparing an extension of its production in Minas Geraes and Goyas, but so far shipments have remained insignificant. The Petsamo deposit in Finland is approaching the production stage; the installations have been repaired, and Swedish reports recently stated that small quantities of ore derived from development work have been shipped to Germany. In Greece, which produced 1,336 tons in 1939, the Germans are endeavouring to raise production, but the possibilities of expansion are limited by the smallness of the deposits. Burma, which produces some nickel speiss as a by-product from lead-zinc mining in the north of the country, has had difficulties in disposing of its output, which formerly went to Germany. While the Allies control almost the entire world output of nickel, the Axis countries are extremely short of supplies. The United States introduced priority regulations for nickel in March, 1941, and the Ministry of Supply has been controlling its distribution by a licensing system since the beginning of this year. Government control of the use of nickel, together with the expanding output in the two chief producing countries, should ensure adequate supplies for the Allied munitions industries.

Departmental Replies to Criticism

The forty-first Report from the Select Committee on National Expenditure, issued last week, is concerned with the Departmental action and comment in respect of ten of the reports submitted by the Committee. It covers a wide range of subjects, including civil defence, labour in the aircraft industry, conditions at ports, the allocation of manpower in the Army, coal, shipbuilding and repairs. Departmental comment suggests that some of the information secured by the Committee was not entirely accurate, and that some of its recommendations are impracticable. In its twentieth Report the Committee suggested further investigation of the design and speed of merchant ships and closer consultation between the Admiralty, the Ministry of War Transport, and the Classification Societies; the Admiralty, in its reply, took the view that present arrangements were satisfactory, and that complaints concerning the speed of ships had proved to be unfounded when put to the test in individual cases. Moreover, the adoption of the Committee's suggestions in the twenty-fourth report that valuable economies in fuel might be secured if it were found practicable to close down home broadcasting at an earlier hour, and that substantial relief to the demands on electric power stations could be given by the suppression of the news broadcast at 8 a.m., does not appear to be justified in the light of the facts. If broadcasting stopped at just over 0.5 per cent of the total consumption during the five winter months from November to March. The news bulletins at 8 a.m. and at midnight are outside the peak demand for electricity, and their discontinuance would have no perceptible effect on fuel consumption. But many of the Committee's suggestions have undoubtedly been of value; even if they have not been original, they have probably tended to speed up improvements and the correction of defects.

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

COMPANY MEETINGS

GENERAL MORTGAGE BANK OF PALESTINE, LIMITED

POSITION STRENGTHENED

The twentieth annual general meeting of the General Mortgage Bank of Palestine, Limited, was held, on 8th instant, in the Bank's office at Tel-Aviv.

Mr S. Hoofien, MBE (the chairman), in putting the directors' report and accounts for the year 1941 before the meeting, said that although, naturally, under prevailing circumstances, new business was not to be expected, results had still been most satisfactory. Arrears were lower than last year, and whatever small enemy activity there had been had caused only insignificant losses to the Bank's borrowers, and only in one case was there a small loss to the Bank. He was glad to be able to say on this occasion that in the 20 years of the Bank's existence no loss had ever been sustained through any forced sale.

There had been a liberal allocation to the contingencies fund, and after making provision for arrears of interest it had been found possible to add a further sum of £15,000 to the reserve fund, which now stood at £115,000. A final dividend of 4½ per cent. on the ordinary shares and 3½ per cent. on the preference shares was proposed, thus bringing up the total dividends on these two classes to 7½ per cent. and 6½ per cent. respectively.

The time had come, the chairman stated, to look forward into the future, and to formulate plans satisfying post-war housing needs. By the time new building activity would be possible the current needs of at least five years would have accumulated, quite apart from the needs of such immigration as would then again have to be expected. While in the past housing was considered by the local administration to be the private business of each and every individual, one might hope, Mr Hoofien continued, that the magnitude and urgency of the problem as it would present itself soon after the war would open the administrators' eyes to the necessity of possessing a public policy in the matter. Popular housing would call for finance under conditions more generous than the Bank which had to find its means in the ordinary market would be able to grant. There would, however, remain a wide field for ordinary private building which would give the Bank extensive business opportunities.

The report and accounts were unanimously adopted.

JUTE INDUSTRIES, LIMITED

TAXATION AFFECTS PROFITS

The twenty-first annual general meeting of shareholders of Jute Industries, Limited, will be held in the board room of the Association of Jute Spinners and Manufacturers, 5, Cowgate, Dundee, on Monday, 16th February.

The following is the statement by the chairman (Mr J. Ernest Cox) which was circulated with the report and accounts:—

As you will remember, it was my practice in pre-war days to make a full and comprehensive statement on the accounts, cover-

ing the salient features of the preceding year, and an attempt to forecast the probable trend of business in the succeeding twelve months. To do so under present circumstances would be unwise for reasons which will, I feel sure, be obvious to all.

The reduction in profit is occasioned by the increase in the rate of excess profits tax and income tax, and, in addition, the heavy cost of War Damage Insurance.

In place of charging to revenue the whole of the difference between book value and proceeds of machinery disposed of during the year, as has been our custom, your directors have thought it right to charge the appropriate amount for depreciation to reserve for depreciation and obsolescence, and a sum of £7,714 has accordingly been debited to that account.

It has not yet been possible to adjust with the Inland Revenue Authorities our capital or profit standard for EPT purposes, but we are advised that the provisions we have made are sufficient.

During the year £20,000 was invested in 2½ per cent. National War Bonds as a contribution to the war effort.

With this short explanation, I would ask shareholders to accept the report and accounts as presented to them without further comment.

The business of the meeting, to be held in Dundee, will be purely formal.

WANDSWORTH AND DISTRICT GAS COMPANY

The annual meeting of the Wandsworth and District Gas Company was held, on the 10th instant, on the company's premises at Wandsworth.

Mr Frank H. Jones, MInstCE (chairman and managing director), presided, and first referred to the loss which the company had sustained through the death the previous night of Mr R. M. Chart, who had been a member of the board of the old Mitcham and Wimbledon Company and had joined the Wandsworth Company in 1912.

Continuing, he said that the proprietors would be aware that details and figures regarding the company's operations during the past year might not be published or disclosed. Proprietors could be assured, however, that in view of the prevailing circumstances the results were as good as could be expected, and the directors recommend the payment of a final dividend of 2 per cent., making 4 per cent. for the year. The company had carried out its obligations in the supply of gas in its very large area, and had done so consistently throughout the year.

As regarded the working of the company, the works and district had been properly maintained and, subject to certain restrictions, they were carrying on. They had brought a lot of women into the company, both in the office and in the works. The office had gone on well, and thanks were due to the whole of the staff for their efficient and untiring work during the year.

The payment of the dividends was approved.

The chairman proposed a vote of thanks to the staff, and Mr G. F. Page, JP, seconded the vote, which was unanimously approved. A vote of thanks to the chairman and directors concluded the meeting.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: All dealings are for cash

In view of the Japanese assault against Singapore, the markets failed to maintain the slight improvement registered at the close of the previous week. As usual, however, the principal effect was the withdrawal of buyers and some precautionary marking down of prices. Quiet conditions prevailed in the gilt-edged market both before and after the week-end, but as the news from Singapore worsened, slight selling occurred. Local Loans and both Consol issues losing ½ on Tuesday, while other issues were generally quoted ½ lower. The advance in Brazilian issues in the foreign bond market was attributed to small sinking fund pur-

chases and the improvement in the exchange position. Chilean bonds failed to hold the previous Friday's gains on Monday, when Mexican issues also eased slightly. Peruvian Corporation stocks were offered the following day, when among European issues, the Czech 8 per cent loan improved ½ point. External events militated against business in the home rail market, where, in the early part of the week, junior issues suffered small losses, the decline extending to many preference issues on Tuesday, when losses in the latter were restricted to ½ point. The submission of a memorandum to the Argentine Government by the railway companies served only to underline the difficulties of the companies, and in common with other sections, the foreign rail market displayed some weakness. Elsewhere, Canadian Pacific stocks weakened in the early part of the week, the ordinary

issue losing ½ on Monday and a further ½ the next day. In midweek the feature was the weakness of Australian shares on dividend limitation, the implications of which are still obscure.

The downward trend of prices was particularly marked in the industrial market. Brewery shares were generally lower on small realisations, with many losses up to 1s. The aircraft and motor group started the week on a steady note, but on Tuesday declines were general. Rolls-Royce and De Havilland falling ½ among other smaller losses, Raleigh Cycle Holdings, however, gained the same amount. Heavy industrial issues were generally easier, but losses were slight apart from a decline of ½ for Indian Iron on Tuesday. The stores group was

(Continued on page 239)

Finance

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Public Depts.	Bank of England	
1941				
Feb. 8	845-0	Not available		
Nov. 1	975-0	" "		
" 8	975-0	" "		
" 15	975-0	" "		
" 22	975-0	" "		
" 29	975-0	128-9	26-2	723-0
Dec. 6	975-0	Not available		
" 13	975-0	" "		
" 20	975-0	" "		
" 31	2547-0	186-3	66-0	811-5
Jan. 10	975-0	Not available		
" 17	970-0	" "		
" 24	969-0	" "		
" 31	945-0	191-0	9-2	764-5
Feb. 7	930-0	Not available		

GOVERNMENT RETURNS

For the week ended Feb. 7, 1942, total ordinary revenue was £92,801,000, against ordinary expenditure of £97,606,000, and issues to sinking funds of £155,000. Thus, including sinking fund allocations of £8,826,701, the deficit accrued since April 1st is £2,351,386,000 against £2,115,847,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1, 1940, to Feb. 8, 1941	April 1, 1941, to Feb. 7, 1942	Week ended Feb. 8, 1942	Week ended Feb. 7, 1941
ORDINARY REVENUE					
Income Tax	756,000	371,226	564,096	37,531	53,959
Sur-tax	80,000	53,478	54,927	5,400	5,460
Estate, etc.	82,000	65,907	75,648	1,267	2,147
Duties	14,000	11,318	11,013	1,120	1,200
Stamps	210,000	20,032	18,154	630	410
N.D.C.	54,742	209,204	2,400	5,747	
E.P.T.	1,000	609	477	70	10
Other Inld. Rev.					
Total Inld. Rev.	1143000	577,312	933,519	47,298	67,853
Excise	310,700	260,713	310,726	7,009	10,279
Customs	266,600	172,300	286,700	1,745	11,900
Total Customs & Excise	577,300	433,013	597,426	8,754	22,179
Motor Duties	39,000	37,079	36,790	719	954
P.O. (Net Receipts)	3,300	9,250	11,850	1,300	850
Crown Lands	1,100	980	830	...	...
Receipts from Sundry Loans	2,600	1,090	3,009	...	...
Miscell. Receipts	20,000	24,072	70,455	50	965
Total Ord. Rev.	1786360	1082796	1653879	58,121	92,801
SELF-BALANCING P.O. & BRIDGING	99,346	75,600	86,850	1,500	1,650
Total	1885706	1158396	1740729	59,621	94,451

Expenditure	Estimate, 1941-42	April 1, 1940, to Feb. 8, 1941	April 1, 1941, to Feb. 7, 1942	Week ended Feb. 8, 1942	Week ended Feb. 7, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	218,692	227,157	1,078	3,854
Payments to N. Ireland	9,200	7,343	6,988	498	544
Other Cons. Fnd. Serv.	7,800	7,018	7,402	...	...
Total	272,000	233,053	241,547	1,576	4,398
Supply Services	443,497	295,680	375,481	81,032	93,208
Total Ord. Exp.	470,697	319,033	399,648	82,608	97,606
SELF-BALANCING P.O. & BRIDGING	99,346	75,600	86,850	1,500	1,650
Total	480,043	326,633	406,498	84,108	99,256

After increasing Exchequer balances by £255,945 to £3,357,076, the other operations for the week (no longer shown separately) raised the gross National Debt by £10,964,533 to about £13,714 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	200
Defence Loans Acts	5,750
Overseas Trade Guarantees	25
Total	5,975
NET RECEIPTS (£ thousands)	
Title Act	227

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Feb. 6th and Feb. 13th. (Figures in brackets are par of exchange.)

United States	\$ (4-88) 4-02-03; mail transfers 4-02-03
Canada	\$ (4-88) 4-43-47; mail transfers 4-43-47
Switzerland	Francs (25-22) 17-30-40
Sweden	Krona (18-169) 16-85-95
Argentina	Peso (11-45) 16-95-17-13; mail transfers 16-95-17-15
South Africa	Rand (12-11) 7-58-62; mail transfers 7-58-64
Portugal	Escudos (110) 99-60-100-20
Panama	\$ 4-02-04 mail transfers

Fixed Rates for Payment at Bank of England for clearing offices.—Spain, Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey, Piastres (110) 920. Italy, 71-25 lire.

Market Rates.—The following rates remained unchanged between Feb. 7th and Feb. 13th.

Egypt, Piastres (97) 97-1. India, Rupee (184 per rupee) 17-18-18. Singapore, Feb. 7-10, 27-11-28-11. Feb. 11, 27-11-28-11. Belgian Congo, Francs 176-1-2. China, National \$ 21-3-11.

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States, 3 cents pm.-par. Canada, 1 cent pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 bre pm.-par. Dutch East Indies, 11 cents pm.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Feb. 6th and Feb. 13th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months,

BANK OF ENGLAND RETURNS

FEBRUARY 11, 1942

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt...	11,015,100
In Circul. ...	749,524,528	
In Bank, Department...	30,717,047	
Other Govt. Securities ...	767,139,984	
Other Secs. ...	1,832,637	
Silver Coin ...	12,219	
Amt. of Fid. Issue ...	780,000,000	
Gold Coin & Bullion (at 168s. per oz. fine) ...	241,575	
	780,241,575	

BANKING DEPARTMENT

Props. Capital	Govt. Secs. ...	148,182,838
Rest. ...	Other Secs. ...	
Public Depts. ...	Advances ...	6,663,592
Other Depts. ...	Securities ...	29,415,825
Bankers ...	Notes ...	30,717,047
Other Accts. ...	Gold & Silver Coin ...	405,297
		208,721,007

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

COMPARATIVE ANALYSIS

(£ millions)

	1941	1942
	Feb. 12	Jan. 28
Issue Dept.:		
Notes in circulation	602-0	742-4
Notes in banking department	28-2	37-8
Government debt and securities	626-8	778-1
Other securities	3-2	1-9
Silver Coin	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00
Deposits:		
Public	23-9	10-2
Bankers	110-6	145-4
Others	55-2	57-4
Total	189-7	213-0
Banking Dept. Secs.:		
Government	154-9	156-9
Discount, etc.	3-7	8-2
Other	19-8	27-7
Total	178-4	192-8
Banking depart. res.	29-4	38-2
" Proportion "	15-4	17-9

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £730 millions to £780 millions on December 3, 1941.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
Feb. 5	23½	23½
" 6	23½	23½
" 7	23½	23½
" 8	23½	23½
" 9	23½	23½
" 10	23½	23½
" 11	23½	23½

1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%. Day-to-day money, 1½%; Feb. 7 & 9, 1½%. Short Loans, 1½%. Bank deposit rates 1%. Discount deposit at call 1%; at notice 1%.

NEW YORK EXCHANGE RATES

New York on	Feb. 5	Feb. 6	Feb. 7	Feb. 9	Feb. 10	Feb. 11
Cables	Cents	Cents	Cents	Cents	Cents	Cents
London	403½	403½	403½	403½	403½	403½
Montreal	88-310-88	88-250-88	88-250-88	88-250-88	88-250-88	88-250-88
Zurich	23-30	23-30	23-30	23-30	23-30	23-30
B. Aires	23-65	23-65	23-65	23-65	23-65	23-65
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan 1 to	
	Feb. 7, 1941	Feb. 14, 1942	Feb. 7, 1941	Feb. 14, 1942
Working days:	6	6	33	32
Birmingham	2,631	3,018	14,510	16,688
Bradford	1,855	2,108	12,224	12,382
Bristol	2,237	2,584	10,589	12,379
Hull	768	879	4,250	4,991
Leeds	973	2,729	6,935	9,067
Leicester	839	1,100	5,196	5,377
Liverpool	5,679	6,757	31,507	27,295
Manchester	13,416	16,807	69,340	74,414
Newcastle	1,551	1,917	8,741	9,423
Nottingham	691	670	3,241	3,122
Sheffield	917	1,479	5,461	6,782
Southampton	121	155	572	721
12 Towns	31,678	40,203	170,564	182,641
Dublin*	5,826	9,282	33,246	39,990

* Feb. 1, 1941, and Jan. 31, 1942.

OVERSEAS BANK RETURNS

SOUTH AFRICAN RESERVE BANK
Million £'s

	Jan. 3, 1941		Dec. 5, 1941		Dec. 19, 1941	
	1941	1941	1941	1941	1941	1941
ASSETS						
Gold coin and bullion	42.81	45.75	45.34	45.08		
Bills discounted	0.77	0.33	0.33	0.35		
Invest. and other assets	33.11	59.40	60.76	61.41		
LIABILITIES						
Notes in circulation	24.14	27.57	26.98	27.75		
Deposits: Government	2.48	18.88	18.88	18.43		
Bankers'	4.69	46.49	48.20	48.00		
Others	4.92	8.03	7.75	8.18		
Reserve ratio	56.3%	45.4%	44.8%	44.3%		

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

	Feb. 6, 1941		Jan. 29, 1942		Feb. 4, 1942	
	1941	1942	1942	1942	1942	1942
12 U.S.F.R. BANKS						
Resources						
Gold certifs. on hand and due from Treasury	19,904	20,523	20,522	20,522		
Total reserves	20,264	20,890	20,906	20,883		
Total cash reserves	351	353	371	350		
Total U.S. Govt. secs.	2,184	2,250	2,243	2,243		
Total bills and secs.	2,194	2,263	2,256	2,256		
Total resources	23,295	24,400	24,275	24,268		
LIABILITIES						
F.R. notes in circ.	5,906	8,199	8,230	8,352		
Excess m.r. bank res.	6,310	3,580	3,480	3,330		
Mr. bank res. dep.	13,842	13,145	13,075	12,849		
Govt. deposits	692	284	302	376		
Total deposits	16,318	14,816	14,756	14,592		
Total liabilities	23,295	24,400	24,275	24,268		
Reserve ratio	91.2%	90.7%	90.9%	91.0%		
BANKS AND TREASURY						
Resources						
Monetary gold stock	22,122	22,750	22,744	22,738		
Treasury & bank currency	3,099	3,255	3,256	3,259		
LIABILITIES						
Money in circulation	8,627	11,077	11,097	11,231		
Treasury cash and dep.	2,904	2,498	2,498	2,577		

NATIONAL BANK OF ROUMANIA
Million lei

	Nov. 2, 1940		Oct. 4, 1941		Oct. 11, 1941		Oct. 18, 1941	
	1940	1941	1941	1941	1941	1941	1941	1941
ASSETS								
Gold and gold exchange	32,039	33,716	33,797	33,797				
Foreign exchange	1,151	18,734	18,599	18,971				
Commercial bills	20,395	24,995	25,113	25,552				
Treasury bills issued agst.								
Losses on credits	4,409	4,081	4,081	4,081				
Advances on secs.	5,771	6,147	6,195	6,117				
State debt	3,566	3,548	3,548	3,548				
Secs. and Participations	2,585	4,554	4,554	4,554				
LIABILITIES								
Notes in circulation	63,530	90,176	90,772	90,705				
Other sight liabilities	14,291	28,419	28,166	28,656				
Long-term liabilities	2,980	1,957	1,940	1,964				

BANK OF CANADA
Million Can. \$

	Jan. 8, 1941		Dec. 24, 1941		Jan. 7, 1942	
	1941	1941	1941	1941	1942	1942
ASSETS						
Reserve: Gold	52.7	189.5	200.9	225.3		
Other	574.0	603.0	608.8	571.1		
LIABILITIES						
Note circulation	354.3	496.0	496.0	490.2		
Deposits: Dom. Govt.	35.3	64.5	73.8	93.4		
Chartered banks	227.1	222.7	232.0	200.4		

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

PRAGUE NATIONAL BANK
Million crowns

	Dec. 15, 1940		Nov. 30, 1941		Dec. 15, 1941	
	1940	1941	1941	1941	1941	1941
ASSETS						
Gold	1,447	1,513	1,513	1,512		
Foreign exchange	756	791	791	790		
Other cash	1,340	430	393	451		
Bills and securities	31	840	840	840		
Advances	7,190	11,593	11,165	12,458		
Other assets						
LIABILITIES						
Note circulation	6,264	8,515	8,628	8,713		
Cash certificates	981	2,048	2,029	1,988		
Clearing deposits	1,655	2,627	2,023	3,283		
Other liabilities	1,323	1,434	1,478	1,516		

REICHSBANK Million reichsmarks

	Nov. 30, 1940		Nov. 30, 1941		Nov. 22, 1941	
	1940	1941	1941	1941	1941	1941
ASSETS						
Gold and foreign currencies	78	77	77	77		
Bills and cheques	13,531	18,241	17,689	18,899		
Reichsbank notes	200	270	301	276		
Advances	26	13	15	24		
Secs. for note cover	51	23	55	58		
Other assets	1,870	1,756	1,917	2,011		
LIABILITIES						
Notes in circulation	13,198	17,127	16,645	17,793		
Daily maturing liabilities	1,706	2,319	2,399	2,431		
Other liabilities	637	565	583	631		

EXCHANGE RATES (Monthly Tables)

AUSTRALIA AND NEW ZEALAND

T.T.	London on Australia and N.Z.*				Australia and N.Z. on London			
	Buying		Selling		Buying		Selling	
	Australia	N.Z.	Australia	N.Z.	Australia	N.Z.	Australia	N.Z.
Sight	126 1/2	126 1/2	126 1/2	126 1/2	125 1/2	124 1/2	125 1/2	124 1/2
30 days	127 1/2	127 1/2	127 1/2	127 1/2	124 1/2	123 1/2	125 1/2	124 1/2
60 days	127 1/2	127 1/2	127 1/2	127 1/2	124 1/2	123 1/2	125 1/2	124 1/2
90 days	128 1/2	128 1/2	127 1/2	127 1/2	123 1/2	122 1/2	n.q.	124 1/2

* All rates (Australia and N.Z.) now based on £100—London. † Plus postage.
 ‡ Via Durban and Singapore. By America/N.Z. Air Mail (Australia) Demand, 126 1/2; 30 days, 126 1/2; 60 days, 127 1/2; 90 days, 128 1/2. (N.Z.) Demand, 125 1/2; 30 days, 126 1/2; 60 days, 126 1/2; 90 days, 127 1/2 (plus postage).

SOUTH AFRICA

Buying rates in London for T.T.s and bills on South Africa are (per £100 sterling) £101 for T.T.; £101 1/2 (sight); £102 1/2 (30 days); £102 3/4 (60 days); £102 3/4 (90 days). For Rhodesia the corresponding rates are £100 1/2, £101 1/2, £101 3/4, £101 3/4 and £102 1/2. Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100 1/2 for South Africa and £99 1/2 for Rhodesia.

CENTRAL AND SOUTH AMERICA

The following rates, issued by Bank of London and South America, are related to U.S. \$; approximate sterling rates can be calculated from £-£ rate.
 Colombia * Open market sight selling rate 175.50 pesos per 100 U.S. \$ on Jan. 5th.

Ecuador * Official sight selling rate 15.00 sucres per U.S. \$ on Jan. 2nd.
 Guatemala * Sight selling rate maintained since Jan. 1, 1941, at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.
 Nicaragua * Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5.54¢ cordobas per U.S. \$ (incl. 10 per cent tax).
 El Salvador * Sight selling rate New York was 2.50¢ colones per \$ on Jan. 3rd.
 Venezuela * Sight selling rate New York 3.35 bolivares per U.S. \$ on Nov. 24, 1941 free market 3.93 bolivares per dollar.
 * Official exchange controls are operative in these countries.

OVERSEAS BANK RATES

	Changed		From		To		Changed		From		To	
Amsterdam	June 28	41	3	2 1/2	July 15	35	5	2 1/2	July 15	35	5	2 1/2
Athens	July 29	41	6	5	May 12	40	4 1/2	3 1/2	May 12	40	4 1/2	3 1/2
Batavia	Jan. 14	37	4	3	Mar. 17	41	2	1 1/2	Mar. 17	41	2	1 1/2
Belgrade	Feb. 1	35	6 1/2	5	June 2	41	3 1/2	4 1/2	June 2	41	3 1/2	4 1/2
Berlin	April 9	40	4	3 1/2	Oct. 1	35	4	5 1/2	Oct. 1	35	4	5 1/2
Brussels	Jan. 25	40	2 1/2	3	Feb. 17	40	5	5 1/2	Feb. 17	40	5	5 1/2
Bucharest	Sept. 17	40	3 1/2	3	May 18	36	5	5 1/2	May 18	36	5	5 1/2
Budapest	Oct. 22	40	4	3	Sept. 16	40	6	3	Sept. 16	40	6	3
Calcutta	Nov. 28	35	3 1/2	4 1/2	May 29	41	3 1/2	1	May 29	41	3 1/2	1
Chile	June 13	35	5 1/2	6 1/2	Nov. 25	36	2	3 1/2	Nov. 25	36	2	3 1/2
Copenhagen	Oct. 15	40	4 1/2	4	Oct. 26	39	4	3	Oct. 26	39	4	3
Helsingfors	Dec. 3	34	4 1/2	4								
Kyoto	May 14	39	5	7								
Lisbon	Mar. 31	41	4 1/2	4								
N.Y. Fed. Res.	Aug. 26	37	1 1/2	1								

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

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted

JANUARY, 1942	Barclays Bank Ltd.	Coutts & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	Westminster Bank Ltd.	Williams Deacon's Bank Ltd.	Aggregate
Date	27th	26th	28th	20th	20th	28th	28th	27th	28th	29th	26th	
ASSETS												
Coin, Bank Notes and Balances with the Bank of England.....	£ 62,960	£ 3,169	£ 13,228	£ 5,697	£ 59,477	£ 16,890	£ 68,815	£ 4,192	£ 44,160	£ 45,488	£ 6,094	£ 330,170
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland.....	21,866	947	3,319	1,906	18,114	2,845	24,065	211	16,698	19,841	4,129	113,941
Items in Transit.....	17,257	2,119	5,536	3,357	16,949	5,110	19,501	5,664	20,431	19,206	6,406	117,562
Money at Call and Short Notice.....	38,481	1,593	4,396	1,059	25,069	9,071	30,025	1,055	31,351	13,743	1,198	157,041
Bills Discounted.....	150,500	3,500	30,500	9,000	141,000	27,000	157,000	103,000	103,000	146,139	20,169	1,007,747
Treasury Deposit Receipts.....	168,646	12,754	49,846	19,778	168,112	60,082	207,721	16,256	138,244	146,139	20,169	811,767
Investments.....	175,585	8,643	24,297	9,476	139,711	34,315	168,572	15,545	105,250	118,571	11,802	811,767
Advances to Customers and other A/c's.....	175,585	8,643	24,297	9,476	139,711	34,315	168,572	15,545	105,250	118,571	11,802	811,767
Liabilities of Customers for Acceptances, Endorsements, etc.....	12,722	1,028	3,402	3,952	21,119	9,243	14,856	239	12,327	26,334	1,701	106,923
Bank Premises Account.....	7,938	412	1,483	740	7,016	2,867	9,087	549	7,105	5,087	957	43,239
Investments in Affiliated Banks and Subsidiary Companies.....	6,212	...	...	...	3,780	...	8,302	...	2,514	2,993	...	23,801
	662,167	34,165	134,007	54,965	615,342	170,251	707,944	43,709	481,080	500,402	66,456	3,470,488
Ratio of Cash to Current, Deposit and other Accounts.....												
	10-12	10-18	10-61	11-60	10-46	11-02	10-34	10-65	9-80	9-99	9-85	10-25
LIABILITIES												
Capital Paid up.....	15,858	1,000	2,977	1,060	15,810	4,160	15,859	1,500	9,479	9,320	1,875	78,198
Reserve Fund.....	11,250	1,000	2,976	850	3,600	12,410	11,860	8,500	9,320	9,320	1,000	62,066
Current, Deposit and other Accounts.....	622,337	31,137	124,652	49,103	568,402	153,227	665,519	39,360	450,774	455,411	61,880	3,221,802
Acceptances, Endorsements, etc.....	12,722	1,028	3,402	3,952	21,119	9,243	14,856	239	12,327	26,334	1,701	106,923
Notes in Circulation.....	...	...	...	...	11	21	...	1,450	...	17	...	1,450
	662,167	34,165	134,007	54,965	615,342	170,251	707,944	43,709	481,080	500,402	66,456	3,470,488

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.												
Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Feb. 10, 1942	Yield, Feb. 10, 1942	Prices, Year 1942		Name of Security	Price, Feb. 10, 1942	Yield, Feb. 10, 1942	
High	Low	High	Low				High	Low				(a)
British Funds												
82½	76½	83½	82½	Consols 2½%	82½	82½	£ s. d.		Iron, Coal and Steel	45/7½	45/7½	
111½	110	112½	111½	Consols 4% (after 1957)	112	112	3 0 9	45/9	Babcock & Wilcox £1	48½	48½	
100	98½	100	99½	Consols 4½% 1943-45	110	110	3 11 5½	46/6	Bolton Colliery Ord. £1	27/9	27/9	
100½	98½	100½	99½	Conv. 2½% 1944-49	100½	100½	2 10 0	28/4½	Brown (John) Ord. 10/-	21/1	21/1	
103½	101½	103½	101½	Conv. 3% 1948-53	102	102	2 12 9	20/8½	Colvilles Ord. £1	20/7½	20/7½	
106½	102½	107½	106½	Conv. 3½% (after 1961)	107½	107½	3 5 6½	22/6	Dorman Long Ord. £1	22/3	22/3	
108½	104½	105½	105½	Conv. 5% 1944-64	105½	105½	2 1 6	27/9	Guest Keen & Co. Ord. £1	20/9	20/9	
95½	91½	95½	94½	Funding 2½% 1956-61	95	95	2 17 6	45/6	Hadfields Ord. 10/-	27/6	27/6	
100½	97½	100½	99½	Funding 2½% 1952-57	99½	99½	2 16 6	46/10½	Staveley Coal Ord. £1	45/-	45/-	
101½	98½	101½	99½	Funding 3% 1959-69	101	101	2 19 3	35/0½	Stewarts and Lloyds £1	46/3	46/3	
101½	98½	101½	99½	Funding 4% 1960-90	115½	115½	2 18 6	23/7½	Swan, Hunter & Co. Ltd.	34/4½	34/4½	
102	100	101½	100½	Nat. Def. 2½% 1944-48	101½	100½xd	2 5 6½	17/6	United Steel Ord. £1	22/6	22/6	
102	100	101½	100½	Nat. Def. 3% 1954-58	101	101	2 18 0	10/10½	Vickers Ord. £10/-	16/9	16/9	
100½	99½	100½	99½	War Bonds 2½% 1945-47	100½	100	2 10 0	8/-	Textiles			
100½	99½	100½	99½	War Bonds 2½% 1946-48	100	100	2 10 0	8/-	Bradford Dyes Ord. £1	10/1½	9/10½	
101½	100½	101½	100½	Savings Bds. 3% 1955-65	100½	100½	2 18 6	39/1½	British Celanese Ord. 10/-	7/1½	7/1½	
114½	110½	115½	113½	Victory Bonds 4%	113½	113½	2 0 6½	36/10½	Coats, J. & P. Ord. £1	37/6	37/6	
101½	100½	101½	100½	War Loan 3% 1955-59	101½	101½	2 18 6	26/3	Courtaulds Ord. £1	34/-	34/-	
106½	102½	105½	104½	War Loan 3½% aft. 1952	105½	105	3 7 6½	72/9	Lanes, Cotton Corp. £1	26/-	25/9	
95½	89½	97½	95½	Local Loans 3%	96½	96	3 2 6	73/9	Electrical Manufact.			
99½	93½	100½	99	Redemption 3% 1986-96	100	100	3 0 0	22/9	Callenders Cable, &c. £1	73/9	73/9	
102	100	101	101	Austria 3% 1953-55	101	101	2 17 10	40/6	Crompton Park, 'A' 5/-	22/6	22/6	
101½	96	101½	101½	India 3%	101½	101½	3 8 10	83/7½	English Electric Ord. £1	40/-	38/9xd	
Dom. & Col. Govts.												
105½	101	102	101	Australia 5% 1945-75	102	102	4 5 6	38/7½	General Electric Ord. £1	81/3	81/3	
106	100	102	100	New Zealand 5% 1946	101½	101½	4 11 6	29/-	County of London £1	38/1½	38/1½	
111	107½	109	108½	Nigeria 5% 1950-60	109	109	3 13 8	14/7½	Edmundsons Ord. £1	28/6	28/6	
Corporation Stocks												
108½	106	108½	107½	Birmingham 5% 1946-56	108	108	3 0 0	30/10½	Gas Light & Coke Ord. £1	14/-	14/-	
93½	84½	93½	93½	L.C.C. 5% 1946-56	95xd	95	3 2 0	40/3	North-East Electric £1	30/-	30/7½	
99	93	99½	99	Liverpool 3% 1954-64	99	99	3 2 0	40/3	Scottish Power Ord. £1	38/9	38/9	
106	100½	106	105	Middlesex 3½% 1957-62	106	106	3 1 0	17/3	Yorkshire Electric £1	39/4xd	39/4xd	
Foreign Governments												
99½	77	99½	97½	Argentina 4½% Stg. Bds.	98½	98½	4 11 5	11/4½	Austin 'A' Ord. 5/-	16/10½	16/10½	
48½	31	53½	46½	Brazil 5% Funding 1914	52	51	4 18 0	14/9	B.S.A. Ord. £1	20/9	20/9	
27½	11½	28½	24	Chile 6% (1929)	26	24½	4 2 5½	26/4½	Bristol Aeroplane 10/-	10/9	10/9	
84	71½	90½	84	Egypt United 4%	86	86	4 13 0	13/1½	Fairey Aviation Ord. 10/-	14/3	13/9	
73	58	74	70½	Japan 5% 1930	81	81	...	69/6	Ford Motors Ord. £1	26/-	26/-	
45	27	36	33½	Portuguese 3%	74	74	4 1 1	33/-	Hawker Siddeley 5/-	12/3	12/3	
				Spanish 4%	33½	33½	11 18 10	90/11½	Lucas (Joseph) Ord. £1	68/9	68/9	
									Morris Motors 5/- Ord.	31/3	31/3	
									Rolls-Royce Ord. £1	88/9	88/9	
Shipping												
									Cunard Ord. £1	14/3	15/-	
									Furness, Withy Ord. £1	24/-	24/-	
									P. & O. Def. £1	28/-	28/-	
									Royal Mail Lines Ord. £1	24/-	24/-	
									Tea and Rubber	18/9	18/6	
Railways												
101	94	101	94	B.A. Gt. Stn. Ord. Stk.	10	9½	£ s. d.	7/3	Allied Sumatra Rub. £1	6/3	6/-	
12½	10½	12½	10½	Can. Pacific Cons. \$25.	111	112	Nil	14/6	Anglo-Dutch of Java £1	13/1½	12/6	
46½	43½	46½	43½	Great Western Ord. Stk.	45	44½	8 19 10	32/-	Jokai (Assam) Tea £1	30/-	28/9	
111	108½	111	108½	L.N.E.R. 4½% Cons. Pref.	110½	110½	4 10 6	21/1	London Asiatic Rbr. 2/-	1/7½	1/5	
52½	49½	52½	49½	L.M.S. Ord. Stk. Pref.	52	51½	7 15 4	20/6	Rubber Ptns. Trust £1	19/4½	16/10½	
20	17½	20	17½	L.M.S. 4% Pref. 1923	53	52½	7 12 5	1/8	United Serdang Rbr. 2/-	1/5	1/4	
53½	50½	53½	50½	London Transport 'C' Stk.	40	40	7 10 0	53/9	Anglo-Iranian Ord. £1	48/9	45/7½	
17½	15½	17½	15½	Southern Def. Stock	16½	16	7 16 3	54/8½	Burmah Oil Ord. £1	45/-	44/4½	
65	62½	65	62½	Southern 5% Pref. Ord.	64½	64½	7 15 0	56/3½	Shell Transport Ord. £1	49/4½	46/3	
Banks and Discount												
70/-	67/6	70/-	67/6	Alexanders £2, £1 pd.	70/-	70/-	5 0 0	54/0½	Trinidad Leaseholds £1	67/6	65/7½xd	
379½	365	379½	365	Bank of Australasia £5.	374½	374½	5 8 0	54/9	Miscellaneous			
446½	432	446½	432	Bank of England Stock	444xd	444xd	3 3 8	40/7½	Assoc. P. Cement Ord. £1	52/6	52/6	
27/6	24/6	27/6	24/6	Bank of Montreal £10	25½	25½	4 0 6½	45/7½	42/6	42/6	42/6	
76/-	72/9	76/-	72/9	Bank of New Zealand £1	75/6	75/6	3 14 6	48/1½	Boots Pure Drug Ord. 5/-	36/3	32/6	
63/6	55	63/6	55	Barclays Bank 'B' £1	61	61	8 6 8	68/6	British Aluminium £1	45/7½	45/7½	
59/6	55	59/6	55	Chartered of India £5	55	55	9 8 8	22/9	Brit.-Amer. Tobacco £1	81/3	76/3	
73/6	69	73/6	69	Hongkong and S. £125.	73	73	4 14 0	115/-	British Oxygen Ord. £1	68/1½	68/1½	
87/6	81/6	87/6	81/6	Lloyds 'A' £5, £1 paid	86/6	86/6	4 14 0	115/-	British Plaster Board 5/-	21/10½	21/10½	
67/6	61	67/6	61	Midland £1, fully paid	66/6	66/6	4 11 0	15/1½	Cable & Wire Hdg. Stk.	68½	69½	
46½	44½	46½	44½	Nat. Dis. £2½, fully paid	46½	46½	4 11 0	15/1½	Carreras 'A' Ord. £1	115/-	115/-	
50/-	47/-	50/-	47/-	Nat. Prov. £5, £1 paid	46½	46½	4 11 0	15/1½	Dunlop Rubber Ord. £1	29/-	28/6	
82/3	78/9	82/3	78/9	Imperial Chemical Ord. £1	81/-	81/-	4 2 0	63/6	Elec. & Mus. Ind. 10/-	14/3	14/3	
Insurance												
24½	23½	24½	23½	Alliance £1, fully paid.	24½	24½	3 14 0	40/6	Gestetner (D.) 5/-	23/9	23/9	
12½	11½	12½	11½	Atlas £5, £1 paid.	12½	12½	4 4 0	50/6	Harrisons & Cros. Def. £1	62/6	60/-	
86/3	82/6	86/3	82/6	Gen. Acctd. £1, 5/- paid	85½	82/6	4 4 0	50/6	Imperial Chemical Ord. £1	33/-	33/-	
102	96	102	96	Lon. & Lancs. £5, £2 pd.	26½	26½	3 16 11	98/10	International Nickel n.p.	44½	44½	
14½	14	14½	14	Phoenix £1, fully paid.	15½	15½	2 11 9	22/-	Lever & Unilever Ord. £1	30/-	29/4½	
23½	22½	23½	22½	Prudential 'A' £1	23½	23½	2 2 6	65/3	London Brick Ord. £1	50/-	50/-	
8½	8	8½	8	Royal Exchange £1	8½	8½	4 0 0	86/6	Marks & Spencer 'A' 5/-	37/6	37/6	
8½	8	8½	8	Royal £1, 12/6 paid	8½	8½	4 0 0	86/6	Imperial Chemical Ord. £1	33/-	33/-	
132½	132½	132½	132½	Sun Life £1, fully paid.	6	6	4 11 9	73/1½	Pinchin Johnson Ord. 10/-	22/-	21/6	
Investment Trusts												
170	165½	170	165½	Debutante Cp. Ord. Stock	167½	167½	5 19 5	60/6	Spillers Ord. £1	63/9	63/9	
185	182½	185	182½	Investment Trst. Def. Stk.	180	180	6 2 3	46/3	Tate and Lyle Ord. £1	63/8	63/8	
152½	152½	152½	152½	Trusts Corp. Ord. Stock	152½	152½	6 11 2	42/6	Triplex Safety Glass 10/-	32/6	32/6	
199	197	199	197	U.S. Deb. Cp. Ord. Stock	197½	197½	5 1 3	41/1½	Tube Investments Ord. £1	85/7½	85/7½	
Breweries, &c.												
450/6	442/-	450/6	442/-	Bas. Jaffier Ord. £1	446/-	446/-	2 14 9	9½	Turner & Newall Ord. £1	72/6	71/3	
95/-	96/-	95/-	96/-	Courage & Co. Ord. £1	97/6	97/6	4 19 0	15½	United Molasses Ord. 6/8	32/6	31/3	
76/6	72/4½	76/6	72/4½	Distillers Co. Ord. £1	74/3	74/3	4 7 4	18½	Woolworth Ord. 5/-	53/9xd	53/9	
99/6	83/6	99/6	83/6	Guinness (Arthur) Ord.	87/6	87/6	6 3 9	7½	Ashanti Goldfields Ord. 4/-	43/6	43/1½	
29/6	24/-	29/6	24/-	Ind. & Co. Ord. £1	87/6	87/6	5 6 9	7½	Burma Corp. Ord. Rs. 9	5/-	5/-	
60/9	57/-	60/9	57/-	Watney Combe Def. £1	57/-	57/-	5 4 0	4½	Cons. Glds. of S. Af. £1	38/9	38/9	
Mines												
									De Beers (Def.) £24	8½	8½	
									Randfontein Ord. £1	1½	1½	
									Rhokona Corp. Ord. £1	8	8	
									Roan Antelope Cpr. 5/-	14/-	13/3	
									Sub Nigel Ord. 10/-	7	7	
									Union Cp. 12/6 fy. pd.	7½	7½	
									W. Witwatersrand 10/-	4½	4½	

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Allowance for exchange. (e) Annas per share. (f) Yield worked on average redemption—end 1960. (g) Based on redemption at par in 1946. (h) Yield on 1.55% basis. (i) Yield worked on a 2½ per cent. basis. (j) Free of Income Tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS.

Name	Weeks Ending	Gross Receipts for Week	Aggregate Gross Receipts
		1941	1941
B.A. and Pacific	31	11,740,000	41,908,000
B.A. Gt. Southern	32	12,027,000	43,250,000
B.A. Western	32	12,140,000	43,032,000
Canadian Pacific	6	4,507,000	27,012,000
Central Argentine	32	1,809,100	23,167,000
San Paulo (Brazil)	5	1,370,500	56,345,450
			151,750

† Receipts in Argentine pesos.

NEW YORK PRICES

Close	Close	Close	Close
Feb. 10	Feb. 10	Feb. 10	Feb. 10
1. Railroads	2. Utilities, etc.	3. Commercial	4. Industrial
Atlantic Coast	Amer. Tel. & Tel.	Am. Smelting	Int. Paper
Can. Pac.	Gen. Elec.	Am. Viscose	Liggett Myers
Gt. Nth. P.	Gen. Motors	Anaconda	Nat. Distillers
N.Y. Cent.	Gen. Mills	Beth. Steel	Nat. Steel
Pennsylvania	Goodyear	Briggs	Phelps Dodge
Southern	International	Celanese	Proct. Gamble
		Chrysler	Sears Roebuck
		Distillers-Scag.	Shell Union
		Eastman Kodak	Std. Oil N.J.
		Gen. Elec.	20th Cent. Fox
		Gen. Motors	United Drug
		Gen. Mills	U.S. Steel
		Int. Harv.	Westhouse El.
		Int. Nickel	Woolworth

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THE ECONOMIST

If he tried to resign his office, the nation would issue an Essential Work Order to keep him on the job. But there is more and more insistence that those things that are manifestly wrong should be put right.

What are these things that are manifestly wrong? First and foremost among them is the military conduct of the war, especially in so far as it concerns the Army. The British people have been wonderfully patient under the long string of disasters and disappointments. But they are getting very tired of always losing—and usually losing so badly. In the whole history of the war, the British Army has not a single success of any importance to its credit—unless it be the very Pyrrhic triumphs of Dunkirk or the very temporary gains in Libya. True, it has had a great deal of bad luck—but the good general does not have bad luck. True, it has been short of equipment—but production is now very large. True, shipping is scarce—but it could have been much less scarce if the imports of food had been reduced as drastically as the situation has demanded for several months past. And in any case, all of these excuses in combination do not explain what happened at Singapore. The dispatch from Batavia in Tuesday's *Times* was the most terrifying document that has appeared in print for many years. "Soft" troops, unenterprising commanders, outwitted strategists, an incompetent administration, an apathetic native population—these are not the signs of a gallant army betrayed only by bad luck; they sound uncomfortably like the dissolution of an Empire. In Libya, after the first brilliant attack, the British army appears to have exhausted its resourcefulness, while Rommel thrives on reverses. The War Office's comments on the Beveridge Report—discussed in a later article—reveal an almost incredible dilatory rigidity in the higher command.

The tale of evidence need not be counted further. It is enough to say that if this army is to win the war, it will be by virtue of sheer weight of equipment only—in 1944 or 1945, or later. Drastic reform is needed at every stage of the Army, to make an intelligent use of the citizens in the ranks, to select officers by something other than social status, and to bring new blood and fresh minds into the higher command. It is quite useless to say that a thorough house-cleaning in the Army cannot be carried out in the middle of a war. If it is not done, we may never emerge from the middle of the war.

It is not the armed forces alone that require the reformer's zeal. Nowhere in the world is a scorched earth policy more necessary than in Whitehall. With rare exceptions, the present process of government is one of interminable delays resulting in ridiculous compromises. The faculty of decision has been lost. The blame for the costivity of Whitehall cannot wholly be laid at the politicians' door. More than any one other thing, the system of committee government is probably responsible. Much of Lord Beaverbrook's effectiveness is due to the fact that he has no truck with committees and there would be a very great deal to be said for a rule that the responsibility for every decision, great and small, should be laid clearly on an individual, who must take responsibility both for the promptness and for the correctness of his decision.

It is this necessity for sharpening the responsibility of individuals that lends particular urgency to the composition of the Government—to the removal of the incompetent and to the promotion of men who can decide. The Prime Minister will be very unwise if he says anything more about scapegoats. He must surely realise that no one, anywhere down the line of authority, will feel strong enough to remove his incompetent subordinates until the example has been set at the top. The continued presence in the War Cabinet of men of less than the highest competence guarantees protection to incompetence in every corner of the Government machine. And as for the need to import men of decision, one needs only to look around at the enormous problems that are being allowed to drift. India has now become not the least urgent of these. It is really almost beyond belief that, with the Japanese in Burma, nothing can seemingly be done to break the paralysis that has overtaken British

policy. *The Economist* has never pretended that there are no difficulties attending the next step in India, or that the direction in which it should be taken was clear. But the next few weeks may be the last chance that British policy will have to contribute anything to the future of India.

These are gigantic problems that have been handled in a sentence or two—the efficiency of the army, the workings of the civil service, the composition of the Cabinet, the negotiation of a settlement in India. But can any man deny that they must all be tackled? And can any man assert that they are being tackled now? Indeed, it is the willingness or the ability to tackle gigantic problems gigantically that is most lacking and most needed. No progress will be made with the war until what is so inadequately called reconstruction—it would be better called regeneration—is not merely admitted to a place in the Government's programme but given the first priority. It is one of the most disheartening signs of official blindness that reconstruction is thought of entirely in terms of the future, as something that will be possible if the victory is first won. But the antithesis between present and future, between "during the war" and "after the war," is a wholly false one. Unless there is drastic regeneration in the present, there will be no future. As things are going now, there never will be a post-victory phase. For at the moment, Britain is losing the war. Hitler may be losing it too, Russia may be winning it and America may be preparing to win it—but Britain is losing it. It is true that the specific things that need to be done to win the war and the specific things that need to be done to win the peace are not the same. But the spirit and the men that are needed for the one can carry through the other. If regeneration for victory is seriously tackled, regeneration for peace will follow. If regeneration for peace is deferred and ignored, there will be no regeneration for victory. And the new and better Britain will come about almost by itself if we do what is now necessary to see that there is any Britain at all.

It is a base libel to represent Britain as a tired but dogged sexagenarian, with no prospect after successful defence save an honourable retirement. Both literally and symbolically, Britain is a man in the prime of life. The largest generation of Englishmen ever born is now just entering on its forties, and there are more men and women in this country to-day—more absolutely and relatively—in their thirties and forties than ever before. In every walk of life there are men and women of this generation who can lead the nation. They can be found in the forces and in the civil service. They are held back now by the habits of timidity and indecision, the fruit of the two conservative decades, that afflict those still in authority over them. If the Prime Minister can find means to release this generation—the generation that has produced the Nazi planners and the brilliant Soviet generals—he will be releasing the energies of England for a policy not of defence but of attack, on every front, spiritual and material.

In the circumstances, it is inevitable that the transformation of the Government into a real War Cabinet of men free and able to decide, which is now so clearly portending, should take the form more of excluding some individuals than of bringing in any new blood. Sir Stafford Cripps is the only newcomer whose inclusion suggests itself. For the rest, the team must necessarily be chosen from the successes of the present administration—from Mr Bevin (who has recovered in his second year much of the ground he lost in his first), Lord Beaverbrook (whose energy outweighs his defects), Mr Eden, Sir John Anderson, Mr Lyttelton. But the new Cabinet, whenever it is formed, will be wise if its members regard themselves largely as trustees for the new men who must be found to take their share in carrying the burdens of leadership. They will be wise, too, if they bear always in mind that Government reconstructions achieve nothing unless they lead to far wider reconstructions.

Mr Churchill has always claimed, with obvious sincerity, that he is the servant of Parliament and the people. If he now proves that claim he cannot but add to his present authority and his future renown.

Neutral Iberia

THE fact that the Iberian Peninsula is still out of the war has, on the whole, very little to do with the internal situation in Spain and Portugal. The fate of the two countries through the first two and a half years of the war has been decided in Berlin, not in Madrid or Lisbon, and their continued neutrality springs from the fact that on all calculations of interest made so far, Hitler has preferred to see them non-belligerent. The question is therefore whether at this turning point of the war the same arguments and the same balancing of advantage still hold good.

What would Hitler gain by the occupation of the Iberian Peninsula? If, as seems likely, the next stage in the war against Britain is to be a gigantic effort on the part of the Axis navies to destroy Britain's lines of communication, to break the link between America and these islands and between America and Britain and Russia, then there is some reason to suppose that control of Lisbon and of other bases along the Iberian coast, coupled with the occupation of the whole westward bulge of North Africa, would give the Germans new and advantageous bases from which to attack the Atlantic sea lanes and the supply line to the Persian Gulf. The economic advantages would be slighter. Germany already receives a very high percentage of Spanish exports and, according to arrangements reached in the autumn of last year, a yearly contingent of skilled Spanish workers from the mining, building and metal industries is to be sent to Germany to help make good the Reich's labour shortage. Economically, Spain is already in the "New Order" and it is doubtful whether actual occupation would do very much to increase output and speed up supplies to Germany.

There are, on the other hand, certain economic advantages to be secured in Portugal, whose trade has not been forced into a "New Order" framework. Portugal has continued to sell widely to North and South America and to Great Britain, and the Portuguese Government has had to engage in a diplomatic balancing act to keep the demands of the two sets of belligerents roughly equal. Cork goes to the United States and to Germany. Wine and sardines are shared between the belligerents and Germany; Britain and the United States all made arrangements last year to give Portugal enough tin-plate to secure the canning of the 1940 catch. Germany and Great Britain compete for rosin and turpentine. Olive oil goes to Brazil and Italy. The real battle, however, has been raging around the strategic minerals—tin and wolfram. The United States, Great Britain and Germany have bid

against each other, forcing the price up, with the result that the output of wolfram has increased from about 300 metric tons in 1937 to getting on for 1,000 tons in 1940, and over the same period the output of tin ore has risen from 1,763 to 2,329 metric tons.

Given these advantages and the undoubted simplicity of the military operation, it is perhaps surprising that the Nazis have untidily left a corner of Europe outside their formal "New Order"; but there are good reasons why Hitler should hesitate. First among them is probably the importance of Portugal as a link with the New World. The belligerency of so many American nations does not alter this factor: on the contrary, it rather enhances its significance. Paid agents from both North and South America can enter Europe and report to German headquarters more speedily and simply through the comparatively open port of Lisbon than by any other means. The place has become a great clearing house for international information, a centre of espionage and a meeting place where thousands of invaluable contacts can be developed or maintained. If the doorway were closed, this type of connection with the New World would cease—much to Germany's disadvantage.

This immunity does not apply to Spain, and if there were a German occupation of part of the Iberian Peninsula, it is perfectly conceivable that Portugal's neutrality would be "respected." But Spain has its own problems. At present the Germans are getting quite a lot of useful economic collaboration without incurring any economic responsibilities. Were they to occupy Spain, they would be taking charge of a country whose food problem is probably as serious as that of any other European country, except perhaps Greece. The 1941 wheat harvest of 31,445,000 tons, an increase of 45 per cent on the 1940 harvest, is still well over 10 million tons short of the pre-Civil War average. Bread is severely rationed, and although shipments of grain from the Argentine have slightly relieved the position, a large percentage of the Spanish people are desperately under-nourished.

The shortage of food-stuffs is having disastrous effects upon the Falange's attempt to build up a more stable economy on National-Syndicalist lines. Those who have any land or any property have been engaged in a wild scramble to defeat the price control regulations and to sell their precious foodstuffs at maximum prices in the country's teeming black markets. The poor, who are deprived of food by this disgraceful profiteering, remain sullenly opposed to the whole régime and refuse their co-operation in nearly all forms of civic life. In an attempt to modify this paralysing situation, the Spanish Govern-



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ment has gone so far as to introduce the death penalty for such offences as food hoarding, profiteering, cornering, black marketing and similar offences. The law came into force on November 1, 1941, and within a week the first two offenders had been shot.

This state of affairs directly affects the Germans' problem. Not only would they, in occupying the country, have to shoulder some of its economic problems, they would also have to count on the possibility of a strong reaction against their entry and a renewal of the chaotic conditions of the Civil War. The old struggle is not yet liquidated. There are still thousands of prisoners. From time to time, there is even sporadic fighting in the high Sierras. Control of German Europe is at this moment taxing to the full Germany's police power. It might well be straining it too far to add to it control of the haughty, rebellious, xenophobe and passionately resistant Spanish people.

To this problem is linked another, whether in fact the Germans could count upon the connivance, or at least the passivity, of the two Iberian Governments. In Portugal the problem would be one of simple physical powerlessness. It is reported that in the event of a German invasion of the Peninsula, Portugal would make no attempt to stand on her completely inadequate frontier defences, but the Government would retire to one of the Portuguese colonies or islands and rely upon the British Navy to preserve some measure of Portuguese independence. In Spain the position is different. There is no alliance with Britain. There is no sympathy with Britain: on the whole Great Britain and the United States represent all the things the Franco régime claims to be fighting against. The tone of the Spanish press is consistently and bitterly hostile. There is in Spain, too, a War Party in the shape of the extremist members of the Falange. These men take the view that a German victory is essential to the survival of Falangism in Spain. They do all in their power to stress the identity between National Syndicalism and National Socialism, and it is through them that fervent contact is maintained with Berlin. Their attitude was summed up by the Spanish Ambassador to Berlin, Count Mayalde, when he said last autumn, "We Spaniards stand by the side of Nazi Germany because we know that the profound transformation in the political economy and social order which the Falangist revolution is effecting in Spain cannot succeed without the definite triumph of German National Socialism."

Were these men in control of the Spanish state, then undoubtedly there would be little or no opposition to

the entry of German troops. But there is strong evidence that their views are not shared by General Franco. Governmental, as opposed to Party, control of the press has been tightened up in recent months and it is significant that Count Mayalde's statement was censored in *Alcazar* and *Informaciones* after the type had been set up, and the incident was followed by a press campaign to stress the independence of the Spanish revolution from any foreign ideology and from any possible outcome of the world struggle. The attitude of the Caudillo towards the world war appears to be that by fighting the Civil War and now perhaps by despatching between 15 and 20 thousand young Spaniards to the Russian Front, Spain has made all the contribution to the victory of the Axis which it can reasonably be called upon to make. It is now content to await the outcome of the struggle in confident expectation that its earlier efforts will not be forgotten when the time comes to divide up the spoils of victory.

This expectation is a final embarrassment in Germany's dealings with Spain. The Spaniards make no secret of what they expect—French Morocco. Such high officials as General Aranda have openly demanded the transfer of sovereignty, and the Spanish press has followed with extreme hostility such projects as the trans-Saharan railway, which, it claims, is calculated to bind Morocco still more closely to the French Empire. Nor has it escaped the attention of Spanish observers that Germany is providing much of the money and materials for this French venture. If Germany were to demand occupation, the use of air-fields and bases, or a joint attack upon Gibraltar, there is only one bribe that could conceivably tempt the more responsible Spanish elements and that is a definite guarantee of the future status of French Morocco; and as long as Vichy is useful to Hitler—and there is evidence that Vichy is very useful—it would be difficult for the Germans to give that pledge.

As with every other potential battle-front, the fate of the Iberian Peninsula depends upon the decisions that are being taken or have already been taken in Berlin this winter. The real deterrent might well be that by invading the Peninsula, the Nazis would make unavoidable a counter-invasion by the British and Americans of all Portugal's island bases and Spanish and Portuguese colonies in Africa. New bases such as these, well held and resolutely used, might counteract the very advantage—increased striking power at sea—which Hitler could hope to find in Iberia. But Hitler's reasons are not always those of his adversaries. It is impossible to be too vigilant.

Waste of Men

THERE is a limit to our manpower of all kinds, male and female; and the limit is very near. The Beveridge Committee which has just published its second report is not primarily concerned with the broad question of the total allocation of manpower between the factories and the fighting forces, nor even with the question of the widespread wasteful employment of young and able-bodied men in sedentary and non-combatant duties in the Services. Its specific concern is with "industrial misfits," with the use of men with rare skill in Service duties which do not require that skill; and it finds that the extent to which engineering skill is unused in the forces, above all in the Army, is "disturbing and surprising." It is only in its final paragraphs that the Report, published on Tuesday, touches the wider issue.

In order to obtain, without damaging repercussions, the skilled men they need, the Services must be economical, not only of skilled men, but of men without special skill, but of good physique. It is not justifiable in war for a fighting service to use fit men for clerical or menial work or for anything within the power of weaker men or women.

The Committee calls for a scrutiny of the use of all

manpower in the Services as "an indispensable measure of war."

The Army bears the brunt of the Committee's indictment. There are "few misfits" in the Navy. The Royal Air Force is not so free from misfits as the Navy; but "it has nothing comparable in scale to the misfits and misapplications that appear in some parts of the Army." The Army's task is not only harder, but much harder than that of the other two Services, but "our investigation has shown a continuing failure to use men of engineering skill." In interviews at various Army headquarters with men chosen from trade union and employers' lists—admittedly with the deliberate intention of bringing to light misfits and misuses—well over half of the men possessing "skill for which there is strong unsatisfied demand" were not being used at their trade. The headquarters interviews were supplemented by interviews at Army stations covering, this time, not a biased selection, but all or a fair sample of the engineers in each unit examined; nearly two-fifths were not being used as engineers. Four out of every five skilled men selected from the Royal Engineers for interviews at headquarters were not being used as skilled men; half

of those seen from the Royal Army Service Corps, the Royal Corps of Signals and the Royal Artillery were, apparently, being wasted.

The cases cited in the report are not, it is true, representative. But they are facts, and they make astonishing reading. An electrical instrument tester, mustered as an electrician, has spent nine months digging and cooking. Another man who served as an electrician in the Regular Army and then in a dockyard is used as an odd job man and gardener. Another, mustered as a coppersmith, has never at any time done any coppersmith's work in the Army. Another electrician "experiences difficulty in being allowed to go on a course while he is needed as batman." A sheet metal worker is "sweeping barracks." A fitter with garage, motor fitting shop and turbine experience is his unit's "sanitary man." Four men, all fitters, turners and erectors who served their time with the GWR, are graded and used as "learners." A tool fitter is employed as a bricklayer's labourer. The sample, it is true, was very small; but there is no reason to believe that it was not representative.

This is a heavy charge. Many of these misfits represent the "cream of industry." Every man of this type withdrawn from munitions work represents a blow to the war effort; and the Army is not making use of them. Some of them should never have been allowed by the Ministry of Labour to reach the Army. Under the German system, where a man's workbook is his industrial identity card as well as his passport into the forces, none of them would have been "lost." Territorials, reservists or not. But the proposal for a real National Register in this country was killed politically. There must be engineers in the Army to maintain the machines of war "continuously in action under all conditions," and the Army's requirements have been "substantially enlarged" since last summer. But after its inquiries, the Committee's view is that the reservoir of unused engineering skill already in the Army is larger than its requirements, except for the armament artificers. The problem is to comb out the Army itself.

The Army has been unfortunate in this war. In the field, the gallantry of its men and the fine improvisations of some of its commanders have been quite unable to outweigh its lack of equipment and preparation. Nor is it quite true to say that the Army has had upwards of two years to put its house in order. Dunkirk was a disastrous setback, and the months after June, 1940, were months of great danger and inevitable makeshifts. The Army has grown more than the other Services—and much more than the munitions industries; "its rate of growth has been subject to violent fluctuations"; and an industrial concern which had expanded as rapidly might well have had many glaring misfits. At the outset of the war, it took in Territorials with no reference to their industrial skill but only to their volunteering. And the machinery of transfer in the Army, which is not a centralised Service like the Navy and the RAF, but a combination of corps and units with "strong local associations or sectional traditions," is complicated. "The moral is that stronger steps are needed to deal with a more difficult problem"; and it is hard to escape the impression that both the attitude and the organisation of the Army have been seriously at fault.

The Army's attitude is illustrated by the apologia, appended to the Committee's report, which it has taken the War Office three and a half months to prepare. In the height of total war, it is a document which reflects nothing but discredit upon those responsible for it. The Committee made two main proposals; first, the enlistment of men, not into this or that corps, but into the Army as a single Service, to be received, examined and sorted at common centres, and only to be posted to their definite corps when it is clear that they are required and will be used; and, secondly, the establishment of a Corps of Mechanical Engineers, so that, as in the Navy, engineers may be set to "catch, test, train and use" engineers. To the first proposal, the War Office's considered reply is that enlistment for corps is a "major feature of pre-war army organisation" and "based upon feelings of

local sentiment and tradition"; "to attempt such a change at the present juncture might be dangerous." The second proposal, the setting-up of a Corps of Mechanical Engineers, is in the hands of a committee of three senior members of the War Office; it is doubted whether major changes in organisation can be undertaken during a war. The question of necessity, it seems, does not arise.

The problem is to waste no skill and waste no men. The Army wastes both. Its local and sectional organisation tends to place men in irrelevant pigeon-holes. It creates the very difficulties of selection, training, cross-posting and re-mustering which impede economy of manpower. Its outlook is parochial; commanding officers are reluctant to lose men for other duties; local facilities for trade testing and trade training are, not unnaturally, very limited, to say the best; there is "a general, almost pathetic ignorance" among the men about measures to assist them to re-muster. It is an old Army story. It takes an unconscionable time for reforms of any kind to be accepted at the top; and it takes even longer for them to percolate, as effective practice, to the bottom. Local commanders are too busy or disinclined to apply new-fangled notions; sometimes, they are just not interested. This applies to the effective use of women in the Services almost as much as to the proper use of skilled men. Often it applies to the bread-and-butter matters of board and lodging as well; and the Army's system of control and inspection from above is astonishingly ineffective. Nor is it simply a question of the diehard Regular as against the more open-minded officer recruited from business or industry. Diehard Regulars there are at every level of the hierarchy, stubborn and inflexible. But many of the most striking cases of local lack of adaptability have occurred in Territorial units, often raised *en bloc* by firms and business houses. The best commanders may well be the intelligent amateurs, but the worst are the unintelligent amateurs. It is a question of intelligence and, by and large, of youth, not of status. Russia's army leaders, for instance, are both young and intelligent. Efforts have been made, the Committee admits, to make better use of skilled men in the Army. Two Army Council Instructions of October, 1940, and March, 1941, set up machinery to test and re-muster them. But within the Army's present framework of organisation, and with the present attitude and capabilities of many of its officers and NCOs, even the best of intentions tend to run to waste in the sand. The Army seems constitutionally indisposed to learn new ways and oddly unable to get them put into practice when it has learned them.

The Beveridge Committee has put two specific projects of reorganisation forward; and apparently they have both been burked and shelved. But it remains imperatively true that

the first claim on the services of engineers is of that service or industry or organisation which can use their rare skill most fully for a national purpose. If one branch of the Army cannot use them, they must go to another that can, or be released to industry. Difficulties or not, the Army authorities must secure this somehow, or help to lose the war. It is, in the main, the marginal use of men that is bad, the specialised use of a small elite and the grafting on of technicians and women. The Army does depend on trained fighting men in the last resort, and with the more military aspects of the Army the Beveridge Committee is not concerned. Indeed, it could be argued that the particular defects now uncovered arise because the Army is too military. It cannot see the problem of a trained, equipped and maintained army and its industrial background as a single whole. Industrial considerations are regarded as irrelevant civilian fancies, separate and admitted grudgingly. But the problem goes deeper even than this. Primarily it is a problem not of engineers but of soldiers. It is a minority problem, because the core of the new mechanised Army is keen and able. But there is a crying need to comb out, not only those who are misfits because of their skill, their youth or their physical fitness, but also the incompetent, the intransigent, the apathetic and the stupid—to weed out wasters as well as waste, at every rank.

Dead Hand?

WHAT is wrong with the civil service? War necessarily increases the burdens resting on the executive machinery of government; it brings thousands of men and women, almost by definition selected from the most competent, into Government departments; and many thousands who are left outside have much more to do with the civil service than would normally be the case. There seems to be a fairly general agreement, shared even by some permanent civil servants and argued with intensity of feeling by nearly all the "temporaries," that something is wrong. What is it? And how can it be put right?

One thing at least is perfectly clear. The civil servant, especially of the higher grades, is quite exceptionally hard-working. The old days of leisure when the civil service, like the fountains in Trafalgar Square, "played from ten to four" went long before the war. For many years now, virtually all senior civil servants have been bearing a burden of toil and responsibility well above the average for the community; and for the past thirty months ordinary hard work has risen to a frenzy of unremitting devotion to the desk. In every Government department there are men who are killing themselves with work. Whether there is a proper economy of effort is another question—an upper limit to hours worked might be of advantage not merely for its effects on health but also as a means of compelling a distinction to be made between the more and the less important—but at least it must be said to the honour of the service that its diligence and its devotion are beyond praise.

The criticisms of the service tend to take two opposite and contradictory lines. Both, of course, concern the function of bureaucracy, and of individual civil servants, in the democratic state. But one school holds that the civil servant is playing too big a rôle, the other that he is playing too small a rôle. Lord Hewart with his phrase "The New Despotism" was one of the first champions of the former school, and though his objection was the somewhat professional one of a lawyer, there are others who have more recently joined him in accusing "the bureaucracy" of taking too much power. This was Lord Perry's thesis in a speech in the House of Lords some months ago and in a pamphlet subsequently issued*. Sir Roger Keyes's dark hints in the House of Commons about the "dead hand" in Whitehall, which exercised a power greater than the Prime Minister's, fall under the same head.

The second charge commonly levelled against the modern civil service is that it is inefficient; that so far from reaching out for more power, it is incapable of adequately performing its duties even on the present scale. It is claimed that the civil service practises a form of administrative 'canny'; that its members shirk responsibility as individuals; that they shelve vital decisions and employ their energies most effectively in inhibiting decisive action. Unlike the business man, who is said (on somewhat scanty evidence) to be energetic, shrewd and ruthless, the civil servant is pictured as a smooth-spoken clerk, procrastinating and timid.

Of these two charges, there can be no doubt which is the more telling. Most of those who have had intimate contact with the civil service would completely deny the truth of the first. Extension of the functions of Whitehall, both before and during the war, has taken place, often tardily, at the express behest of Parliament. The creation of a Ministry of Supply (an immense extension of bureau-reporting) and the generalisation of conscription, pro-

In order to get widespread support among the skilled men they need, members, were delayed until, not only of skilled men, but of good physique, their favour were those of for a fighting service to use fit to say that the work or for anything within the to the absence of an or women.

The Committee calls for a scrutiny. (No. 9 in the

adequate bureaucratic machine. The great growth in recent years of cartels and monopolies is largely due to the fact that the civil service, while seeing the necessity for some organisation of industry, shied away from the prospect of doing the job itself.

But if it is not true that, despite Lord Hewart's portentous warning, the civil service exhibits a dangerous lust for power, it is true that the bureaucratic machine is dangerously hampered by indecision and a tendency to play for safety. Confirmation of this can be obtained from the pages of a recent (and most readable and informative) study† of the senior civil service by one of its recently retired members, Mr. H. E. Dale. Mr. Dale is inclined to trace the deficiency to a decline in the quality of entrants into the service and especially in the quality of those who remain in it long enough to reach high rank. In peace time, the number of civil servants in a position to exercise real influence on policy is very small. Mr. Dale puts the total at no more than 550, including all professional civil servants from the rank of assistant secretary upwards, principal private secretaries to Ministers and specialist advisers. In reality, so great is the concentration of functions, that the number of those who really count is probably much smaller, perhaps hardly extending outside the 20 or 30 men at the top. These are the men who could, theoretically, exercise that supreme power feared by the critics of bureaucracy. Mr. Dale affirms that "they do many more things than forty or fifty years ago; but in reality they do no more without the authority of Parliament and Ministers." He suggests that the highest officials are now less able to get across their opinions and to bring effective influence to bear on the Government than they were at the close of the last century because of an impoverishment in personal qualities. And this, in its turn, he ascribes (to put it in words rather blunter than his own) to the fact that the civil service is no longer recruited so nearly exclusively from the type of man who was educated (and his father before him) at Eton and Christ Church.

It is tempting to dismiss this view with contempt, as unworthy of a democratic age—just as the famous statement that officer-material was to be found only among public schoolboys was rejected by an angry House of Commons. It ought not to be true in a democratic country; but, in fact, it is uncomfortably near the truth. The quantitative growth in secondary and university education has increased the competition in the civil service examination and doubtless excludes many public school boys who, forty years ago, would have passed into the service without difficulty. But the men from secondary schools, though they can beat the public schoolboy at an examination, often do not have the qualities of breadth of mind, of self-reliance and confidence that are needed at the top of the civil service or of any profession. What is infuriating about Mr Dale's book is not that he states this truth—for it is a truth, or very nearly so—but that he is so complacent about it. The reason he gives for the difference is the palpably false one that the secondary school boy is over-driven in youth and exhausted in middle age—instead of the real one that he grows up in an atmosphere of social inferiority and is never allowed—especially in Mr Dale's world of schools and ties and clubs—to forget it. And Mr Dale's remedy is, apparently, to restrict entry to the "right" type of man, instead of to set about removing the inferiority. He ignores the fact that the Foreign Office, which is still recruited on his principles, is not noticeably superior in efficiency.

This is the basic defect of the civil service. But it is also the basic defect of the whole of the British social structure, as at present constituted, and the remedy obviously cannot be sought within a purely service framework. There are, however, two further suggestions,

† "The Higher Civil Service of Great Britain." By H. E. Dale. Clarendon Press, 12s. 6d.

specific to the civil service, that can be made. The first is that there should be much more two-way movement between the civil service and the community it serves. Conditions have changed radically—not least in the scope and character of the functions of government—since Gladstone laid the foundations of the service. It is no longer true that an educated gentleman, trained since youth to the habit of administration, can deal with all the problems of state by inspired amateurism in a Trappist atmosphere. The problems are vastly larger and vastly more technical.

The border-line between policy and administration becomes, every year, harder to draw. More and more, Government is reaching out—and should reach out—into the intricacies of economic life. It cannot really be maintained that men taken into offices straight from the University can properly cope with problems such as these. In wartime, the civil service takes able and experienced men from wherever it can find them, and at any age. It should do the same in peacetime. And once in, they should not be kept behind locked doors. The precedent set by the Ministry of Labour in requiring its officers to have experience of Employment Exchanges might be followed in other departments. The aim should be for every civil servant of the administrative grade to serve a regular turn in the outside world. Without losing its qualities of integrity and judgment, the civil service must become more expert and practical.

The second suggestion relates to the organisation of the work of the service. At present, functions are concentrated, but responsibility is diffused. In each great depart-

ment of state, the pyramid still ascends to a single man at the top, and if the permanent head of a large department is to do no more than keep himself informed of what goes on, he must spend his whole time reading, with no opportunity to think or to plan or to exercise judgment. So overloaded is the senior civil service that even the most important matters can secure only a fraction of the attention of any official of high rank. On the other hand, an individual rarely, if ever, decides anything. All but the smallest matters are settled in committees, which means that they are first delayed and then compromised. For good administration in peacetime—and a hundred times more so in wartime—this state of affairs should be reversed. Functions should be specialised but responsibility concentrated. Each officer's task should be clearly defined and not too extensive; but within that field, the responsibility for reaching a decision—and the right decision—should be squarely on him. A committee—that is, a committee with powers of decision, as distinct from a purely consultative committee—should be taken as a confession of weakness.

It is perfectly evident that, for as far ahead as can be seen, the state is going to play a very large part in the national life. Before any elaborate structure of hopes can be built on state intervention, the nineteenth-century concepts on which the civil service is founded will have to be revised. Fortunately, there are many hundreds of men and women from all walks of life who now have intimate knowledge of the service and its ways. The task is to take advantage of their knowledge, to pool their criticisms and not to be afraid of reform.

NOTES OF THE WEEK

Writing on the Wall

Singapore has fallen—within a week of the first Japanese landing. Outclassed as much as outnumbered, the British forces were driven back from the coasts to the city and then surrounded. There was little or no military evacuation. The Japanese claim to have captured 60,000 men—15,000 British, 13,000 Australian and 32,000 Indians—as well as a lot of valuable war material. This stupendous failure, coming at the end of two months' uniformly unsuccessful campaigning, has left the British people dazed and shaken. How could things go so desperately wrong? Why was it impossible—after all the hopeful, backslapping statements of recent weeks—to hold out longer than a bare week? Singapore calls for a fundamental re-examination of the British position. There must be some certainty that the mistakes made in the Far East are not a universal feature of the British war effort. Every lesson must be ruthlessly learnt, every weakness repaired while there are still some bases upon which Britain's military power can rest. The faults in the Malayan campaign seem to fall into two categories, the errors and mistakes of the civilian administration and the ineptitudes of the military. On the civilian side, the fact that stands out above all others is the indifference with which the native peoples watched the struggle. Clearly the British Colonial system of planters and civil servants had struck no roots and roused no loyalty. In the hour of testing, it was proved that no bonds held together a community of interest and resistance. The Asiatics did not feel it was their war. Quite apart from the depressing effect of this on morale, it had serious economic consequences. The workers faded away from the war zone. Soldiers had to be diverted from fighting to do a labourer's job. The approach of immediate danger only increased the unwillingness of the native peoples to take any part in the war; defence at Singapore was crippled by this non-co-operation.

Against this background of native indifference and official incompetence, the military failures had all the more disastrous effect. There was from start to finish a shortage of material—the British campaign which is fully equipped has yet to be fought. But there was also faulty use of what equipment there was. The Japanese land, sea and air forces co-operated with mechanical precision. The British effort appeared to show all the weaknesses of dual or even triple control. There was also an obvious stiffness and unadapta-

bility in the approach of the British strategists. The use the Japanese could make of apparently unsuitable approaches—rivers, swamps, thick forest—does not appear to have been properly assessed. In fact, it hardly seems to have impinged upon the consciousness of the local commanders, for the trick which at each point turned the British line in Malaya—infiltration from the swamp-ridden western shore—was practised yet again and with final effect on the island of Singapore. This unimaginative strategy and failure to get full use out of what equipment there was sprang in the last resort from defective and uninspiring leadership. If does not appear that the local commanders showed any powers of rallying their tired and dispirited men. The drive, the energy, the dynamism were all on the side of the Japanese. The disturbing fact in this picture is that, apart from the one problem of faulty colonial policy, there are no errors and incapacities that might not equally be present on any other battle front. Singapore suggests that the changes needed in the conduct of the British war effort are fundamental enough to be called revolutionary. New men, new methods, new weapons and new ideas—these may well be the condition of Britain's survival.

Through the Narrows

When three heavy German warships passed through the Straits of Dover undestroyed en route from Brest to Heligoland, the whole world was aghast. Now it appears that it was a famous victory—for the Allies. In Brest, Mr Churchill said in the Commons on Tuesday, the *Scharnhorst*, *Gneisenau* and *Prinz Eugen* were a constant menace to the Atlantic and Mediterranean trade routes, requiring constant naval and costly air attention. In home waters, it seems they are not so dangerous. The Prime Minister suggested that their flight through the Channel represented the surrender of a strong point after ten months' relentless bombardment. It had not, perhaps, been realised that, in Brest, these warships were a continuous high seas threat. That much-bombed harbour was regarded by most people on the basis of *communiqué*, as a prison for the vessels, rather than a strong point or *point d'appui*. Their astonishment and perturbation when the escape took place was as much due to the small effects of 4,000 tons of bombs, diverted from other targets, as to fear of the consequences. Nor indeed can the consequences be written off so lightly. More than ever this is a sea war. Whether the three war-

ships have gone into hiding or not remains to be seen. But it is certain that they have now joined with the rest of Hitler's Navy to make a powerful fleet; and the French fleet is still at large. In all the seven seas, the calls upon the great but shaken Anglo-American navies is unexampled, and the presence of a Western Axis fleet on the British flank, close to the supply route to Russia and not yet out of range of the Atlantic, is no light matter. It was a famous victory, but a committee of inquiry, under Mr Justice Bucknill, is already at work to find out why it was allowed to happen.

Draco Antipodensis

There can be no complaint that Mr Curtin's plan of economic control is insufficiently drastic. Its nine points cover a wide range and cut very deep. In brief summary, they are:—

1. The sale or investment of capital is prohibited except by permission or for such obvious purposes as investment in public loans. This is intended to eliminate speculation and concentrate capital transfers on immediate war needs.
2. Prices of all goods and services are to be pegged, with present prices as a maximum.
3. Profits, exclusive of taxes paid, will be pegged at 4 per cent on capital, defined to include reserves invested in the business.
4. Interest rates for different classes of investment will be fixed, but without altering the rates paid on any Commonwealth securities.
5. Wages will be pegged at their present level, though there is to be "a margin of tolerance . . . to permit the completion of existing negotiations and an adjustment of wages considered to be reasonable in relation to the level of wages in comparable industries." Wages are to continue to be adjusted in accordance with changes in the cost of living.
6. Transfers of labour are to be under Government control.
7. Absenteeism is to be a punishable offence.
8. The Government is to have power to proclaim any area under military control.
9. Speculation in commodities will be prohibited.

It has since been announced that the manufacture of a long list of non-essential goods is to be prohibited in Victoria and South Australia and possibly in other states later. This programme reflects the political composition of the Government that has introduced it. Thus both capital and labour have their freedom of movement removed, but capital also suffers a severe loss of income, while labour is told only that it cannot have much more. But this is a matter of equity that the Australian people can be left to adjust. A more serious objection would be that many of the items on the programme will require a vast amount of interpretation and of administrative control. The first test of Mr Curtin's plan will come when the detailed regulations are issued. And the second test will come when they are enforced. In the meantime all that can be said is that it is a valiant effort to make up for lost time.

Java in Danger

Before Singapore had fallen, the attack on Sumatra had begun. After a preliminary skirmish with many hundreds of parachute troops dropped in the great oil centre of Palembang, the Dutch defenders had to meet a Japanese landing in force at the southern end of the island. The invaders now control Palembang and the oilfields, and are astride the Malacca Straits. If the Japanese hold is maintained, the economic loss to the Allies is serious, for over 60 per cent of the Netherlands Indies' oil output comes from the Palembang area and this percentage includes aviation fuel, of which the Japanese have been exceptionally short. However, by a drastic "scorching" of the oil installations unequalled even perhaps in Russia for deliberate self-sacrifice—\$25 millions worth of damage was systematically done—the Dutch have deprived the invaders for many months to come of any hope of securing supplies from their temporary possession. The chief danger is therefore strategic, not economic. If the Japanese can keep control in Sumatra, they can block up the main supply route from Europe and India to the beleaguered Dutch islands. Java is the new storm centre of attack and now it is threatened from Sumatra and Singapore to the north-west, Banjarmasin in Borneo to the north and Macassar to the north-east. The loss of the Imperial army in Singapore leaves the Dutch virtually alone in defence of the last Allied citadel. The Empire can give some air support—though this is still radically insufficient—but the

moving up of reserves from either west or east is desperately handicapped by the Japanese control of the China and Java seas. Yet the next phase turns on the problem of reinforcements. The Dutch cannot hold up the flood alone.

Burma Base

Singapore was not taken from the sea; and it can be retaken from the land—unless the Japanese and the Germans between them can overrun the whole of Eurasia. Nevertheless, any hope of a speedy and effective counter-offensive against the Japanese in the South Seas depends upon maintaining Burma as a base. There are no direct road or rail communications from the valley of the Irrawaddy over to the Brahmaputra; and if the Japanese were to capture Rangoon, the sea link would be cut; even now it is precarious. Burma is also the last land link with Free China, for it is doubtful whether an alternative road route through Assam is far enough advanced to take the traffic of the Burma Road. The defence against Japan thus hinges



on Burma. Are there to be the same errors in assessing the enemy's strategy and in making full use of equipment and terrain? There are ominous signs—for example, the continuous British retreat in the south, where the enemy, after crossing the Salween river, has now succeeded in crossing the river Blin. More hopeful is the successful activity of the RAF and the RAAF over Rangoon. Each attempted Japanese raid has been devastatingly attacked and beaten off. The position in the air thus seems definitely healthier. Again, the fact of Chinese reinforcement and the promise of more to come is a cheering factor. The Chinese have proved themselves in their four-year struggle. It is to be hoped that no lingering prejudice will prevent the British authorities from co-operating to the full with—and indeed learning from—their new allies.

Death or Dishonour

Sir William Jowitt has somewhat drastically suggested that persons convicted of operating in the black market should be compelled to face a firing squad. This view appears to overshoot the mark. It would be a thousand pities if the problems of war were used to justify a wanton regression in penal standards. Yet, it must be remembered that the extension of the death penalty, however distasteful, is not in itself an abrogation of the rule of law or an assimilation of British justice to Hitlerian standards. The essential difference between British and Nazi justice does not lie in mildness as against severity of punishment; it is that the former relies upon conviction, after trial, by an impartial jury and allows the right to be expertly defended, while the latter relies on summary, arbitrary conviction and on the evidence of informers and agents provocateurs. The real case against extension of the death penalty is that it is

irrevocable. It is true that the imposition of fines for black market offences, even of fines assessed at three times the cash value of the transaction, is not, and cannot be, effective. Any form of financial levy can be shifted, in whole or in part, on to the ultimate consumers, and can probably be insured through some system of risk pooling. Imprisonment cannot be dodged, and this is the remedy which must be applied if black market crimes are to be rooted out. Profiteering in and cornering of foodstuffs are serious forms of sabotage, calculated to affect morale as well as to inflict material damage. It is quite plain that the imposition of a fine is not an adequate deterrent. There is every reason to believe that imprisonment and forthright prosecution would suffice to stop the racket. The imposition of a death penalty would result in juries failing to convict.

Determining Needs

When the Determination of Needs Bill was introduced into Parliament a year ago, it caused a minor revolt among certain members of the Labour Party who were aggrieved because the principle of a means test was not completely abolished. The Act, however, did mark an important step forward in the administration of the social services. It established the principle that those in distress, whether from unemployment or from old age, were the responsibility primarily of the state, not of their relatives and in-laws. Thus, instead of comparing the needs and resources of all the members of a household before arriving at the sum to be paid to an applicant for state assistance, the Assistance Board now compares the needs and resources only of the applicant, his wife (or her husband) and dependants—that is, mainly children too young to earn their own living. Although, as the Board's report on the first six months' working of the Act points out, the change in procedure only affected about one-third of the pensioners with supplementary pensions and a rather smaller proportion of unemployed, it is an important change; it placed the assessment of needs on much the same basis as assessment for income tax reliefs. But the drawback of income-tax—its extreme complication, especially for persons with low incomes—also applies to the determination of needs. The regulations embodying the principle of the Act have clearly been generously drawn up and liberally administered; moreover, the Board, on its own initiative, has reviewed all cases which might be affected by the new procedure, even though the pensioner or unemployed had not himself taken any action—and has refrained from reducing the payments in the few cases where the strict application of the regulations would have involved a reduction. Nevertheless, the fact that non-dependent members of an applicant's household are expected to contribute at all towards the household expenditure—even though the maximum assumed contribution is only 7s. a week—must introduce invidious comparisons between the payments to one pensioner or unemployed person and another. The increases in payments, too, which result from the new regulations, are very small. Only in one-tenth of the pension cases have they amounted to more than 5s. a week and over half are under 2s. 6d., though in the unemployment cases nearly 12 per cent receive increases of more than 10s. The Board's report, in spite of the favourable light it throws on the administration of state assistance, merely strengthens the belief that the best principle would be the establishment of a minimum below which no one could fall, whether old, unemployed, sick or disabled.

The Disabled

The anomalies between one form of state assistance and another are again thrown into relief by the details of the bigger pensions for the war disabled and war widows and orphans. The pension for a totally disabled man has been raised from 34s. 2d. to 37s. 6d., the increase being exactly in proportion to the rise in the cost of living since 1915 when the disablement pensions of the last war were settled. For a woman, the increase is from 24s. 2d. to 27s. 6d. A totally disabled man will now receive 9s. 2d. for his wife, 7s. 1d. for his first child and 5s. 5d. for his other children, compared with 8s. 4d., 6s. 3d., and 5s. respectively. Pensions for war widows have been increased from 22s. 6d. to 25s. for widows over 40 or who are incapable of self-support, and from 15s. 6d. to 17s. 6d. in other cases. Is there any reason why the eldest child of a totally disabled soldier should receive less than the eldest

child of a serving soldier, who receives 8s. 6d.? Or why the second child of a serving soldier should receive 6s. 6d. and his subsequent children 5s., while the second and all other children of the totally disabled soldier receive 5s. 5d.? Moreover, the position as between disabled persons themselves is again anomalous. A man totally disabled by sickness or accident at work receives no allowance for his dependants under national health insurance or workmen's compensation. In the latter case, as was revealed by a recent case in the Court of Appeal, he may have to refuse an amputation because there is no obligation on his employers to provide him with an artificial limb. An injured soldier in similar circumstances can be assured by the Ministry of Pensions of the best artificial limb that medical skill has devised. The TUC has accepted the suggestion of a Ministry of Social Service, which would administer one inclusive scheme for all who are unable to earn their living—though, somewhat strangely, the TUC excludes workmen's compensation from the scheme's scope—and has included it in the proposals it has made to the Beveridge Committee. But even if the Government accepts the principle, there appears no likelihood of any action being taken until after the war, whereas the need for reform is more urgent now than ever before.

The Generalissimo Sees for Himself

General Chiang Kai-shek's visit to India has touched the springs of native enthusiasm. Admiration for Chinese military prowess has become even more marked as the fall of Singapore and Japanese successes in Burma bring the enemy nearer home. There is also general satisfaction that the Generalissimo has had numerous and frank conversations with leaders of Indian opinion, including Mr Gandhi himself, Pandit Jawaharlal Nehru, and members of the Viceroy's Executive Council. It is also most fortunate that a meeting has been arranged with Mr Jinnah, the influential leader of the Moslem League. Yet, it remains doubtful whether anything short of the realism induced by increasing military danger can serve to link the uneasy triangle composed by the British Raj, the Congress Party and the Moslem League. All sections of opinion recognise in General Chiang Kai-shek a powerful mediating influence, outside and above the passions of Indian politics. Yet it is to be feared that the extremists of all sorts are using his visit as an occasion to demand concessions rather than to make them. For the immediate future, the physical integrity of India and its ability to assist the Chinese people are the sole relevant considerations. Mr Nehru has hinted that the present Government is incapable of arousing national enthusiasm and a unified, vigorous will to victory. The blunt truth is that at the present juncture the heterogeneous opposition cannot afford to let it fall. Nor can the British authorities afford to miss any opportunity of displaying good will on their part. In this connection, it is satisfactory that the Government of India has been invited to select representatives to attend the Empire War Cabinet and the Pacific War Council. This decision implies recognition of dominion status in fact, and an indication that its grant in law will not be unreasonably withheld or delayed when the war is over.

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

The Other Fronts

In Russia and Libya the picture is the same—a pause full of intense activity and preparation. True, the Russian lull has lasted now since the end of January, whereas in Libya it is only eleven days old. In Russia, too, the lull is likely to last some weeks yet, for the frozen grip of winter has immobilised the front and all the various Russian doings—guerilla raids into White Russia, patrols, local action—are simply designed to give the Germans no respite during a time in which they had counted on rest and recuperation. In Libya the lull will not last much longer; there is every sign that a major offensive is in sight. The British still hold a strong line at Gazala, but reports suggest that Rommel has been able to bring up considerably greater reinforcements than the British command. He has the advantage of a shortened line not only in Libya but across the Mediterranean. British supplies must on the whole be shipped *via* the Cape, and as a result of Singapore's fall, a new and uncomfortable situation is likely to develop very soon on the Indian Ocean. Difficult days lie ahead in North Africa; only in the air have the British real superiority. Here the performance of the new Kittyhawk fighters in destroying 20 and damaging 10 enemy planes without loss to themselves has been this week's little candle in an exceedingly naughty world.

Japanese Gains

It is still too early to assess the full economic implications of the fall of Malaya and Singapore and of the deep penetration of the Japanese into the Dutch East Indies. For example, the only two sources of oil supplies still available to the Allies in the Far East are in Java and Burma. While Burma's output of more than one million tons per annum is adequate for local and Chinese needs, Java will probably have little to spare for Australia and New Zealand, which will have to be supplied from the United States or from the Gulf of Persia. The loss of rubber, tin and other minerals will be inconvenient to the Allies, but not serious enough to hamper the production of war equipment. Japan, on the other hand, will now be able to repair many of the weak spots in her armour. The oilfields now occupied in Sumatra, Borneo and Tarakan are capable of meeting her needs twice over. She has access to many times her own requirements of rubber and tin ore. The occupation of the island of Bintau, south of Singapore, will provide her with the bauxite necessary to maintain and expand the output of aluminium. Her meagre iron resources can again be supplemented from the deposits in Malaya. In Celebes she will be able to replenish her scarce supplies of nickel. The immediate benefit which Japan will derive from her conquests depends, except in the case of crops, on the extent to which plant and equipment have been destroyed. If all the oil refineries have been completely wrecked, it will take many months before Japan will be able to resume operations. But it would take comparatively little time—perhaps a few months—to restart the production of crude oil, which could be treated in the refineries in Japan itself. Again, if the tin smelters at Penang and Singapore were destroyed, the possession of tin ore would be of little use to Japan, whose own refining capacity is small. But since the extent of the damage done to plant and equipment is not known, it is impossible, at this stage, to assess the short-term gains of Japan. If the Japanese occupation lasts a year or more, however, a large part of the fabulous wealth of Malaysia will be available to Japan's war industries.

Child Labour

Nothing could be more short-sighted than the promulgation of the General Emergency Order of December 23, 1941, for Potteries which raises the maximum hours per week to be worked by young persons under 16 in that industry from 47 to 53 with a minimum of 48. The Order has been agreed to by representatives of both labour and employers on the ground that the extension of working hours will release labour for the war effort. It would be inappropriate to question the sincerity of the parties to the agreement, but it is strikingly evident that the decision is misguided. An eight-hour day worked on six days in the week in an industry where conditions are far from ideal and where there is a particular danger of silicosis and lead poisoning is almost certainly too much for children under 16 years of age. To increase working hours further is a great folly implying definite overstrain for a section of the

rising generation and justification in terms of the war effort implies much muddled thinking. If it is necessary, in order to win the war, to employ juvenile labour on all work which it can perform efficiently, so releasing every adult in the country for skilled work, heavy work or the forces, the employment of child labour must still be regulated so that immature powers are not exhausted. But there is as yet no inkling that a stage has been reached in the mobilisation of labour when every man and woman is fully employed on essential work and when further output can be obtained only by drawing on juvenile reserves. When this stage is reached, the use of child labour can be justified only in essential industries, however broadly these are classified. It is quite true that the pottery industry released so much labour by the concentration scheme that there is at present a serious shortage of pottery both for the home market and for export. But that is no excuse for allowing working hours which are directly contrary to the advice of the Industrial Health Research Board and a Home Office Memorandum in the early months of the war. It is to be hoped that Mr Bevin will re-examine the matter, and will prove as staunch a defender of the interests of young persons—who ought in any case to be still enjoying the benefits of Mr Butler's care—as he is of the rights of adult workers.

Waiting and Working

Nothing is more wasteful of manpower than defence against air attack. The air weapon probably does more harm to the war effort of belligerent countries by the hundreds of thousands of able-bodied men it immobilises, in static anti-aircraft batteries, searchlight units, balloon crews, observer corps and the several branches of civil defence, than by actual destruction. In the Services, the gradual, possibly too gradual, policy is to replace men at these waiting points, so far as possible, by women and older men. In civil defence, it has now been decided that unpaid part-time members will be permitted to enrol in the Home Guard and receive Home Guard training. They will remain members of the civil defence services, and will only be called upon for military duties if fighting is imminent in their neighbourhood, and if they can be spared from civil defence. Similarly, the Home Guard is to assist in general civil defence and fire prevention duties. This plan for eking out manpower follows the recent decision to employ male wholtime workers of the civil defence services, including the National Fire Service, on the construction, adaptation or improvement of shelters, posts, stations and watertanks. Obviously, they have been confined to these self-regarding tasks because they will not be taken away from their places of duty; equally obviously, the usefulness of this arrangement to the war effort will be very much restricted. It should not pass the wit of enterprising and ingenious engineers and manufacturers to devise means by which simple machinery could be installed accessible to some at least of these civil defenders, so that they—men and women, incidentally—could fill in their time by making munition parts. It is in small workshops that the margin of output for victory is to be found.

Landlord and Tenant

An individual wartime grievance, which has perhaps been voiced more than any other, is the requisitioning of premises by the Government. Last spring and summer, a fresh crop of requisitioning, the result of the air-raid period, renewed the agitation and complaints of hardship, and an official investigation into requisitioning and compensation was carried out. The Landlord and Tenant (Requisitioned Land) Bill, which was introduced in the Lords and received its third reading in the House of Commons last week, gives legal effect to some of the recommendations of Mr John Morris, KC, who made the investigation. Its main object is to give tenants who are actually in occupation of requisitioned premises, whether for business or residential purposes, the right to disclaim their leases. This can only be done if the tenants are actually using the premises at the time the requisitioning takes place. Thus the Bill would not have applied in a case such as that of *Swift v. Macbean*, which was heard recently. In that case, the defendants had taken a house in Cornwall for the duration, but last March the house, which was then vacant, was requisitioned and the defendants, who were offered in compensation £25 a year, against the £163 16s. which they had agreed to pay, denied further liability

Shorter Notes

Lord Woolton hopes that the non-priority adult will receive another half-pint of milk a week from the middle of March, but he has given a warning that there will be no more unlimited supplies of milk during the war, even in the summer months—a blow which is hardly unexpected. It is difficult to understand, however, why he is so reluctant to rationalise the retail distribution. Not only is this desirable from the point of view of releasing manpower, but it would help to spread the supplies of milk more evenly over the country as a whole and enable all non-priority adults to have a fair share.

The following table gives the number of civilian casualties in air raids since September, 1940:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept.-Dec., 1940	21,669	30,556	52,225
1941:—			
January-June	18,698	20,451	39,149
July	501	447	948
August	169	136	305
September	217	269	486
October	262	361	623
November	89	155	244
December	34	55	89
1942:—			
January	112	61	173
Totals to date	41,751	52,491	94,242

Of those killed in January, 28 were men, 66 were women and 18 were children under 16.

The range of the Axis offensive is widening. This week has brought the first land attacks in South American waters. Enemy submarines attacked the islands of Aruba and Curaçao in the Netherlands West Indies and made off after shelling refineries on the shore and sinking and damaging seven tankers. Given the United Nations' shortage of shipping, such an action can have repercussions far wider than the immediate area of attack.

The Ministry of Economic Warfare is appealing to all firms and individuals not to include foreign directories and similar publications, particularly those concerned with enemy or enemy occupied countries, in their contributions to the waste paper campaign without first offering them to MEW (Room 1020, Berkeley Square House, Berkeley Square, W.1). The Ministry would also be glad to have particulars of similar foreign reference books which the owners do not want to part with for salvage, but which it might be able to make use of in case of need.

INSURE WITH



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

How then resolve the dilemma—the central dilemma of the concentration policy—that the circumstances require a collective structure for contraction in wartime, but a resumption of competition for post-war expansion? The suggestion—which seems obvious to the outsider—of suspending all private brands and producing only “pool chocolate” for the duration is impracticable, because it would involve using metal and labour to change the moulds, which now bear the manufacturer's name. Perhaps the solution, in this and in other industries, would be to limit the nucleus firms, for a period after the war, to their 1939 production and to set aside, out of the wartime profits of the industry, a fund for restoring the goodwill of those who close down.

AMERICAN SURVEY

The Progress of Conversion

(From Our Washington Correspondent)

January 14th

THE official raising of the sights on the American war programme, accomplished by the President's speech at the opening of the new Congress and his Budget message the following day, puts primary emphasis on the job of conversion.

Year-end figures show approximately where the old programme stood. Of a national labour force of 53,300,000, of which some 40,693,000 were employed as non-agricultural workers, 2,750,000 were in eighteen war industries. This total represented a rise in employment of 13 per cent since June, 1940, when the defence effort got under way; in the eighteen industries the rise was 72 per cent.

The national income for 1941 was about \$91.5 billions. The authorised defence programme from June, 1940, to December 31, 1941, was \$74,645 millions; by November 30, 1941, contracts had been let obligating \$47,397 millions of this amount. Total disbursements under these contracts up to December 31st were \$15,252 millions; disbursements for production in the calendar year 1941 were \$12.3 billions, or 13.5 per cent of the national income of that year.

The rate of expansion in war outpayments projected under the new programme is indicated by the figures for national defence (\$52.8 of the \$59 billions proposed in the Budget come under this item):—

Actual Expenditures, 1940-41	6,301,043,165.91
Estimated Expenditures, 1941-42	23,996,525,400.00
Proposed Expenditures, 1942-43	52,786,186,000.00

Clearly, no such total as that proposed for 1943 can be reached without the wholesale conversion of energies and equipment from civilian to war purposes. National income is now running at the rate of \$95 billions and will shortly reach the \$100 billions mark. Subtraction of the war programme would leave less than \$50 billions for non-military expenditures. That is an income like the \$50 billions that the country had in 1934 as contrasted to the \$69 billions it enjoyed in 1939, or the \$77 billions left over from military expenditures in 1941.

The conversion story has gone through a number of chapters. Not long after the defence programme got under way, OPM produced several studies on the British bits-and-pieces programme and set up a small staff concerned with "farming out" orders.

In the latter part of the year, Walter Reuther, of the United Auto Workers, CIO, brought out a plan for the use of the automobile industry's equipment for aeroplane production, which was greeted with global denunciation by technicians and manufacturers. The arguments of the powerful industrialists who opposed conversion in favour of new construction have run about as follows. During the last few years we have moved from tolerances of 1/1,000 of an inch to tolerances of 1/10,000 of an inch. It is therefore futile to try to expand capacity by grouping around a parent plant that is equipped to turn out low-tolerance machinery a series of other plants whose tools are either old or non-specialised. Where the small plants are set up as part of the parent company's original policy, and the machinery is of the same order of refinement in both, subcontracting works well; otherwise not. Germany's equipment is built in new special purpose plants; we must build new in order to compete. There is no use turning out second-grade stuff—it will only net us high casualty lists. Moreover, we want to be sure of our models before freezing our designs; we must be chary of getting into mass production on items which are still largely untried.

Quantity or Quality

The countervailing arguments have stressed the fact that it is quite possible to lose important fronts for lack of equipment while seeking perfection of models; that, while certain

types of production do require special equipment, the number of those that do not can be cited from the record of conversions in the first world war, with plants turning from table silver to hand grenades, from lipsticks to cartridges, from mouse traps to army cots. In 1914-18, on the other hand, the three years that were devoted to experimentation and improvement on the Liberty motor got it to France too late for the fighting.

A third episode came along in 1941 as the application of priorities threatened to shut down small businesses. An analysis of defence contracts made in midsummer showed that 75 per cent of the defence contracts were in the hands of 56 firms. As part of a "Save Small Business" move, trains equipped with samples of a multitude of needed objects toured the country to invite inspection and subsequent tenders by small companies. But these efforts did not add up to a great deal; at the end of the year contract allocation remained highly concentrated—53 per cent of the contracts were in the hands of 13 firms.

During this whole period, the philosophy of conversion was a philosophy of gradualness. Civilian and war production were to be like two wedges laid together to make a rectangle; the civilian wedge was to taper as the war wedge became ready to absorb its men and materials—then, and not before. Under this philosophy, pressure to maintain allocations of materials for business-as-usual was to be expected from employers, and pressure on employers to succeed in this effort was to be expected from labour.

The series of curtailment orders in consumers' durable goods that came toward the end of the year—outstandingly the automobile order stopping the production of new cars—was based upon a different theory. Such curtailment orders have a threefold effect. They prevent the use of materials which will shortly be needed for war goods. They cause widespread unemployment and dislocation. They stop the profits from business-as-usual. They give both industrialists and labour leaders a maximum incentive to transform civilian capacity to war purposes.

The Detroit Technique

The test of this approach to the problem is now going on in Detroit. It has a number of aspects. Detroit is the international symbol of mass production, of the technique that attracted scores of visiting committees of German industrialists in the years just before Hitler took power. This is the technique which, if it can be used, can deliver the Axis-beating figures of 60,000 planes and 45,000 tanks cited in the President's message. The sheer weight of industrial capacity represented by the motor industry is indicated by its peace-time consumption of almost a fifth of the nation's steel production. The auspices under which conversion will take place have a further significance. Detroit has also been the symbol of twentieth-century captains of industry; a collective bargaining is less than five years old in the motor plants—Ford was not organised until 1941. But the Reuther plan was a trade-union demand for conversion made a year before the fact. The union has therefore been pressing for a considerable share in the execution of the change-over. OPM has now appointed a seven-man board to "assist in the development" of a conversion plan, with three members recommended by industry, three members recommended by the United Auto Workers, and, as chairman, Cyrus S. Ching, possessor of an excellent record in regard to labour, and member of the National Defence Mediation Board (predecessor of the new War Labour Board). Behind this committee, as it goes to work, is the pressure of idle machinery and unemployment in Detroit; men with relatives in the armed forces are among the unemployed. Before it is the pressure of technical problems combined with the resistances to pooling and similar characteristics of competitive industry.

The Copywriters' War

[FROM OUR WASHINGTON CORRESPONDENT]

January 31st

THE signs of the times are literally indications of current changes in the American domestic economy and the confusion that accompanies it. Take some random examples:

As the tempo quickens, the Coca-Cola advertisements that for months have made white-collar workers conscious of a need for the "Pause that Refreshes" now show an arm tugging a bottle under the word "Pause"—followed by another arm holding a tool, "Work Refreshed."

One automobile poster displays what looks like an escaped bench show with the title, "Don't Let Your Car go to the Dogs," while another, less imaginatively, presents a car key on whose case is written "Care Saves Wear."

The New York Dress Institute has been running full-page newspaper advertisements of the lady from Samothrace, urging readers to "Lend Wings to Victory" (as though what she needed weren't arms and a head) because "In the first grim reaction to war every other nation has made one same mistake. The great upsurging spirit of sacrifice, such as has been ours, has made it seem RIGHT that dampers be put on many of the normal joys of living. Then each country has painfully learned that life must go on—that there must be homes and love, recreation and even gaiety. That without these things, morale suffers. And that without morale the people perish. . . . It is no accident that the Winged Victory is a feminine figure."

Comparably interested in home defence, the mattress industry displays moonlit towns with the comment that morale depends on getting enough good sleep.

Kodak shops have signs in their windows saying, "Warning to you who do your own developing. Drastic film spool shortage. Help keep the film supply rolling. We will buy your film spools."

The prize to date should perhaps go to the Western Union for its placards of a desk with a pile of letters on it, topped by a wire, with the slogan: "Priority—Telegrams Always Get It." In this case, it is the barely decipherable text of the wire that is interesting. The message, from the Ellipse Machine Company to the American Colourtype Company, reads: "Answering your telegraphed inquiry of yesterday, can make shipment of two label die stamping machines in about twenty weeks . . ."

Priorities have caught up with some of these items. The sugar controls have the soft drink industry in mind, and restrictions on cars and tyres have now reached the stage of vaudeville gags: "Next time you're down in the dumps see if you can't pick me out a spare." But where the springs will come from for the Beauty-Rests, where the chemicals will come from for the films to go on the spools, is a question still being ignored by the copyists who produce the writing on the wall. But it seems likely that word will soon come to them as definitely as it did to the volunteer knitters, whose newly-invented slogan, "Remember, Purl Harder," was promptly blitzed by a statement of the new War Production Board that such a use of wool should be confined to garments specifically requested through the agency of the Red Cross.

American Notes

The Battle of Washington

The disastrous news from the Far East has led to a flare-up of opposition—loyal and not-so-loyal, informed and uninformed, but sufficiently violent to be referred to as "the battle of Washington." Responsible criticism centres on production, war strategy, governmental efficiency, and the activities of pressure groups in Congress; labour, the farm bloc, and the group responsible for the passing of a Bill granting Congressmen Government pensions. Admiral Standley's warning that "America could be brought to her knees" has received wide publicity. Mr Willkie delivered an opening broadside last week, which included attacks on Colonel Knox and the command of the armed forces. Some of his demands—such as the one that General MacArthur be recalled and given supreme command—seemed poorly chosen, but his further criticisms will undoubtedly get wide attention. Mr Nelson, of the WPB, has called for a greater effort, pointing out that production in 1942 is ten times more valuable than production in 1943. There is an in-

creasing demand for longer hours of work to speed up production. Present legislation provides for a forty-hour week except in Government arsenals and shipyards, where it is forty-eight, and in Government offices, where it has been raised to forty-four. It is argued that the necessity for paying overtime is a deterrent to production, and that the point of maximum production is well above forty hours. Senator Reed has introduced a Bill providing that overtime shall not be paid until an employee has worked 48 hours in one week. Red tape in Government and overstaffing of departments by men who should be in more urgent war work, has been the burden of other complaints. The President has answered this criticism by setting up a survey of Government personnel to see what men can be released to do defence work. The non-defence activities of the Government have been under fire for some time, and it seems likely that some of these will be curtailed, including the Farm Security Administration and the farm-tenant programme, the Civilian Conservation Corps and the National Youth Administration. Some have certainly become redundant in view of farm prosperity and the decline of unemployment, but in other cases it is apparent that anti-New Deal Congressmen are taking advantage of the war emergency to attack the social achievements of the administration.

Unfortunately, with all sincere constructive criticism, there is more than a hint that isolationism and appeasement are beginning to revive, temporarily taking the form of criticism of Britain and Russia, and demanding that all available supplies be reserved for the US forces. President Roosevelt referred scathingly to the "Cliveden Set of Washington" in denouncing rumours that the Government was hiding extensive damage to the US Fleet. Mr Hepburn's insulting remarks on the American Navy, coming at a time when British prestige is at a low ebb, provide a tempting line of argument for American isolationists, although cooler heads have suggested that they were simply an example of the kind of recrimination that must be avoided. Mr Thomas Dewey, a prominent Republican, in a speech last week, went so far as to say that there was a circle of active appeasers in Washington, and warned them that they would find no sanctuary in the Republican party. Mr Dewey's demand for complete victory, with no compromise and no appeasement, has been widely welcomed, and the influence of isolationists and appeasers should not be exaggerated. However, it is desirable to remember that the rôle of the opposition in the United States is not always based on the same degree of national unanimity that exists in this country. There are deep sectional and class differences on national policy. The Administration has a delicate and difficult job to do in sorting out criticism, reconciling differences, and giving a lead to the nation. Fortunately, this is a sphere in which President Roosevelt has always shown supreme ability.

The Farm Lobby Again

The farm bloc is not content to rest on its laurels. In spite of the outcry over the agricultural price clauses of the Price Control Act, farm Senators are advocating a bill to forbid the Commodity Corporation to sell its stores of wheat, corn and cotton at less than parity price levels, except for relief purposes. The fact that Government stocks could be used to keep prices within moderate bounds was the comfort that the President took in signing the Act, and it might have been thought that supplies of cheap feed for livestock from the "ever-normal granary" was a sufficient agricultural interest for the matter to be left where it stands. But the farm lobby is not content. Presumably disappointed at the attitude of Mr Wickard, the Secretary of Agriculture, toward farm prices has made further action seem urgent. Mr Wickard was given powers over agricultural prices in the hope that he would be more favourable toward high prices for farm products than the Price Controller. Such hopes have been frustrated by a recent joint statement in which Mr Wickard and Mr Henderson indicated that they would work together to see that farm prices do not get out of line. In recent speeches Mr Wickard has gone even further and elaborated the thesis that if farm commodity prices go above parity, injury will be done to consumers, the nation, and in the long run to farmers themselves. The Secretary has strongly opposed the new bill, and pointed out that if passed it would cost the consumer over \$1,000 million a year. Newspapers in the East where farm influence is weak have attacked

the proposed bill and suggest that if it is passed the President will certainly veto it. Whether the farm bloc could rally enough votes to repass it over the Presidential veto is extremely doubtful. But it will be another black mark against Congress if at this time of emergency it spends time and energy furthering sectional grabs. The country is becoming increasingly intolerant of Congressional time-wasting and log-rolling; the prestige of Congress and the position of agriculture will certainly be damaged if this attitude is maintained.

North-South Differential

The War Labour Board has ordered the Aluminum Company of America to pay a 7 cent an hour wage increase and night shift bonuses from 3 to 5 cents an hour at two southern plants. The chief interest in this decision lies in its effect upon the difference in wages between north and south, which in the past has been accepted as reflecting a difference in the cost of living. The management in this case objected that they were already paying 4 cents an hour more than the average southern wage, which is about 21 cents an hour below the average wage in the north. The majority of the Board took the position that a narrowing of the difference was desirable, and suggested that the Aluminum Company was powerful enough to set an example to southern industry generally. The contention that living costs are lower in the south is based upon lower estimates for housing, clothing and fuel, and is naturally dear to the heart of industrialists who have in increasing numbers transferred plants in order to take advantage of the cheaper labour supply. It has been questioned whether, in fact, living costs are greatly lower, and whether it is not the standard of living which is depressed. The Board appears to have adopted this point of view. In the past the south has provided, as a bait to industry, a plentiful supply of cheap, unorganised and docile labour, largely of native parentage. The press has argued that it is unfair to northern wage-earners for those in the south to attain equal wage rates. This seems an extraordinary statement in view of the unemployment caused in the north by competition from cheaper southern plants and the movement of industry. A drive for union organisation in the south is now being undertaken by the CIO. With increased industrialisation there and the labour shortages caused by the defence programme, prospects seem favourable. This perhaps explains the alarm felt by industry at the withdrawal of government support for the concept of the wage differential. The impact of the war on the economy of the southern states is likely to be more drastic than anywhere else because of the relative backwardness of the social and economic structure. The reduction of the wage differential is one of the most promising steps towards the rehabilitation of the south and the creation of an adequate standard of living and tolerable working conditions.

OSD Reorganisation

The Office of Civilian Defence is preparing to strip for action by transferring to other agencies activities only distantly related to defence. Mr Landis, Mayor La Guardia's successor as Director, has indicated that the Division of Physical Fitness will probably be transferred to the Federal Security Administration, and Mr La Guardia himself, in his final report, admitted that most of the functions carried on by the Division of Community and Volunteer Participation might well have been transferred to other branches of the Government. Mrs Roosevelt has announced her early resignation from the directorship of this division. Mr Landis has announced that specific functions will be allotted to everyone in the organisation, and that he is taking steps to see that everyone employed is able to discharge his function effectively. Thus in all respects except the appointment of Mr Melvyn Douglas, whom Mr Landis has taken under his wing, popular clamour for a more business-like approach to the problem of ARP has been satisfied. Two points which remain to be settled are the ultimate control of the organisation and the degree to which it is to be allowed to absorb man-power. There has been a demand that the Office should be put under the control of the Army and Navy. Mr La Guardia, in his report, strongly urged that it should continue as a separate civilian organisation, though co-operating closely with the services and local municipal governments. The improbability of heavy and continuous raiding, combined with a

certain scepticism about the efficiency of the War Department outside its own strictly military functions, suggests that the present framework will be continued. The second problem of whether civilian defence should be allowed to absorb the energies of over 5 million volunteers will probably settle itself as more urgent and essential work absorbs the remaining labour surplus.

Federal Employment Exchanges

Federal control of public employment services has been needed for many years. Labour shortages and dislocations caused by the defence programme have made this reform urgent and minimized local political objections. Thus, in December President Roosevelt was able to request that all state employment service personnel and records be turned over to the U.S. Employment Service, headed by Mr John J. Corson, formerly of the Social Security Board. By the end of February, the organisation expects to have completed registration of the work experience of men between the ages of 20 and 45 not already in the armed forces. Even in peace-time the workings of the state exchanges was unsatisfactory, due to the artificiality of state boundaries and to some degree to local politics. For example, an employer applying to his state exchange for workers might have to wait for weeks while the request percolated through the national co-ordinating machinery, to find at last that the labour was available only a few miles away, but in another state. The new service will operate on a regional basis without regard for state lines and will correlate information about available jobs and workers all over the country. State exchanges differed widely in their efficiency; this was inescapable because states vary so widely in wealth and trained personnel, and the extension of federal civil service standards should greatly improve the service. In 1918 President Wilson ordered employers to hire unskilled labour through public employment services only. It seems likely that the US Employment Service may have even wider powers in mobilising and distributing the available manpower to the Forces and to industry, as the demand increases. At present the urgent need is for the re-employment of those displaced from non-defence industries. Mr Corson recently told a House Committee that unemployment resulting from shortages of critical materials is about 400,000 and estimated that about 3,000,000 persons will be displaced through conversion of industries to war work. It seems improbable, and certainly undesirable, that after the war control of this essential public service should revert to the states. The inevitable dislocations of the post-war period will be greatly eased if there is in existence an efficient federal employment service which both workers and employers will have become accustomed to use.

Gun Production

Gun production has been one of the weakest parts of the defence programme. The demand for anti-aircraft guns, naval armaments, rifles, and machine guns is enormous, and the absence of a large-scale peace-time munitions industry like Vickers or Krupp has been a severe handicap. It has been found more difficult to create facilities for turning out ordnance than to build up tank, plane and powder production. Since the last war the Ordnance Department of the Army has struggled against inadequate appropriations to perfect designs and to develop methods of quantity production. While Army and Navy arsenals have done much to develop interchangeable parts and various technical improvements, the bulk of production must come from private plants and private research laboratories have been assuming increasing importance. By 1941 at least 10 important units were engaged in gun production and large-scale retooling is nearing completion. Machine guns of .30 calibre and Garand rifles have been in mass production for over four months. Production of anti-aircraft and anti-tank guns is not unsatisfactory. The most serious shortage is in medium and heavy artillery. The automobile companies have provided the main source of capacity additional to that of government plants and private arms manufacturers. Chrysler has been notably successful in adapting the specifications of the Bofors anti-aircraft gun to quantity production and in reducing machining and assembly time. Nearly one-third of the machine tools needed were drawn from the regular automobile equipment. Several General Motors divisions are turning out

machine guns and it is expected that others will be in production by next summer. In this case 1,300 machine tools had to be purchased and 332 others rebuilt and motorised. General Motors is also producing in quantity aircraft cannon and anti-aircraft guns for the Navy. The forging capacity of Bethlehem Steel is being more than doubled to accommodate the production of over a third of the vital parts of the two-ocean Navy. International Harvester is manufacturing an intermediate calibre artillery gun. Delay has levied a heavy cost in the Far East, but now that conversion is so far advanced, the deficit should be made up rapidly.

No More New Radios

The decision to convert the automobile industry—the giant among the mass-production industries—into an arsenal is being followed by similar orders to other trades specialising in the large-scale production of durable consumers' goods. At the end of last week the War Production Board ordered all radio producers to convert their facilities to the manufacture of war equipment within four months. In order to expedite the change-over, the industry has been warned that, failing voluntary conversion within the time stated, the Government might take over the equipment, labour and management and impose its own scheme of mobilisation. Though much smaller in size than the automobile industry and, on the basis of its labour force, roughly equal in size to the manufacture of refrigerators and ice-making apparatus, the radio industry's resources are substantial. The 1937 census of production disclosed that there were more than 162 plants engaged in the manufacture of radios and gramophones employing a labour force of 48,300 and that the total value of the industry's output was \$278 millions. But in view of the kind of skill and equipment employed in the manufacture of radios, and the enormous military demand for electrical equipment, the importance of the industry as a potential munition-producer cannot be judged solely by the number of employees and by the value of its output. The manufacture of sets for civilian use is expected to be suspended at the end of March, but it is reported that one million short-wave sets will be manufactured for Latin America in order to increase the facilities in those countries for listening to American broadcasts. Presumably the American Government has good reasons for believing that the prospective owners of these sets will take the broadcasts as well.

Shorter Notes

An amendment to the Treasury-Post Office Appropriation Bill designed to nullify the 1934 Silver Purchase Act has been defeated in the House of Representatives by two votes.

The first of a series of six articles released by the WPB estimates that existing industrial plant to the value of \$20,000 millions is convertible to war production. A quarter of the facilities of the automobile industry are already engaged in making military vehicles; another 25 per cent is highly specialised machinery unfit for war work, and the remaining 50 per cent has to be retooled extensively and supplemented with other machinery before it can be used for war production.

All Cabinet Officers, Under Secretaries, Federal Administrators and other agency heads must henceforth send advance copies of their public addresses to Mr MacLeish, Director of the Office of Facts and Figures, who will check them to insure that they are in harmony with public policy.

Mr Lowell Mellett, Director of the Office of Government Reports, has been asked by the President to set up a single agency at which information will be available in Washington to businessmen anxious to contribute their facilities to the war effort. This central office will integrate and co-ordinate activities concerning the release of all official information.

Murray of the CIO is said to be urging a campaign for the quick passage of an amended bill which would provide

benefits of 60 per cent of average wages up to the 24 dollar maximum.

The WPB has closed manufacturers' stocks of domestic electric refrigerators as a preliminary to some form of rationing. Refrigerator production will be halted after April 30. Retailers will be allowed to sell 100 new refrigerators or one-twelfth of 1941 sales, whichever is the larger, before the freezing order is applied.

Pooling of Atlantic Coast oil supplies and facilities will be adopted where necessary to avert the threatened oil shortage due to the diversion of tankers. A survey of stocks and supplies now being made by the oil companies is said to indicate a shortage and it is thought that a 15 per cent cut in consumption will be recommended.

The Civil Aeronautics Board has authorised the American Export Lines to establish an air service between New York and Foynes, Eire. Pan American Airways have received a permit to include Foynes as a temporary stop on the grounds that additional services to Europe were urgent.

The WPB has ordered 146 processors of silk to set all stocks on hand to the Defence Supply Corporation or face requisitioning of their inventories. The action is said to be only the first of many to make idle or excessive inventories of scarce materials available at once for war production.

The WPB has ordered heavy cuts in the use of tin cans and rubber in civilian manufacture, the latter to save an estimated 25,000 tons of rubber annually. The Price Administration has announced that from February 19 retreaded and recapped tires will be rationed, with purchases probably limited to those eligible for the purchase of new tyres.

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THE WORLD OVERSEAS

The Plight of French Industry—I

(By a French Correspondent)

February 16th

STATISTICS are no longer published regularly in France. But official pronouncements and *communiqués*, though incomplete and often contradictory, at least provide an outline of the state of French industry.

Industrial France is slowly being starved by the lack of raw materials and by the inadequacy of fuel, especially coal. It is no exaggeration to say that, for Vichy as well as for the occupation authorities, the coal shortage is the outstanding problem. On an adequate supply of coal for France as a whole depends the wellbeing of the population, the activity of every section of industry which has not been electrified, the regular production of electric power itself, the production of gas, the working of the railway system and of the merchant marine.

Before the war, France consumed 70 to 75 million tons of coal yearly, of which only 45 to 50 million tons, or some two-thirds, were mined at home; a large proportion of the imports was derived from Great Britain. Two-thirds of the national output, some 30 to 32 million tons, was extracted from the mines of the Nord and the Pas-de-Calais; of the remainder, 5 to 7 million tons was drawn from the Lorraine deposits and 10 to 11 millions from the coalfields of the Centre and the Midi in unoccupied territory.

Output, which rose substantially in the first year of the war, fell sharply after the defeat from 4½ million tons in May, 1940, to two millions in July, 1940. It recovered fairly rapidly, however, to 2½ million tons in August, 3½ million tons in September and 3½ million tons in October. From this time, the mines in the unoccupied zone were nearing their pre-defeat level of output. Early in 1941 they probably surpassed it by some 30 per cent, while the mines of the Nord and the Pas-de-Calais were themselves regaining their normal production. The total production of the two zones, exclusive of Lorraine, was then about 5 per cent above the output prior to the defeat. No information is available regarding the Lorraine coal field. It is probable that its entire production serves to feed heavy industry in eastern France, which is working for Germany.

Decline in Output

These results were achieved, in spite of the reduction, from about 280,000 to 230,000, in the number of miners (owing mainly to the departure of Polish and other foreign miners), through a considerable increase in hours of work; but they could not be maintained. From the beginning of 1941, there has been a fresh decline in output. In the unoccupied zone, production fell in the Loire coalfield from 375,000 tons in December, 1940, to 343,000 tons in September, 1941, and in the Gard coalfield from 285,000 tons in March, 1941, to 246,000 in the following September. In the whole of the unoccupied zone, the decline over the first three quarters of 1941 was of the order of 15 per cent. There was a similar reduction in the Nord coalfield, and it seems scarcely possible that total French production for the whole of 1941 exceeded 40 million tons.

The reasons for the setback are legion. It was not physically possible to maintain output. Although miners received extra rations, their strength was diminished by malnutrition. On December 30, 1941, Radio Lyon discovered that less food for miners means less coal. The difficulty of obtaining food also increases absenteeism; miners leave the pit to look for food in the neighbourhood. Working hours, which in certain districts had been raised to 52 and even 56 a week, had to be reduced. The Government fixed the working week at 46½ hours, with a possible increase of one hour in exceptional circumstances. All attempts to offset the effect of these factors by increasing the number of miners have failed. A great many, some

15,000 of a total of 17,500, are still prisoners in Germany, where they apparently work in the coal mines. An attempt to make the most robust of the unemployed into miners has failed, as has also the attempt to divert into mining labour employed elsewhere. As the stocks of raw materials which were not requisitioned by the Germans run out, the coal mines experience ever-increasing difficulty in securing pit props, cement, lubricating oil and fuel oil. Pit ponies cannot be replaced, and the feeding of those which remain is a serious problem. Nor is French industry in a position to supply indispensable equipment, such as coal-cutters, winding-gear and lifts.

To these permanent difficulties must be added a series of strikes which broke out in the mines of the Nord and the Pas-de-Calais last autumn. In six mines out of ten, and particularly in the two most important, production ceased for several weeks. Apparently, the discontent among the miners was due to the inadequacy of their wages, but there is no certainty regarding this explanation.

The Germans would not and could not make good the coal shortage by deliveries of Belgian coal and coke, owing, in part, at least, to the difficult transport position. At the end of 1941, they agreed to supply 100,000 tons a month, but, judging by previous experience, this arrangement is highly unreliable.

Thus, France's economy is faced by the brutal fact that available supplies of coal have been reduced from 70 to 75 million tons per annum before the collapse to 40 million tons. From this amount must be deducted coal to be supplied to North Africa, which was formerly supplied by England, and supplies for the occupation authorities, so that the net amount available is no more than 35 million tons.

Cuts in Consumption

It is impossible to estimate the full extent of the crisis from a simple comparison of figures, for it has not been possible to reduce all forms of consumption. The Germans have assured themselves of priority for their transport, but it has been impossible to cut the consumption of the thermo-electric power stations. Shipping services between France and her colonies, especially North Africa, could not be reduced. Besides this, the shortage of fuel oil has led to some additional consumption of coal.

It has consequently been necessary to impose a drastic cut in general consumption, which has raised the question of priorities in its most acute form. A relatively slight cut involves serious difficulties, but the problem is almost insoluble in the case of as severe a reduction as has been necessary in France. The thermo-electric power stations, which in September were supplied with 100 per cent of their needs, received only 88 per cent in November, although weather conditions forced the authorities to increase this quota. Gasworks, which drew 86 per cent of their requirements in September, received only 81 per cent in November. Priority was thus given to works producing power or heat. The railways came second, their supply being cut from 84 per cent of their needs in September to 74 per cent in November. This quota, however, proved to be markedly insufficient for irreducible needs on account of German transport requirements. The *Société Nationale des Chemins de Fer Français* each month consumes 50,000 tons from its own stocks, which are being rapidly exhausted. Certain industries, such as food processing and distribution, and the cement industry, are favoured. Industry as a whole is rationed at two-thirds of its needs in the same way as schools and hospitals. As for the private household, it receives what is left.

The scarcity of coal is aggravated by a shortage of electric power. Normally, hydro-electric power stations—which produce some 35 per cent of all electric power—are fed in spring and summer by the thaw of snow and

ice. At the end of August, the thermo-electric stations come into action. The autumn rains again provide water-power, but during the winter coal must supplement the deficiency of the hydro-electric stations. The autumn of 1941, however, was the driest since 1921. Consequently, the production of the hydro-electric stations was much reduced, and it was necessary to start up the thermo-electric stations unusually early, and to reduce the consumption of electricity. The average monthly coal consumption of the thermo-electric power stations was some 262,000 tons in 1938. For November last the agreed quota was reduced to 230,000 tons. As a result of the drought, actual consumption was double this figure.

Besides this, the virtual impossibility of obtaining even strictly limited quantities of coal has led the private consumer to increase his consumption of electricity for heating. Restrictions amount to 10 per cent for persons permitted to consume 50 to 100 kw, and 20 per cent for those authorised to consume more than this. The sale of electrical heating equipment is forbidden; many stations of the Paris Underground have been closed; theatres must close once a week; and cinemas have been urged to reduce their lighting. Restrictions of unknown scope have been imposed throughout industry.

There is no recent information concerning stocks of petrol, petroleum and fuel oil, but they must be almost exhausted. The amount left by the Germans to the French Government after the armistice did not exceed 240,000 tons, to which should be added 230,000 tons in North Africa. Monthly consumption before the war reached 200,000 tons. Although, on several occasions, an agreement with Germany for the delivery of Roumanian oil has been announced, the quantities actually imported since the armistice seem to be negligible.

The Minerals of Burma and South China

(BY A CORRESPONDENT)

February 17th

SINCE the fall of Singapore, Burma has become one of the most decisive outposts of Allied, and, in particular, Empire, defence in the Far East. Not only has it an immense strategic significance; at the same time its mineral supplies, together with those of South China, are of great importance to the Allied war industries.

Although the value of the mineral output of Burma has remained below £8,000,000 per annum in recent years, of which exactly half was accounted for by oil, the country supplies over four-fifths of the Empire's tungsten ore, over one-quarter of its zinc, nearly one-fifth of its oil, and nearly one-sixth of its lead. It is also an important producer of silver (recovered as a by-product from lead-zinc refining) and of tin. South China is normally by far the world's largest producer of tungsten and antimony (used for steel alloying and lead-hardening purposes respectively), and supplied something like two-thirds of the total world output of both materials before the Sino-Japanese war. South China is also the largest producer outside the International Tin Scheme, and its annual production of tin has passed the 10,000 tons mark in recent years.

The entire metal production of Burma, except some tin and silver, has been sold exclusively to the Ministry of Supply since the autumn of 1939. Free China has also diverted certain parts of its mineral production to Great Britain, but the great bulk of its tungsten, antimony and tin has been bought by the United States Government since the summer of 1940. Besides substantial cash purchases, the United States Government in 1940 and 1941 granted two loans, of \$30,000,000 and \$60,000,000 respectively, to the Government of Free China, which are to be repaid by supplies of the three minerals.

Oil is by value the most important of Burma's minerals. The oilfields are situated in Central Burma, far away from the present danger zone, but the refineries are at Rangoon. The most important oilfields are the Yenangyaung and Singu fields; the former is situated two miles east of the Irrawaddy at Yenangyaung in the Magwe district, and the Singu field is farther north on the same bank of the Irrawaddy River. Burma's oil production, which is a virtual monopoly of the Burmah Oil Co., Ltd., has remained remarkably stable around 7,500,000 to 8,000,000 barrels (one metric ton is roughly seven barrels) for a number of years past. This

quantity approximately equals the output of Bahrein, the newly developed oil islands in the Persian Gulf, and is only one-tenth of the recent Iranian output. In fact, Burmese oil, despite its important place in Burma's total mineral output, is less significant to the Allied war effort than the country's metals.

There are many occurrences of most of the metallic minerals in Burma, but in terms of actual production only two groups have so far become important—the tin-tungsten group and the lead-zinc-silver group. The latter metals are only produced in one centre in Burma, at Bawdin in the Federated Shan States (Upper Burma)—just under 50 miles from the station of Nam Yao on the Burma Railways line to Lashio. The mines are controlled by the Burma Corporation, Ltd., which has its own smelters at Namtu near the mines, and connects both mines and smelters with Nam Yao by its own railway. Production at Bawdin in recent years has fluctuated around 80,000 metric tons of lead, 45,000 tons of pure zinc, about 6,000,000 oz. of silver and small quantities of copper matte, nickel speiss and antimonial lead produced as by-products of the treatment of lead-zinc ores. Like the Burma oilfields, the Bawdin mines are not at present threatened.

Lost Tungsten

Tin and tungsten are produced in two separate areas in Burma, of which the area south of Moulmein, with Tavoy and Mergui as chief centres, has already been lost to the Japanese. The second area is situated in the Karenni State of Bawlake, roughly 220 miles north of Moulmein, and near the town of Pazaung on the Salween River. Out of Burma's average production in recent years of about 12,500 tons of tin and tungsten concentrates (containing about 6,000 tons of metallic tin and 5,000 tons of tungstic-oxide), Mawchi Mines, Ltd., which exploits the Karenni deposits, has accounted for between one-third and two-fifths, while the rest was produced in the south. Although not easily accessible, the Karenni tin and tungsten area lies in the danger zone, and can no longer be regarded as a safe source of supply. As Burma has been, until recently, the most important source of British tungsten supplies, it is not surprising that a new iron and steel control order has been introduced in Great Britain early this week, which places high-speed steel, whatever its tungsten content may be, under a strict licensing system.

The loss of the greater part of Burma's tin and tungsten supplies, and the threat to the remainder of the country's production, could be made good by increased supplies of Chinese metals. China's annual tin output of over 10,000 tons is almost entirely produced in the Koshiu district of Yunnan Province, which is firmly in Chinese hands. More than 95 per cent of its antimony comes from Hunan Province, and this area, too, by the recent Chinese successes near Changsha, has been cleared of Japanese troops. China's tungsten is produced in a number of Southern Provinces, but the chief producing districts, situated in the Kanshow area (South Western Kiangsi), Western Kwangtung, Hunan and Yunnan, remain under Chinese control. Unfortunately, all of the normal trade routes for Chinese tungsten, antimony and tin (via Shanghai, Canton, Hongkong and Haiphong) have been cut, and the Burma road represents at present the only open route to the outside world. As a result, Chinese exports have declined seriously for some years past. In 1937 its export of tungsten concentrates amounted to 17,895 metric tons (containing 60 per cent tungstic oxide). By 1940 they had declined to 3,118 tons. In the same period, antimony exports fell from 14,702 metric tons to 5,493 tons, and tin from 9,500 tons to under 4,000 tons. Last year, a further general reduction is believed to have taken place. In recent months, however, production of the

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three metals in Southern China has increased substantially, and it is expected that the increase will be maintained as part of the Inter-Allied pooling arrangements.

Whether the increased Chinese effort, as well as the Burmese mineral output in the unoccupied areas, will make themselves felt in Allied supplies depends, of course, chiefly on the defence of the Burma road and the railway from Lashio via Mandalay to Rangoon. If the road or the railway are cut, so will be all mineral supplies from Burma and South China. Fortunately, the rapid decline of tungsten and antimony exports from China in recent years has stimulated a large-scale development in the mining of the two metals in Latin America (chiefly Mexico and Bolivia). Nevertheless, the stoppage of Burmese and Chinese tungsten and antimony supplies would be a serious loss to the Allies, as would the interruption of Burmese tin, lead and zinc supplies, especially since the large Far Eastern sources of tin have recently been lost, and the important Australian lead and zinc supplies can no longer be regarded as absolutely safe.

Wolfram Hunting in Portugal

[FROM OUR LISBON CORRESPONDENT]

February 5th

FROM February 15th, all sales of wolfram (one of the ores from which tungsten is derived) and tin must be made to a Government Commission (Commissao Reguladora do Comercio de Metais) at fixed prices, namely Esc. 150 per kilo for wolfram and Esc. 55 per kilo for tin 99.5 per cent pure; sales are to be made only by mines in

actual production and the mineral is to be such as is already prepared for marketing. Of the tin purchases, 25 per cent is to be reserved for Portugal's internal use.

This measure is intended to stop abuses due to widespread wolfram hunting, a phenomenon which has greatly prejudiced agricultural and other interests in northern Portugal. It has also other interesting possibilities, inasmuch as it does not necessarily follow that the Commission will resell for cash all the metal they obtain—it is considered probable that some, if not all, will be used for barter. The publication of an advertisement in to-day's press to the effect that the Commission "has a possibility of importing a certain amount of laminated iron, and therefore invites industrialists to let the Commission have a list of their normal needs," seems to bear out that conclusion. As the most important mines for both metals are in British, American and German possession, it may be presumed that their production will only pass through the Commission's books, since, in addition to preventing labour disorganisation, the Portuguese Government is anxious to forestall inflation, which was brought appreciably nearer by the large sums given for the wolfram to people who have as yet no habits of saving or investment and who therefore turn currency into goods in short supply. It is not possible to say how much wolfram or tin the Commission will be able to get from the independent mineowners—mostly Portuguese but also said to include a few Japanese—but it will be interesting to see where the sheet iron comes from in exchange for the much-sought metal.

An export tax of 80 centavos on each kilo will be imposed by the Commission, and out of its proceeds 25 per cent will be retained in a special compensation fund to be established, presumably to cover working expenses. Broadly speaking, the new measure is regarded here with favour; it remains to be seen whether Germany, the party most interested in increasing her imports of wolfram, will find some way of tricking the good faith of the Portuguese authorities.

German Europe Industrial Collaboration

DIRECT co-operation and sub-contracting are the main principles of Germany's system of industrial collaboration with occupied countries. They were first introduced in France, and were later extended to all western European countries, whereas in Central Europe and the Balkans direct economic penetration was preferred. Like Germany, western European countries depend on supplies of raw materials from overseas, particularly textile fibres, non-ferrous metals, and oil. Direct economic co-operation aimed, therefore, at establishing or expanding the manufacture of substitutes. Agreements were concluded between the German textile concerns and those in France, Belgium, Holland, and Norway, as a result of which Germany provided patents and technical experience for the expansion of the cellwool industries. These agreements were, however, only possible after the industries in the countries concerned had been concentrated—the famous motor-car agreement between Germany, France and Italy was based on the concentration of the leading French motor-car firms into the *Société Française de Construction Automobile*. The doubtful success of the agreement between the German and French textile industry is shown by the fact that the output of artificial textile fibres increased to only 52,000 tons in 1941, against 32,000 tons in 1938. The production programme for 1942 aims at 95,000 tons. The German chemical concern, *I. G. Farben*, and the French concern, *Kuhlmann*, jointly formed the *Francolor*, which demarcates spheres of interest for the German and French manufacturers of dyestuffs. A shortage of non-ferrous metals forced French industry to expand the output of aluminium and magnesium, which at the same time made the expansion of electric power stations necessary. Similar programmes were drawn up in Belgium, Holland, Norway, Hungary and Roumania. Everywhere Germany encouraged the production of industrial raw materials and substitutes.

These long-term programmes would doubtless have secured German monopolist interests without supplying the immediate demands of Germany's war machine. Hence Germany introduced a system of subcontracting which is based on a decree issued in October, 1940. According to this decree, German orders may be placed with firms in

occupied countries, if the German firms provide the necessary permits for raw materials. Under the price stop decree, the "shifting of orders," as the system is called, must not allow prices to exceed the German price level. The final permit for the execution of the orders is given by Central Order Offices established in Paris, Brussels, and The Hague. Just as exhibitions of the sub-contracting that could be done were organised by the regional Order Bourses in the Reich, so industrial exhibitions were organised in Paris, Brussels and later in Lyons. The German section in Paris exhibits manufactures which German firms want to place with French firms; and the French section of the permanent industrial exhibition consists of articles which French firms are able to manufacture under existing conditions. At the end of last year, 30,000 visitors were registered at the Paris Exhibition, and French manufacturers were able to execute sub-contracts for 15,000 exhibited articles. Last autumn the value of German orders placed in France was estimated at Rm. 1,500 millions, and the Brussels Exhibition was also successful. The *Essener National Zeitung*, encouraged by these successes, began publishing a regular supplement under the title "European Economic Service," which is a detailed list of sub-contracts offered by German firms. The paper declared that even firms situated in neutral countries have offered to execute sub-contracts. Last December, sub-contracting on a European basis was carried a step further by the first Reich Order-Bourse, held in Berlin. French, Belgian, Dutch and Danish firms sent representatives to this bourse, which will be repeated in Prague, Vienna, Frankfurt and in The Hague.

It is easy to see how the placing of orders is a powerful influence in changing the industry of occupied countries. In occupied France, for example, 80 per cent of the entire manufacturing industry is said to be employed on German orders. At first, orders were concentrated in Paris; later, a dispersal into the provinces of occupied France was necessary, and, recently, German orders have been placed, in steadily growing numbers, with firms in unoccupied France. During the first six months of 1941 Germany "generously" supplied the necessary raw materials mainly, no doubt, from requisitioned stocks, and employers were encouraged to retain their workers, who were put on part-time work. In the French and Belgian textile industry, for example, hours were reduced in certain places to ten a

week. During the second half of 1941, however, conditions changed. The shortage of coal and subsequently of iron and steel, not to speak of textile fibres, non-ferrous metals, and lubricating oil, became more pronounced. Yet at the same time Germany was compelled to search for firms which could execute orders from the raw materials of the respective countries. After the German model, rationalisation and concentration were introduced. Here and there skilled labour became scarce, because of the export of labour to Germany, and part-time work was first abolished in the textile industry. At the same time, inefficient factories were closed down in great numbers, and the German system of "Joint Aid" for such factories had to be introduced in France and Belgium. But the most interesting feature of industrial collaboration is the exchange of technical methods and technical experience. Firms in occupied countries must be adapted to German designs and methods. Moreover, German substitute materials must, of course, be used in executing orders, and German firms cannot avoid revealing the secret of both their manufacture and use. There are signs that French, Belgian and Dutch concerns have changed only reluctantly to new methods based on substitute materials. Nevertheless, industry as a whole has not been reluctant to accept sub-contracts from German firms.

The prospect of further industrial collaboration depends on the supply of new raw materials and manpower. The rapid expansion of the substitute industries depends on a sufficient supply of coal and electricity, but the coal output in Belgium, France and Holland seems to be decreasing. (The coal and electricity shortage in France are described in detail on page 256.) The German occupation authorities are trying to induce greater output by allowing coal-owners the free use of additional production, though sales on the black market have been expressly forbidden. Supplies of timber, an indispensable raw material, have only been secured by severe rationing of civilian consumption after Germany had been forced to reduce exports to France, Belgium and Holland. The supply of labour is also difficult, for the import of labour to relieve the shortage in Germany has virtually abolished unemployment in most of the occupied countries.

There is, thus, no doubt that industrial collaboration is at present nearing its peak. The production of substitutes is still negligible, and the continued export of labour to Germany makes a further increase difficult, if not impossible.

Foreign Workers in Germany.—The official German journal *Reichsarbeitsblatt* estimates that the number of foreign civilian workers employed in Germany increased from April, 1941, to September 25, 1941, by 600,000 to 2.1 million. The following table shows that nearly half of the workers were imported from Poland.

	(In 1,000)		
	Men	Women	Total
France	34.0	14.5	48.5
Belgium	106.8	14.7	121.5
Holland	80.8	12.3	93.1
Denmark	25.3	3.6	28.9
Poland	744.8	262.7	1,007.5
Bohemia & Moravia	111.8	28.2	140.0
Slovakia	54.0	26.0	80.0
Hungary	25.4	9.6	35.0
Jugoslavia	82.8	26.0	108.8
Bulgaria	14.4	0.2	14.6
Italy	250.0	21.7	271.7
Other Countries	137.3	52.6	189.9
Grand Total ...	1,667.4	472.1	2,139.5

At present the number of foreign civilian workers employed in Germany may have increased to more than 2.5 millions, though from September, 1941, to February, 1942, the rate of import probably decreased. It is reported that even boys have been sent from Roumania to Germany and have been offered apprenticeship in German factories. Most of the civilian workers are employed in agriculture. The recruiting of foreign workers has been extended to the occupied territories of the Soviet Union, and the first Russian prisoners of war have begun work in agriculture and in Germany's coal-mining industry. No official figures about the number of prisoners of war employed in Germany have been published.

I. G. Farben and Francolor.—The German chemical concern I. G. Farben has increased its capital by Rm. 48.5 millions to Rm. 848.5 millions. The greater part of the new capital will be used for acquiring interests in the newly established French concern, *Francolor*, whose total capital amounts to 800 million francs.

French Buna Plans.—It is reported that considerable quantities of synthetic rubber, Buna, have been exported from Germany to France. The French rubber industry has thus been able to continue the manufacture of rubber articles, and the French Dunlop company has adapted its factories to the use of Buna. Moreover, the French industry is contemplating the manufacture of synthetic rubber; in fact, even before the war, preliminary experiments had been carried out. But German patents alone will not be sufficient, for the shortage of coal and electricity are serious obstacles to the manufacture of Buna.

Concentration.—Germany's leading electric concern, the AEG (*Allgemeine Elektrizitäts-Gesellschaft*) has amalgamated with the mixed holding and operating concern, *Gesfuere* (*Gesellschaft fuer Elektrische Unternehmungen*). The AEG takes over the rights and the assets of the *Gesfuere*, and exchanges for share capital, amounting to Rm. 80 millions, for Rm. 100 million new shares of the AEG. This amalgamation is the biggest concentration in recent years. It marks not only a new concentration in the electrical industry, but also a weakening of the position of holding concerns. The AEG takes over a considerable number of operating companies, manufacturing cables, transformers, insulators, wireless parts, precision instruments, etc. The main purpose of the amalgamation is rationalisation of the different factories by concentrating the manufacture of the different products in the most modern operating companies.

The unusual circumstance that an operating concern takes over a holding concern is explained by the leading position of the AEG. The *Gesfuere* held only minor interests in the AEG, and, apart from the greater resources of the AEG, the tendency to favour the concentration of operating concerns against holding concerns has grown stronger in recent years. Since the beginning of the war leading concerns in the electrical, chemical and light metal industries have specialised their production to a great extent by amalgamating or exchanging their holdings, with the purpose of avoiding parallel production in the different holdings of the same concerns.

Reich Revenue.—The latest figures published about Reich revenue show a substantial increase in taxes.

(In million Reichsmarks)

	Total	Taxes	Customs and Excise
1940, Oct. 1 to Dec. 31	6,987	5,591	1,396
1941, Oct. 1 to Dec. 31	8,081	6,800	1,281
Increase in %	15.6	21.6	7.5
Decrease in %	...	...	...
1940, April 1 to Dec. 31	20,405	16,470	3,935
1941, April 1 to Dec. 31	23,863	20,007	3,856
Increase in %	17.0	21.5	...
Decrease in %	...	...	2.0

Second-Hand Goods.—Complete rationing of clothing, and the gradual depletion of stocks of household goods and furniture, have favoured the market in second-hand goods. Yet the greater part of the transactions in second-hand goods take place outside shops. German newspapers carry long columns of advertisements where furniture, clothing, household goods, etc., are offered or sought. These private sales of second-hand goods come outside the price stop decree, and it seems that purchasers have been paying exorbitant prices even above the regulated prices for new goods. The new price commissar has decreed a price stop for all second-hand goods, whether the purchase is made in a shop or privately. Henceforth, the basic price for second-hand goods is the price for the same new goods obtained in shops under the price stop, and then a reasonable deduction must be made for wear and tear. The price for second-hand goods must not exceed 75 per cent of the price for new goods.



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THE BUSINESS WORLD

War and Patents

THE general prohibition on trading with the enemy imposed in wartime is by no means absolute. Under the Trading with the Enemy Act, 1939, a Secretary of State, the Treasury or the Board of Trade may give authority to permit trading with the enemy where such transactions are considered to be in the national interest; and among the forms of trading with the enemy hitherto permitted has been the maintenance of, or application for, patent rights by each belligerent in the country of its enemy.

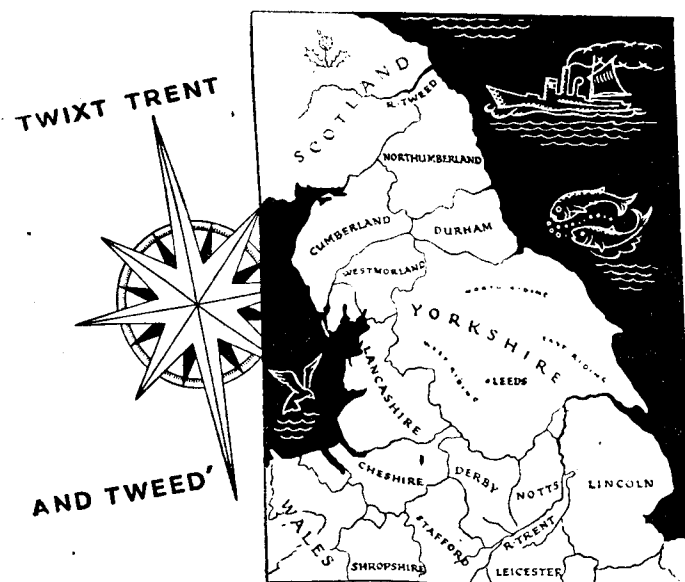
Under powers deriving from the Trading with the Enemy Act, the Board of Trade has issued General Licences authorising the payment to an enemy of fees in respect of the grant or renewal of patents in enemy territory, or the payment on behalf of an enemy of fees in respect of the grant or renewal of patents in any country not being enemy or neutral territory. This should not, of course, be confused with the payment of royalties for the use of patents. Pre-war patent legislation is modified by the Patents, Designs, Copyright and Trade Marks (Emergency) Act, 1939; the most significant change introduced by this Act is that it empowers the Comptroller of Patents to grant licences permitting the exercise of enemy-owned patent rights where this is in the national interest. A number of these licences have actually been granted, on payment of royalties to the Custodian of Enemy Property. The General Licence seeks to ensure that the international patent system, with certain safeguards dictated by security

and financial considerations, is maintained despite the outbreak of war.

In the Four Years' War, a similar General Licence, issued by the Board of Trade, was in force until the early months of 1918, when it was revoked and all enemy-owned patents were vested in the Custodian. Today, it is believed that revocation is again under consideration, and expert opinion is sharply divided on the desirability of such a step. The issue is, of course, a relatively small one—financially; the business involved in maintaining and granting patent rights is not considerable. Nor is it easy to come to a decision on broad lines of principle. The Trading with the Enemy legislation has from the outset admitted the desirability of making exceptions where tangible justification could be adduced, and the case for revoking the General Licence, either wholly or partly, rests on an estimate that its continuance is, on balance, a weakness in the conduct of the war.

The function of the patent system is, of course, to reward inventors by the grant of monopoly rights, for a limited period; and, whether or not the establishment of monopolist property rights in inventions is intrinsically desirable, is a controversial problem that is not at present at issue. If the patent system is taken as a given fact, there is a *prima facie* case for maintaining the property rights of patentees, even of enemies, unless to do so would be prejudicial to the interest of the general public. If a patent is not maintained through payment of due fees, the rights lapse and may be exercised at will by nationals of the country in question. Thus, German nationals could exercise British-owned patents, and *vice versa*. The advantages and disadvantages of the existing state of affairs are thus reciprocal as between this country and its enemies. It is understood that the Nazi Government has in general adopted measures similar to those adopted here, but experience of that Government suggests that, were the balance of immediate advantage unmistakably in favour of the Allied powers, very different arrangements would have been made. In fact, the Germans have always been anxious to acquire large numbers of foreign patents and there are considerably more German-owned patents in this country than there are British-owned patents in Germany, which perhaps gives the Nazi Government an unusual interest in legality. On the other hand, the reverse is true of Italy; and today payments on behalf of British-owned patents in the whole of European occupied territory come under German control.

There is accordingly a small but definite adverse balance of payments on account of patent transactions between this country and the enemy; and this drain, if it is balanced by no adequate *quid pro quo*, must surely be inadmissible. It is believed that the Germans have scrupulously observed their engagements regarding the acquisition and maintenance of British patent rights; but there is no guarantee that this will continue. Since no payment can obviously either create or maintain rights which are enforceable during the war, it seems doubtful whether any harm would be done to British owners' patent rights abroad if the General Licence were revoked. British owners cannot work patents in enemy or enemy-occupied territory, nor can royalties accruing be transferred during the war. The interest of owners is to see that their rights are unimpaired at the conclusion of hostilities; and there is no reason why, on the only possible assumption—that of an Allied victory—the position should not be satisfactorily regulated at the next peace treaty as was done by Articles 306 and 307 of the Treaty of Versailles. These articles provided that patent rights should, in general, be re-established in favour of those entitled to them at the outbreak of war, though the victors reserved to themselves the right to impose restrictions on German nationals for a variety of purposes, including the fulfilment by Germany of all its obligations under the Treaty.



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A minor advantage of the revocation of the General Licence would be the release of a limited, though highly trained and valuable labour supply, in the Patent Office and among patent agents, for employment on work more nearly connected with waging the war. Nor would the encouragement to public morale be negligible, for there is some dissent among the persons called upon to undertake the actual work of communicating with the enemy. Moreover, the possibility of leakage of information, though infinitely remote in view of the existing precautions, would presumably be eliminated.

It is true that revocation of the General Licence would inevitably cause a rush of applications for patents from both sides after the war, and there is no doubt that the Patent Office would be called on to work at high pressure to deal with them. This is in no way a reason for not revoking the General Licence now, since numbers of Patent Office officials, now seconded for other duties, will no doubt

have returned by then. In any case, every man not employed to-day on immediate war work constitutes a direct loss to the nation. The numbers may be small; the principle is important.

The accumulation of small advantages does make the revocation of the General Licence appear desirable. The bitter and deepening seriousness of the struggle with the Axis has brought about a definite change of emphasis; and what appeared to be harmless and, in the long run, trouble saving in the days of "phony war" seems highly inappropriate at the present juncture. The British patentee should fully appreciate the fact that the only security for his property in the last resort is not the maintenance of a certain legal and financial formulae, but the success of British arms. Any contribution to the war effort, however small, which can be made by withdrawing the General Licence is certainly in the best interests, not only of the country as a whole, but also of the interested parties.

Finance and Banking

Ampler Credit Supplies

Although the clearing banks have already begun their February making-up, supplies of credit have been more abundant this week. Some of the banks have at long last extended their bill purchases to include April maturities, and with this outlet the market has found it possible to take up the bills which it tendered for last week without having to seek the assistance of the agent for the Bank of England. A factor which is now mopping up bank cash at a considerable rate is the flow of subscriptions to Government issues swollen by the Warships Weeks campaign. The market are particularly apprehensive of the London week due towards the end of March, and in preparation for it have striven to keep in their portfolios a fair amount of bills maturing in the week in question. The easing of the credit position is reflected in the rise of £13,450,000 in bankers' deposits shown by the latest Bank return. This expansion is the joint product of an increase of £6,705,000 in the Bank's holding of securities (in part the result of some of the special purchases of bills made towards the end of last week) and of a reduction of £7,114,000 in other accounts.

Far Eastern Exchange and Bullion Markets

The spread of Japanese invasion in the Far East can be followed by the casualties in the official list of exchanges quoted in the London market. This week its already attenuated ranks have been further reduced by the disappearance of the Straits dollar. From Tokyo the Finance Ministry and the Bank of Japan have announced the winding-up of the Foreign Exchange Fund of 300 million yen which was set up to fulfil functions roughly similar to those of our own Exchange Equalisation Account. The Japanese thesis is that within the yen area as now being extended there will be no need of the foreign exchange machinery of which the Foreign Exchange Fund provided one of the principal cogs. In India the critical turn in the war with Japan has been apparent in the free bullion markets rather than in the controlled exchange market. The gold market remains free as regards dealings in gold already held within the country, and over the past ten days the open market price in Bombay has jumped from its approximate parity of 47 rupees per tola to Rs. 51 8s., subsequently relapsing to Rs. 49 4s. It is hardly surprising that the rapid approach of war to the boundaries of India should have caused some increased hoarding demand for gold. The silver market in India has also been affected by the same factor, but has not been so agitated owing to the calming influence exerted by the readiness of the Reserve Bank of India to sell standard silver at Rs. 62½ per 100 tolas. The price for fine silver in Bombay rose between February 6th and 16th from Rs. 64 6s. to Rs. 65 13s., but has since come back to Rs. 65 10s.

Note Imports in India

Another reminder of the discrepancies between the systems of exchange control operating in the different parts of the sterling area is provided by the new Indian Govern-

ment order controlling the import of all foreign currency notes. Hitherto restrictions on the import and export of notes to and from India have applied to Bank of England notes. In future all imports of foreign notes will be subject to the permission of the Reserve Bank. Certain limits have been set to the amount of specified notes which immigrants and evacuees may bring in with them. They are of £10 in Bank of England notes, \$100 of Chinese dollars, \$500 of Straits dollars, and 100 NEI guilders. No imports of Hongkong dollar, Sarawak dollar and Philippine peso notes will be allowed. These special facilities are intended for the benefit of those now fleeing to India from Japanese invasion. It is inevitable that the Japanese, in the course of their advance, should acquire an appreciable volume of the currency of the countries they are occupying, and it is prudent that precautions should immediately be taken to prevent such notes making their way into India and feeding funds from which subversive Japanese activities in that country may be financed. The Japanese have had good experience in exchange control "wangling" during the earlier phases of the China incident. It is only to be expected that they will endeavour to put that experience to some use in India, and it is reassuring to learn that the Government of India have already put appropriate counter-measures into operation.

Note Expansion in France

The latest Bank of France return to reach this country, dated January 22nd, acquires special significance from the fact that it foreshadows a further increase in the advances made by the Bank to the French Government in order to meet the latter's commitments for German occupation costs. The limit of these advances was fixed at 150,000 million francs and by January 22nd last they were outstanding to the amount of 149,445 million francs. The note circulation has been expanding with the growth of these advances, the bulk of which is withdrawn in the form of currency for use of the occupation authorities. By January 22nd last the circulation stood at 271,500 million francs, an increase of some 1,000 million on the month, or over 100,000 million francs since the German occupation of Paris. The difficulties of the monetary authorities in unoccupied France, owing to this expansion of their currency in the occupied territory, can well be imagined. There is at present no way in which the Vichy currency can be insulated from the inflation emanating from the occupied territories. Information from occupied France suggests that even the actual process of printing notes is now out of the hands of the Bank of France. The notes are printed at Rennes by the Oberthur printing works, which are under German control. All that the Bank of France does is to provide the supplies of plain bank note paper.

Free French Central Bank

The *Journal Officiel de la France Libre* has given details of the formation of a central bank which is to be responsible for the monetary circulation in all Free French

territories and for keeping the accounts of the Free French administrations. The new organisation is known as the Caisse Centrale de la France Libre. Its initial capital of 100,000,000 francs has been subscribed by the Financial Commissioner of Free France. It has already opened offices at No. 9 Princes Street, London. The decree setting up the bank stipulates that in all Free French territories where the currency medium in the past has been other than the franc, the authorities may maintain such currency or create another one. It is, however, the intention to establish monetary unity in Free French territories, and the Caisse Centrale should serve that object. Its notes will be issued either against currency already in circulation in the territories concerned, or against gold and foreign exchange. The Caisse Centrale will have the responsibility of applying the Franco-British monetary agreement of March, 1941, which virtually admits the Free French territories into the sterling area. The new bank will have the right to deal in bullion, to accept deposits, to grant credit to corporations and banks where such credits are deemed essential to the national interest, to make ways and means advances to the Free French administration, and to perform all the sundry functions of a central bank. The setting up of this bank should in time solve the difficult problems created by the circulation in Free French territories, i.e., in the sterling area, of notes secured in fact by Vichy securities and identical with those circulating in the colonial territories under Vichy control.

Thos. Cook and Grindlays

The acquisition of the business of Thos. Cook and Son by the railway companies has been followed this week by the announcement that the business of the firm's banking subsidiary has been acquired by Grindlay and Company, which, in turn, is owned by the National Provincial Bank. Earlier in the week it had become known that the main line railway companies, acting through a wholly owned

subsidiary, Hay's Wharf Cartage Company, had acquired the control of Thos. Cook and Son which had been held by the Wagons Lits Company since 1928. By virtue of the Trading with the Enemy Act this control had become vested with the Custodian for Enemy Property. The Custodian had neither the organisation nor the resources to maintain a going concern such as this, and thus entered into negotiations with the main line companies for acquiring the control of Thos. Cook and Son. With the completion of this part of the deal the time had come to separate the travel agency from the banking side of the business. The 1940 balance sheet of Thos. Cook and Son (Bankers), Ltd., showed resources of £3,152,431, while those of Grindlay and Co., at the end of April, 1941, were £5,204,022, so that the new business represents a substantial acquisition. It is stated that the travel company will continue the issue of travellers' cheques and incidental foreign exchange business.

* * *

Insurance of Hulls

Difficulties affecting the marine insurance of hulls have been referred to by the retiring chairmen at the recent annual meetings of the Institute of London Underwriters and the Liverpool Underwriters' Association. The increased hazards resulting from navigation conditions in wartime, such as voyaging in convoy without lights, and on unfamiliar routes, are, of course, common to hulls and cargoes. Superimposed on these hazards are certain problems peculiar to the insurance of hulls. Repair costs, for one thing, are continually rising, and are frequently enhanced through the removal of vessels to another port for repairs—not, as in times of peace, to a port where repairs can be executed more cheaply, but to one where facilities happen to be available—thus throwing on underwriters the additional burden of removal expenses. But a more important feature is that, because of the urgent need to keep all seaworthy

ships in service, only essential repairs are being effected; the cost of complete and permanent repairs, which will depend on conditions at some future date, are unknown and cannot be estimated with any degree of confidence. In hull insurance there is always considerable delay before the results of an underwriting year are finally ascertained, and the traditional practice is, therefore, to keep accounts open for three years, but under war conditions underwriters will need to wait much longer before they can accurately assess their position. For these reasons both chairmen stressed the

Investment

Politics Take a Hand

There is nothing surprising in the fact that the fall of Singapore, and perhaps still more the Prime Minister's intimation of our continued weakness in the Pacific, should have caused a further very general fall in all securities with substantial interests in that area. The slump in tin and rubber shares, except those of India and Ceylon, has reached a point at which no one is likely to sell except under extreme necessity, and many shares of concerns operating in contiguous areas are beginning to approach such levels. Owing largely to the action of the Commonwealth Government, there is at the moment virtually no market in Australian mining shares, and, for reasons more closely associated with military action, Burmah Oil now stand some 40 per cent below the best of this year. The virtual freezing of a considerable section of equities, not all of which were speculative by peacetime standards, has led to some sales of others whose prices had been well maintained, which helps to account for the fact that the index of industrial equities, compiled by *The Financial News*, is now some 8.2 per cent below the peak, touched on December 2nd. The selling has, however, not been large at any time, and it has been little accentuated since the deterioration of conditions in the Far East. The drop in quotations owes a good deal to cautionary marking down, and perhaps as much to the vague unrest which has arisen and been aggravated, rather illogically, by the passing of the German ships up the Channel. Apart from that incident, whose effects should be transitory, the principal cause of unrest is the growing feeling that all is not well, either in the high command or in Whitehall, and the fear, which is just beginning to be common talk, that some political upheaval may emerge. None of these factors has any direct effect on the profit-earning capacity of British industry, and it may be expected that, once the public becomes accustomed to reverses, this fact will induce renewed buying. Meanwhile, the fall in some equities has done a good deal to bring about the readjustment of their value, as against fixed interest stocks, which have declined by a mere 0.3 per cent from the peak touched more than once during the past few weeks. A few adventurous spirits are already bargain-hunting. It is not easy to look more than a few days ahead at these times, but it seems probable that a substantial proportion of next month's vesting proceeds will seek safety rather than capital appreciation.

* * *

Home Railway Results

The home railway market succeeded in staging the usual modest flutter on the eve of the dividend announcements, which, so far at least, seem to be fully up to expectations. The first statement, that of the LMS, shows an increase in total net revenue of £543,511, of which £100,000 is taken to raise the appropriation to wartime contingencies from £300,000 to £400,000, while the directors have thought fit to increase the distribution on the ordinary capital from 1½ per cent to 2 per cent. This extra half point costs £476,012, and its distribution means that the addition to the carry forward is reduced from £65,110 to £32,609. It appears that the nearest comparable figure to the company's share in the new rent charge is £14,125,602, which would mean that the total increase in net revenue, is due to changes in controlled revenue and that earnings outside that field are down by some £123,585. The preliminary statements of this company and of the Southern contain no mention of war damage nor any indication

value of cohesion between the different sections of the market, cohesion which is largely achieved through the "understandings" promulgated by the Joint Hull Committee, representative of both the companies and Lloyd's. In January, 1940, this committee fixed a surcharge of 25 per cent to meet wartime conditions, and a further 10 per cent was added a year later. No general advance is being imposed this year, but individual cases will be rated up, if necessary, on a sliding scale taking account of the experience during the past three years.

that the net revenue is after any charge of this nature. In the circumstances, the natural assumption is that the whole amount has been charged against reserves. Consequently, the decision to raise the dividend is not one which will recommend itself to the serious investor, either in the equity or in the senior issues. It is true that

	1941		1940		Price, Feb. 19	Yield
	Share in Rent Charge	Other Revenue Net	Share in Pool	Other Revenue Net		
L.M.S.	14,749,698	500,513	14,125,602	624,098	18½	11.26
Southern	6,607,639	326,621	6,570,169	185,621	16	11.57

the railways have a general cover against arrears of maintenance, but they will be no more free than other sections of industry from the need for post-war reconstruction and the establishment of adequate reserves is requisite if any semblance of independence is to be maintained. At the time of writing, full figures for the Southern Railway are not yet available. The payment on the deferred capital has, however, been raised by ½ point to 1½ per cent, at a cost of some £157,451, and £9,406 is added to the carry forward, which last year suffered a draft of £11,613. At this stage, it is even more impossible to extract really comparable figures for this line than in the case of the LMS. It appears, however, that virtually the whole of the net expansion of £178,470 occurred in non-controlled revenue, although fuller particulars may make it necessary to alter either or both of these comparisons. Actually, it may be doubted whether the figures warrant any very close study, for they throw no light on the present position of the main earning asset, the railway network. The response to both dividends was some profit taking, driving down prices, with the result that the yields on the two equities are both well over 11 per cent. This is a clear indication that payments, even at the present level, are considered beyond the normal capacity of the lines.

* * *

Drastic Measures in Australia

It is scarcely surprising that one of the groups of securities most affected by the fall of Singapore has been that of Australian companies. The expansion of Japanese conquest was, in any case, bound to have this effect, but it is difficult to escape the conclusion that the fall has been aggravated by the action which the Commonwealth Government has thought it necessary to take to control dealings in securities and to limit profits. The actual position is no clearer on these matters than on many other points of Mr Curtin's extremely drastic proposals, but it does appear that, in response to special representations, he has stated that only dealings in bonds will normally be permitted and that transfers of shares will only be sanctioned in quite exceptional circumstances. This must mean, in effect, that there will be no market in them within the Commonwealth. The probable effect of this measure on morale cannot be discussed here, but it will probably lead to endless complications, including the problems of a black bourse. The bonds in question are, for the most part, Australian issues in which the British investor has no holdings. With the shares, particularly those of Australian banking, mining and industrial companies, the position is very different, since they are dealt in in both countries. It may be assumed that Australians will not be permitted to deal here and that there will be a slight narrowing of the London market, but it is probable that the fear of further legislation

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(1940 Accounts)

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Reserve Fund and Undivided Profits, 1941 £3,967,500

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against capital will be a more potent factor in reducing prices than the decline in marketability.

Meanwhile, a heavy blow has already been struck by the substitution, apparently over the whole field of industry, of an absolute ban on profits over 4 per cent, for the War-time (Company) Tax which, starting at 6 per cent on earnings over 4 per cent, rose to 78 per cent on the excess over 14 per cent. This permitted 4 per cent is free of company income tax of 3s. in the pound, and it is based on capital, which is a minimum of paid-up capital and reserves, and may be increased if assets have been written down below the level indicated by allowances under the Income Tax Acts. Although a number of points remain to be explained, particularly with regard to allowances for the degree of risk of the enterprise—as at present stated these appear to work in the wrong direction—it seems probable that the effect of the ban will be even more drastic than EPT at 100 per cent. And there is no question of a post-war refund. Evidently, Mr Curtin is not impressed by the incentive argument as applied to company managements. He may even not have heard of it. The need for strong action in Australia is patent, but it remains to be seen whether such sweeping measures are best calculated to secure 100 per cent effort from all classes.

Thomas Cook Control

The decision of the railway companies to apply for an Act giving them power to take over the business of Thomas Cook and Son marks the entry of railway transport in this country into yet another field. It also means that the control of this company, which passed to Wagons-Lits in 1927, returns to British hands. Wagons-Lits is incorporated in Belgium, and with the entry of Germany into that country, the shares of Thomas Cook vested in the Custodian for Enemy Property, from whom, it is proposed that the railways should acquire them. The acquisition is to be effected through the Hay's Wharf Cartage Company, an affiliate of the four main lines, through which they already control several local carrier businesses. It will readily be understood that the business of Thomas Cook can scarcely be self-supporting since it is, for the time being, limited to the sale of railway tickets for journeys within the British Isles, and to the arrangement of a very modest number of overseas trips. The Custodian for Enemy Property has no funds to finance it, nor has the only British concern with an interest, namely, the International Sleeping Car Share Trust, which holds a substantial, but not a controlling interest, in Wagons-Lits, and has no other earning assets. For the duration of the war, the acquisition will mean closer co-operation between the travel agency and the railways, but it is difficult to see how it can lead to any appreciable saving, since the local offices of the latter are already closed. After the war, there may be larger economies to be secured for the railways, provided they can come to a suitable arrangement for co-operation with the European network of agencies of the Wagons-Lits. The acquisition of control carries no guarantee of any such arrangement, and it is possible that the European interests will be disposed of after the war, since it is intended to sell the extra-European foreign interests forthwith. If that is the case, although the name will presumably be retained, the institution will be but a shadow of its former self. The immediate interest of British investors in the transaction ceased with the repayment of the 6 per cent first mortgage debenture stock of Thomas Cook on February 1st.

GOVERNMENT OF SOUTHERN RHODESIA
FOUR AND A HALF PER CENT. INSCRIBED STOCK,
1958-68.

CITY OF JOHANNESBURG
FIVE PER CENT. INSCRIBED STOCK, 1950-60.

NOTICE IS HEREBY GIVEN that in order to prepare the dividends due 1st April next the BALANCES of the several accounts in the above-mentioned Stocks will be STRUCK on the night of the 28th February, and that on and after the 2nd March the Stocks will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas)
C. D. ALCOCK, Manager.
Circus Place, London Wall, E.C. 2.
12th February, 1942.

Imperial Tobacco Profits

The Imperial Tobacco accounts for the period ending October 31st last show profits, after taxation and fees, of £7,971,241 against £8,872,829. After meeting gross preference dividends, equity earnings are reduced from £8,020,620 to £7,119,032, representing 18.9 against 21.4 per cent tax free, or 37.8 against 37.2 per cent less tax. This rise in the rate of earnings, after allowance for the influence of the increased standard rate of income tax, indicates that gross revenue was higher last year and that Imperial Tobacco, in common with the majority of tobacco companies, is among the concerns which have expanded sales and, probably, reduced costs in 1940-41. The tax free dividend is reduced from 20 to 17½ per cent through halving the tax free bonus at 2½ per cent, but there is, nevertheless, a small rise in the total less tax payment, which amounts to 35 against 34.8 per cent. General reserve receives the customary £500,000, and, in view of the increased margin between the rate of less tax earnings and the actual distribution calculated on the same basis, it is

	Years ended October 31, 1939	1940	1941
Profit*	10,220,150	8,872,829	7,971,241
Preference divs.†	852,209	852,209	852,209
Ordinary stock (tax free):—			
Earned	9,367,941	8,020,620	7,119,032
Paid	8,639,501	7,512,610	6,573,533
Earned %	24.9	21.4	18.9
Paid %	23	20	17½
General reserve	500,000	500,000	500,000
Carry forward	1,612,927	1,620,937	1,666,436

* After fees and taxation. † Gross.

possible to add £45,499 against £8,010 to the carry forward, making £1,666,436. The balance sheet shows a fall in stocks from £31,781,496, including estimated amounts recoverable under war risks insurance, to £28,527,715. Debtors, at £22,335,202 against £18,569,969, have risen ahead of creditors, including taxation, which are some £2,000,000 higher at £30,362,592. Nearly £500,000 has been added to cash holdings at £3,986,288, and more than £1,500,000 to Government and other securities at £9,815,049. The increased liquidity is largely accounted for by an increase in deposits by subsidiary and associated companies from £935,124 to £1,684,744. The accounts suggest that results last year were as satisfactory as could be hoped under wartime conditions, but that the directors have in mind the necessity of conserving resources in times of relative prosperity. There will no doubt be a further cut in the tax free rate during the current year in view of the virtual certainty of heavier taxation, and it is possible that the rate less tax will also be moderately reduced. The tax free yield on the £1 ordinary stock at 119s. 4½d. amounts to £2 18s. 7d. per cent.

Bolsover's Good Year

Total income of Bolsover Collieries rose by some £96,000 in 1941 to £1,099,638. Despite a rise in tax provision from £527,750 to £691,000, which is responsible for a decline in the amount of equity earnings from £374,014 to £306,718, equivalent to a rate of 22.9 against 24.3 per cent, the directors have decided to maintain the total ordinary dividend at 15 per cent. General reserve receives £50,000, against £100,000 in the previous year transferred to reserve for capital redemption, and the transfer to development reserve is raised from £40,000 to £60,000. The carry forward is in consequence reduced by £3,875 to £136,121. The rise in gross income is due mainly to the increased demand of the internal market last year, which to some extent outran the capacity of the company to supply it. The expansion in debtors from £422,641 to £519,723 and in creditors, including tax, from £809,739 to £1,080,393 reflects the influence of higher turnover and higher prices. There is a moderate rise in the value of stocks, at £278,712 against £266,977, while cash holdings are up from £355,609 to £514,930, and the directors state that £425,000 had already been paid in respect of income tax due January 1, 1942. Total reserves, after the latest transfers from profits, are increased from £2,687,839 to £2,775,961, while on the assets side of the account investments from Government securities are up from £1,255,042 to £1,297,911. The directors announce their intention to pay off the whole of

the company's £400,000, 6 per cent, redeemable debentures during the current year. Future prospects are clouded by the possibility of a serious labour shortage, and every effort is being made to increase the use of machinery at the collieries, which are already highly mechanised. The £1 ordinary stock, at 47s. ex dividend, offers the sound yield of £6 7s. 8d. per cent.

Further Investment Trust Results

Later investment trust accounts reveal a general moderate reduction in disclosed total profits in 1941, and a somewhat sharper setback to equity earnings. Of the six leading trusts whose results are discussed below, only two, *Omnium Investment Company* and *Debuture and Capital Investment Trust*, show a rise in total income. Equity earnings are lower in every case, although for *Omnium Investment* the rate is maintained at approximately 3.5 per cent. The most considerable setback is suffered by *Metropolitan Trust*, where net earnings are some £10,500 lower at £35,345, and the rate is down from 11.9 to 10.8 per cent. This is the only trust which has reduced its dividend, following last year's moderate contraction in available earnings, and the cut amounts to only ½ per cent to 10½ per cent. In the case of *Debuture and Capital Investment Trust*, gross earnings were more than £2,500 higher at £135,407, but the reduction in equity earnings from 5.8 to 5.6 per cent leaves a margin of cover for the ordinary payment of only 0.1 per cent. Four trusts provide an estimate of the depreciation of market value of quoted securities against book value, and in each case a marked improvement has taken

Trust and Date of Accounts	Total Disclosed Profits	Earned for Deferred†		Div.	Depn. of Inv.	Present	
		Amount	Rate			Price Ex. Div.	Yield
<i>British Invest. Trust</i> (Jan. 1)	£	£	%	%	%	Def. Stk.	£ s. d.
1940	324,422	98,997	14.3	12	14.26	205	5 17 4
1941	311,268	80,994	13.3	12	*		
1942	301,029	65,017	12.6	12	*		
<i>Deb. & Capital Investment</i> (Jan. 15)							
1940	140,531	29,471	6.7	5½	19.18	15/-	7 6 8
1941	132,816	21,742	5.8	5½	23.5		
1942	135,407	18,944	5.6	5½	15.0		
<i>Metropolitan Trust</i> (Jan. 1)							
1940	158,426	55,215	12.8	12	18.1	147½	7 2 4
1941	152,788	45,974	11.9	11	22.7		
1942	147,830	35,345	10.8	10½	15.2		
<i>Omnium Invest. Co.</i> (Dec. 31)							
1939	114,076	20,739†	3.2	3½	*	52½	6 13 4
1940	115,134	21,987†	3.5	3½	*		(a)
1941	116,106	21,802†	3.5	3½	*		
<i>Share & Gen. Invest.</i> (Jan. 15)							
1940	131,692	36,374	8.9	6½	11.18	123/-	5 13 0
1941	125,949	29,367	8.4	6½	17.0		
1942	125,363	24,263	7.9	6½	7.5		
<i>U.S. & General Trust Corp.</i> (Dec. 31)							
1939	135,000	27,366	7.4	7	22.5	10½	4 18 6
1940	137,583	24,239	7.7	6½	27.6		
1941	131,609	19,661	7.0	6½	20.0	(b)	

* Not available. † Before tax on dividends.
‡ Ordinary stock of Metropolitan Trust, Debuture & Capital Investment, and United States & General Trust Corp.
(a) Less tax at 9s. 9d. (b) 5 per cent cm. pfd. stock.

place during the last financial period. The best showing is made by *Share and General Investment Trust* with an improvement from 17.0 to 7.5 per cent. The greatest disclosed depreciation, that shown by *United States and General Trust Corporation*, does not exceed 20 per cent. Mr H. A. Jamieson, the chairman of *British Investment Trust*, announces that the total of the reserve and carry forward at £1,667,000 more than covers current depreciation. It is most unfortunate that two trusts fail to supply an actual estimate of the discrepancy between market and book value. If made on a consistent basis, the trend, if not the absolute amount, would be significant and useful to stockholders. Most of the trusts in question suffered through the vesting of American securities last year, while those with Far Eastern investments must experience a further fall in income in 1942. The chairman of *Omnium Investment*, Mr G. T. Moody, points out that the South American holdings of that concern

should prove increasingly valuable, and, if these are important, they may account for the relatively better showing of this concern.

British Industrial Plastics' Accounts

The full accounts of British Industrial Plastics for the year to September 30th last shed rather more light on the position of the company than was disclosed by the preliminary statement discussed in *The Economist* of January 31st last. It is now clear that the various charges against profits, which were mainly responsible for the marked fall in equity earnings from £21,716 to £13,477, included war damage contribution of £5,080 against nil and small rises in the provisions for pensions and ARP to £2,231 and £4,010, respectively. Moreover, tax liability, at £71,200 against £56,500, included a retrospective allocation of £3,135. After providing all directors' remuneration, the earned rate amounts to only 6.3 against 8.8 per cent, providing a narrow margin for the 6 per cent dividend. The consolidated balance sheet shows a reduction in stocks from £124,141 to £105,222 and a jump in debtors from £98,937 to £147,037. Cash holdings are nearly doubled at £66,834. The liabilities side shows a rise in creditors from £152,901 to £210,430, including a provision for taxation of £97,650. This picture suggests that turnover increased last year, but that the company was hampered by shortage of raw materials. It is too often forgotten that, although it uses materials which were originally "substitutes," it is as possible that the plastics industry will suffer a shortage of its own raw materials as that any non-substitute industry will feel the same lack during the war. Since the British Industrial Plastics group produces consumption goods on a large scale, it is bound to feel the effects of the labour shortage and may be called upon to reduce output in the national interest. There is no evidence that costs have risen unduly last year, and it may be possible for the concern to go over substantially to war production. If this is not done, the industry must expect to be treated as inessential, despite the fact that its raw material demands compete less obviously with the war effort than those of many other industries. The 2s. ordinary shares, at 3s. 3d. ex dividend, yield £3 13s. 10d. per cent.

British Tin Investment

In view of the loss of Malaya to the Japanese, it must be supposed that the final 6 per cent dividend, making a total for the year of 10 against 13 per cent, which is announced by British Tin Investment for 1941 will be the last for some time to come. The full accounts show a rise in income from investments from £287,577 to £301,444. After an increase in tax liability from £6,058 to £32,474 and a moderate rise in administrative charges, equity earnings are down from £269,761 to £256,370, despite the fact that the directors waived the right to additional remuneration of £5,000. Grossed up at the current standard rate of income tax, the rate of earnings amounts to 14.4 against 12.8 per cent and the whole of the surplus is devoted to raising the carry-forward from £33,130 to £78,992. Unfortunately for the company and its shareholders, the outlook is now completely obscured by Japanese military successes. Investments are mainly in the pick of the Malayan producing companies and until these are again in British hands prospects of income and of capital maintenance are nil. The directors state that market value of quoted securities at the date of the balance sheet amounted to £1,482,033 against book value of £2,578,484, and there must have been a further substantial depreciation. The balance sheet shows no significant change. There is a moderate contraction in debtors and creditors of some £1,500 in each case and a rise in cash from £47,664 to £54,297. The shares of British Tin Investment and of the companies which it controls still retain a definite recovery value, an aspect which, even now, has not escaped the bargain hunter. The 10s. ordinary shares, at 6s. 3d. ex dividend, yield £16 per cent.

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Industry and Trade

Wages and the Cost of Living Index

The upward trend in wage rates in 1941 was almost as marked and widespread as in the preceding year. The aggregate increase in weekly wage rates reported to the Ministry of Labour was £2,080,000, against £2,213,000 in 1940, and the number of individuals affected by them was 8,036,000, compared with 8,040,000. These returns, moreover, are by no means comprehensive; they exclude agricultural workers, Government employees, domestic servants, shop assistants, clerks and, indeed, most of the changes in wage rates affecting unorganised groups of workpeople. While the rise in full-time weekly wage rates was by no means uniform as between different industries, the average increase in all the industries for which information is available, including agriculture, has been estimated by the Ministry of Labour at 9 per cent for the past year and at 26-27 per cent since the beginning of the war. During the past year the rise in the official cost of living index was appreciably smaller than that in average weekly wage rates; it amounted to only 2 per cent. As a result, the advance in average wage rates has now virtually caught up with the 29 per cent rise in the official index of the cost of living since the outbreak of war. But the estimated increase in weekly wage rates does not take account of overtime, the extension of payment by results and other factors which have affected actual earnings; as the Ministry of Labour's recent inquiry showed, the average earnings of workers in a large number of industries rose by 42 per cent between October, 1938, and July, 1941, though, like the increase in wage rates, the rise in earnings has varied considerably from industry to industry. The continued upward movement in wages has probably contributed to the maintenance of satisfactory labour relations last year; the number of days lost through trade disputes rose slightly, from 940,000 in 1940 to 1,080,000 in 1941, but was again very small in relation to the total number of working days.

Dearer Petrol

Price increases for the principal petroleum products marketed in this country were announced by the Petroleum Board, the organisation of the distributing companies, on Tuesday. The latest advances, per gallon, are as follows: petrol and vaporising oil, 1d.; diesel oil for road vehicles, 1½d.; white spirit, 1½d.; gas oil, diesel oil, fuel oil and heavy fuel oil, 1½d. The only important products not yet affected are lubricating oils and kerosene for burning (paraffin oil). Representative wholesale prices, inclusive of tax, which rule over most of the country are given, together with comparative figures, in the following table:—

WHOLESALE PRICES PER GALLON (Including Tax)			
	At Beginning of War*	Before Latest Increase	Current Price
	s. d.	s. d.	s. d.
Petrol.....	1 3½	1 9	1 10
Diesel oil for road vehicles....	1 1½	1 6½	1 7½
Burning oil.....	6½	11½	11½
Vaporising oil.....	6½	1 0	1 1
Gas oil.....	5½	9½	11½
Diesel oil.....	5½	9½	11½
Fuel oil.....	4½	8½	10½

* Owing to changes in specifications, etc., the comparison with prices ruling at the beginning of the war is approximate only.

A variety of factors, including the rise in world market quotations, the depreciation of sterling, higher freight rates and insurance charges, and increased marketing expenses, have been responsible for the substantial advance in selling prices since the beginning of the war. The growing burden of "overheads" due to a shrinking turnover has doubtless contributed to the latest price increase. Pool petrol, which now retails at 2s. 1½d. a gallon in England and Wales, had—like diesel oil for road vehicles—been unchanged in price since September, 1940. Prices of most of the other products were raised in July, 1941.

Anthracite Fuel for Buses

Three years ago Mr John F. Heaton, chairman of Thomas Tilling, Ltd., initiated the development of a pro-

ducer-gas unit suitable for buses. After overcoming a number of technical difficulties concerning the construction of the plant, a trailer-type unit has been evolved, using anthracite as fuel, which has now been in use for some time in considerable numbers by the Eastern National Omnibus Company, Ltd. As an experiment, it was decided a year ago to convert the fleet of buses at one depot to producer-gas, and May 1st was the date chosen for the commencement of regular operations. As Mr Heaton was able to report last week in his statement to shareholders of Thomas Tilling, Ltd., the experiment has been successful, not only with reference to the technical operation of buses, but also on a comparison of costs. Regularity of services and time schedules have been maintained; a charge of 320 lb. of anthracite enables a distance of seventy miles to be covered without re-fuelling. With anthracite at 85s. per ton, the cost of running buses on producer-gas was slightly higher than on diesel oil, but somewhat lower than on petrol, before the latest advance in oil and petrol prices. The experiment is regarded by Thomas Tilling, Ltd., not merely as a war-time experiment to economise imported fuel; indeed, its general adoption during the war is probably impracticable, by reason of the labour and materials required for carrying out the conversion from oil to coal. But its post-war possibilities will depend largely on the trend of the relative prices of coal and liquid fuel, but also on the technical efficiency and cost of the plant.

World Oil Supplies

Of a world crude oil production of over 2,220 million barrels, the Axis Powers last year controlled less than 60 million barrels, or about 2½ per cent. The Allied countries and their associates, on the other hand, produced some 1,830 million barrels, or 82½ per cent of the world total, and, in addition, drew considerable quantities from Venezuela, whose output has lately been running at record levels. Venezuela and the other Latin-American producers accounted for virtually all the remaining 15 per cent of world supplies. Since accurate data are now hard to come by, the following estimates of *The Oil and Gas Journal* should be treated with some reserve. They are, however, sufficiently reliable to indicate the trend of production last year:—

CRUDE OIL PRODUCTION (Thousand Barrels)		
	1940	1941
<i>Allied and Associated Countries</i>		
United States.....	1,338,237	1,398,000
Soviet Union (a).....	241,839	242,000
Iran.....	79,290	64,150
Netherlands Indies.....	65,150	61,000
Iraq.....	25,450	9,875
Trinidad.....	20,300	21,100
Canada.....	8,718	10,107
Egypt.....	6,550	8,050
Burma.....	7,750	7,900
Bahrein.....	7,200	7,070
India.....	2,150	2,245
Total.....	1,802,634	1,831,497
<i>Other Countries</i>		
Venezuela.....	186,134	227,000
Mexico.....	41,876	40,380
Colombia.....	26,864	24,400
Argentina.....	20,476	21,735
Peru.....	12,451	12,800
Others.....	8,222	6,380
Total.....	296,023	332,695
<i>Axis Countries</i>		
Roumania.....	42,500	40,100
Germany (b).....	9,275	9,500
Japan (c).....	3,840	3,800
Hungary.....	1,875	3,300
Albania and Italy.....	1,480	1,250
France.....	496	500
Total.....	59,466	58,450
World Total.....	2,158,123	2,222,642

(a) Including part of Sakhalin.

(b) Including Austria, Czecho-Slovakia and Poland.

(c) Including Taiwan and part of Sakhalin.

Output in the United States showed a further marked advance, a development which is likely to be repeated during 1942. The estimates for the U.S.S.R.—never very reliable—have been revised upward in the light of official information, but suggest that production was stationary last year. The declines in the Middle East (except Egypt) and in the Netherlands Indies are attributable to the loss of markets. Output in Trinidad and Canada, on the other hand, showed a continued advance. In British and Dutch Borneo the Allies have forfeited an annual production of around 20 million barrels, and the loss of the oilfields in the Palembang district of Sumatra has deprived them of a further 30 million barrels a year, as well as of two modern refineries with a combined throughput capacity of 95,000 barrels a day. The Burma oilfields are also threatened, but Allied supplies elsewhere are secure for the time being. Japan is likely to derive little immediate advantage from her oilfield conquests, and her own tiny output remains stationary. In Roumania, Germany's main source of supplies, all efforts to reverse the downward trend have failed. Hungary, however, is now more than self-sufficient in mineral oil. In comparing Axis with Allied supplies, it must not be forgotten that the Germans have built up a large coal-oil industry, whose capacity is now probably between 35 and 40 million barrels a year, that they have made extensive use of substitute motor fuels, especially producer-gas, and that the Japanese are trying hard to follow their lead. Nevertheless, the difference in available resources is very striking.

Economy in Tungsten

In view of the loss of some of the sources of supply of tungsten in the Far East, the Ministry of Supply has decided to restrict the use of tungsten alloys to purposes for which they are absolutely essential. Tungsten alloys are used extensively in the manufacture of high-speed cutting tools, for example. In continuing to permit their use for all conventional purposes, the Ministry would have incurred the risk of using up supplies, and, therefore, of being unable to provide for all vital needs in the future. Since February 17th, high-speed steel, whatever its tungsten content, can only be acquired by licence; hitherto a licence was required only when the tungsten content was 14 per cent or more. Existing licences for high-speed steel containing 14 per cent or more of tungsten will remain in force until the end of April, but from May 1st they will be valid only for material containing up to 6½ per cent of tungsten. In an explanatory memorandum prepared by the Iron and Steel Control, the Controller of Jigs, Tools and Gauges and manufacturers of high-speed steel, the attention of consumers is drawn to the need for using alloys in which molybdenum is substituted for part of the tungsten. For many purposes these substitute high-speed steels are said to be satisfactory, though they have a greater tendency to decarbonise in forging and hardening than the standard tungsten high-speed steels. They have been made in substantial quantities in the United States and also by a number of Sheffield firms; and the experience already gained in their manufacture is set out in the memorandum. Since molybdenum is in ample supply—the United States produces more than four-fifths of the world's total output—and as tungsten stocks are substantial, the loss of a number of mines in the Far East is not likely to cause difficulties to the Allies.

Tin Supplies

The loss of Banka, Billiton and Singkep, the three Dutch tin ore producing islands off the north-east coast of Sumatra now threatened by Japan, would deprive the United Nations of their second largest source of supply after Malaya, as well as of a smelting plant (in Banka) capable of an annual output of 15,000 tons of metal. In 1940 the metal content of the tin ore produced by the three islands was 44,600 tons, or nearly one-fifth of the world's total output. Consequently, the Governments of Great Britain and the United States have taken steps to expand the output of tin in other countries, to make use of larger quantities of scrap and waste, and to economise consumption. Under the first heading, the Ministry of Supply has caused an investigation to be made into the possibilities of expanding production in Cornwall, and output in Nigeria

and the Belgian Congo is to be speeded up. The United States is planning to secure an increased output in Bolivia with the assistance of mining experts and additional machinery. Under the second heading, the Ministry of Supply has issued an Order which, on February 16th, brought alloy scrap containing not less than 12 per cent of tin, as well as clippings and tinplate waste, within the scope of the licensing system for purchases and sales; tin alloy scrap and tinplate clippings are two of the chief sources of reclaimed metal. Under the third heading, the War Production Board in the United States has prohibited, from March 1st, the use of tinplate for a number of purposes, such as the canning of pork and beans, dog food, coffee, tobacco and oil, and it has decided to introduce priority allocations for the production of tinplate. It has been estimated that, compared with 1941, the consumption of tinplate will be reduced by at least one-third and possibly by as much as two-fifths; since some 46,000 tons of tin were used in the manufacture of tinplate last year, some 15,000 to 18,000 tons will thus be economised.

Tin Prices

The Ministry of Supply's Non-Ferrous Metal Control has fixed its selling prices for tin. As was to be expected, the basis is £275 per ton, delivered buyers' premises; this is the basis on which the Control has actually sold tin to consumers since the closing of the London tin market on December 8th. There are certain additions to the basic price for special grades, sizes and forms of tin, as well as for small lots under one ton. The comparatively high official selling price—the London market quotation had fluctuated around £257 per ton in the last month preceding its closing—has given rise to a controversy regarding the price at which British holders of tin should be compensated for the metal requisitioned by the Government last December. The Ministry of Supply has offered a basis of £259 10s. per ton, but the London Metal Exchange Committee is understood to have demanded £265 per ton. The difference is to be settled by arbitration under Section 7 of the Compensation (Defence) Act of 1939, but the Arbitration Tribunal, whose decision is final, has not yet announced its findings.

Railings

In a memorandum sent to the Chancellor of the Exchequer, the National Federation of Property Owners is reported to have suggested that compensation for requisitioned railings and for damage caused by their removal would be more properly assessed under the War Damage Act than under the Compensation (Defence) Act. If effect were given to this claim, the basis of the railing requisitioning campaign, on which such high hopes have been placed, would be completely altered, and its success endangered. As the matter stands, the Ministry of Works and Buildings hopes to secure for the Iron and Steel Control, for no more than the cost of dismantling, most of the railings and cognate objects classed as redundant. At the worst, it expects to pay no more than a nominal value for the material as scrap. But standing railings are not scrap, and if their value is to be calculated at the full replacement figure, plus whatever damage may be caused to the remaining property upon removal, the cost might work out at nearer £25 than 25s. per ton. There is in addition the heavy cost of surveying and dismantling, not to mention that of arbitration, and of giving an itemised chit to each dispossessed owner. Meanwhile, the campaign is still meeting with many obstacles. In Edinburgh, for example, the Corporation is understood to have decided to take no action on a suggestion from the Ministry of Works and Buildings to carry on with dismantling railings which have been surveyed and scheduled in that city by the City Architect's Department. Edinburgh is one of the pioneers in railing removal, but the Corporation has, with some justification, drawn a distinction between railings conveyed as outright gifts and railings taken over by requisition. If the Ministry of Works and Buildings expects local authorities, not only to survey, but also to take down, railings, they should be provided with full powers to do so, and with safeguards against possible claims for damages. Meanwhile, the need for a substantial and sustained increase in the collection of all forms of iron and steel scrap is urgent in view of the reduction in supplies from the United States.

COMPANY MEETINGS

ENGLISH ELECTRIC COMPANY,
LIMITED

PROFIT MAINTAINED

The twenty-third annual general meeting of the English Electric Company, Limited, was held, on 18th instant, in London.

Mr G. H. Nelson, M.I.E.E. (chairman and managing director), in the course of his speech, said: There has been no change in the share capital and our debenture debt is reduced by the application of the sinking fund in accordance with the trust deed. Our creditors are up by £608,000, of which a very large part is accounted for by additions to our tax reserve. The substantial increase in our bank overdraft is entirely due to the financing of work in progress and will therefore be self-liquidating as and when the volume of work falls. Our liquid assets are £2,965,066, or £46,083 more than in 1940. The general reserve has been increased by a further £100,000 and now stands at £700,000.

After applying depreciation of £100,000 there is a slight increase in our fixed assets, both in buildings and plant. This has been financed from the unspent balances on depreciation from previous years. The profit carried to the balance-sheet is practically the same as 1940. We are proposing to you that we shall again pay a dividend of 10 per cent. on our ordinary stock, leaving £51,018 to be carried forward.

Your directors believe that it would be in the national interest for Parliament to translate the Chancellor's explicit statement, at an early date, into equally explicit legislation and so to place it beyond any doubt that companies which have devoted themselves without stint to the war effort will not, by the necessary severity of war taxation, be unreasonably hampered in their post-war effort to provide stability of employment for their own staff and workpeople.

I can assure you that our works are fully occupied and that we have received heartening expressions of appreciation of what we are doing and the reliability of our promises.

The report and accounts were adopted, and in addition to the 6½ per cent. preference dividend a dividend of 10 per cent. was declared on the ordinary stock.

BOOKER BROTHERS, McCONNELL
AND COMPANY, LIMITED

IMPROVED TRADING RESULTS

The adjourned annual general meeting of Booker Brothers, McConnell and Company, Limited, was held, on 17th instant, at 37/41 Gracechurch Street, London.

Sir Alfred Sherlock, the chairman and managing director, who presided, said: The trading results for the year ended June 30, 1941, are, as you will see, about £17,000 better than for the 1940, but this is offset by our having had to provide £17,500 previous year, but this is offset by the net profit for the year approximately more for taxation, leaving the net profit for the year approximately the same. Taking everything into account these results must be regarded as extraordinarily good, for which I think we should feel very thankful.

The only item in the balance sheet requiring comment is "Sundry creditors and credit balances," where you will see that the amount owing to our main sugar-producing subsidiary—Bookers Demerara Sugar Estates, Limited—is nearly half what it was in the previous year, while debts to other subsidiaries have risen a great deal. Both these differences are due merely to the fluctuating phases of our position as bankers for subsidiaries, and you will see, too, that the total amount under this heading shows a reduction of some £60,000.

There is much that I could say about general sugar producing and trading conditions in the Colony, but in existing circumstances I think it wise to make no comments. You will realise, of course, that there are many difficulties nowadays with which we have to contend.

Once more I must stress the magnificent work done by our staff in the West Indies, on our steamers, and here at home—all have been working under great difficulties. Finally, I should like, as I did last year, again to pay tribute to the Sugar Division of the Ministry of Food and to the Liner Division of the Ministry of War Transport, both of whom are always most helpful.

The report and accounts were unanimously adopted and the proceedings terminated with a cordial vote of thanks to the chairman, directors and staff.

RECORDS and STATISTICS

STOCK EXCHANGES
London

Note: all dealings are for cash

WHILE the inevitable fall of Singapore had apparently been largely discounted by the market, the actual news, combined with new Japanese thrusts against Sumatra, and disappointments nearer home, depressed sentiment considerably. Apart from the gilt-edged and home rail markets, declines were general and in some cases considerable, throughout the house, although they reflected marking down rather than selling. The gilt-edged market was generally steady throughout, 2½ per cent Consols improving at the reopening, although Local Loans lost the same amount among other smaller losses. Australian bonds were lifeless at the minimum prices, while in the foreign bond market Chinese bonds were weak. After point losses on Monday, further declines were witnessed the next day, the 5 per cent loan of 1913 falling 2 points. Among South American issues, scattered losses were registered for Chilean stocks, while Mexican loans eased slightly on Monday. The approach of the dividend announcements gave rise to some activity in the home rail market, where despite intermittent profit-taking most junior issues improved. Thus, LMS ordinary gained ½, GW ordinary and Southern deferred each ½ at the opening, while most issues advanced the next day, although the Berwick preferred and deferred issues were both ½ down, but preferred stocks advanced slightly. On the announcement of the increased LMS dividend, LMS ordinary and Southern deferred both advanced ½, only to lose it again in later dealings. The foreign rail market

reflected the general sentiment and point losses were widespread among Argentine issues. In midweek markets were less consistently weak but there was further substantial marking down of Chinese bonds.

Almost complete absence of support and marking down rather than any selling were responsible for the widespread decline throughout all sections of the industrial market, although the chief sufferers were stocks with Far Eastern interests. Brewery shares were subject to some provincial selling on Tuesday, after remaining fairly steady the previous day. Bass fell 3s. 6d. and Benskins 3s., with smaller losses for practically all other issues. The motor and aircraft group failed to maintain its earlier steadiness, and in the early part of the week moved to lower levels. Rolls-Royce were weak, losing ½ on two successive days. Declines in the heavy industrial section were generally restricted to a few pence. Textile issues showed some resistance to the trend on Monday, but the following day most issues were lower. Shipping shares were offered, but losses were small. Tobacco issues were dull throughout, BAT losing ½ and Imps ½ at the opening, with losses of ½ for other issues, while the next days Imps lost a further ½. Cable and Wireless ordinary shares were prominent in the miscellaneous section with a fall of ¾ points on Monday and 1½ the next day. Dunlop Rubber fell 1s. 6d. on Tuesday when Harrison and Crosfield deferred lost ¾ and James Finlay 1s. 6d. In later dealings breweries were conspicuously weak, while Cable and Wireless shed a further 1½ points and Jas. Finlay lost 2s. 6d.

Widespread and persistent declines were registered in the kaffir market. Dividend-

paying issues were out of favour, Geduld, Crown Mines and East Geduld all losing ½ on Monday, while losses of ¾ to 1½ were general throughout the market. War news and the proposed restrictions of the Australian Government depressed Australian mining issues. The tin market weakened on the latest war news, while the rubber market witnessed continued selling which, in the absence of buyers, led to further falls, United Sui Betong and United Patani losing 2s. 6d. on Tuesday among many other losses. Similarly, scattered selling in the tea market reduced prices, Anglo-Ceylon losing 1s. 6d. on Monday, while losses of 1s. were suffered by Single Empire of India, and Doora. The oil market was particularly depressed by the war news, and losses of ½ for Anglo-Iranian, ½ for Burmah and Shell respectively, bore witness to the dull conditions at the opening of the week. The next day the Japanese threat to Burma occasioned a fall of ¾ for Burmah, while considerable losses were general throughout the market. Midweek brought further heavy falls in the tea and rubber markets, but in the kaffir market some recovery occurred in non-producers.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Comes Day 1941	Security Indexes	30 Ord. shares*	20 Plow. Int.*
Feb. 12....	2,879	2,316	78.2	133.4	133.4
" 13.....	2,775	2,239	77.9	133.6	133.6
" 16.....	3,225	2,836	77.5	133.4	133.4
" 17.....	3,145	2,980	77.1	133.6	133.6
" 18.....	3,100	2,434	76.4	133.6	133.6

* July 1, 1935=100. † 1928=100. 30 Ord. shares, 1942 highest, 81.4 (Jan. 12); lowest, 71.2 (Feb. 18). 20 Fixed Int., 1942; highest, 133.6 (Feb. 4); lowest, 132.2 (Jan. 5).

(Continued on page 271)

Finance

GOVERNMENT RETURNS

For the week ended Feb. 15, 1942, total ordinary revenue was £66,107,000, against ordinary expenditure of £92,642,000, and issues to sinking funds of £155,000. Thus, including sinking fund allocations of £8,981,701, the deficit accrued since April 1st is £2,378,076,000 against £2,141,660,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	Receipts into the Exchequer (£ thousands)			
		April 1, 1940, to Feb. 15, 1941	April 1, 1941, to Feb. 14, 1942	Week ended Feb. 15, 1941	Week ended Feb. 14, 1942
ORDINARY REVENUE					
Income Tax	756,000	403,369	604,813	32,143	40,717
Sur-tax	80,000	58,387	59,117	4,909	4,190
Estate, etc., Duties	82,000	67,587	77,296	1,680	1,648
Stamps	14,000	11,318	11,113	100	100
N.D.C.	210,000	20,545	18,586	513	432
E.P.T.	1,000	56,322	214,784	1,580	5,580
Other Ind. Rev.		679	527	70	50
Total Ind. Rev.	1143000	618,207	986,236	40,895	52,717
Customs	310,700	266,550	317,684	5,837	6,958
Excise	266,660	175,510	290,700	3,210	4,000
Total Customs & Excise	577,360	442,060	608,384	9,047	10,958
Motor Duties	39,000	37,356	37,003	277	213
P.O. (Net Receipts)	3,300	10,000	12,900	750	1,050
Crown Lands	1,100	980	830	...	...
Receipts from Sundry Loans	2,600	1,644	3,078	554	69
Miscell. Receipts	20,000	24,525	71,555	453	1,100
Total Ord. Rev.	1786360	1134772	1719986	51,976	66,107
SELF-BALANCING P.O. & Broadcastg.	99,346	77,100	88,500	1,500	1,650
Total	1885706	1211872	1808486	53,476	67,757

Expenditure	Estimate, 1941-42	Payments out of the Exchequer (£ thousands)			
		April 1, 1940, to Feb. 15, 1941	April 1, 1941, to Feb. 14, 1942	Week ended Feb. 15, 1941	Week ended Feb. 14, 1942
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	219,353	227,799	661	642
Payments to N. Ireland	9,200	7,343	6,988	...	...
Other Cons. Fund. Serv.	7,800	7,052	7,402	34	...
Total	272,000	233,748	242,189	695	642
Supply Services	4434957	3033879	3846891	76,900	92,000
Total Ord. Exp.	4706957	3267627	4089080	77,595	92,642
SELF-BALANCING P.O. & Broadcastg.	99,346	77,100	88,500	1,500	1,650
Total	4806303	3344727	4177580	79,095	94,292

After decreasing Exchequer balances by £241,522 to £3,115,554, the other operations for the week (no longer shown separately) raised the gross National Debt by £27,269,882 to about £13,741 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	200
Overseas Trade Guarantees	38
Anglo-Turkish Armaments Agreement	10
War Damage Act	585
Total	833

NET RECEIPTS (£ thousands)

Land Settlement	13
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MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Feb. 14th and Feb. 20th. (Figures in brackets are par of exchange.)

United States	Canada	Switzerland	France	India	Rupee	China	National
4.02-03	4.02-03	4.02-03	4.02-03	4.02-03	4.02-03	4.02-03	4.02-03
1.43-47	1.43-47	1.43-47	1.43-47	1.43-47	1.43-47	1.43-47	1.43-47
16-17	16-17	16-17	16-17	16-17	16-17	16-17	16-17
16-17	16-17	16-17	16-17	16-17	16-17	16-17	16-17
16-17	16-17	16-17	16-17	16-17	16-17	16-17	16-17
16-17	16-17	16-17	16-17	16-17	16-17	16-17	16-17
16-17	16-17	16-17	16-17	16-17	16-17	16-17	16-17
16-17	16-17	16-17	16-17	16-17	16-17	16-17	16-17
16-17	16-17	16-17	16-17	16-17	16-17	16-17	16-17
16-17	16-17	16-17	16-17	16-17	16-17	16-17	16-17

Fixed Rates for Payment at Bank of England for 14th and 15th Feb. 20th. (Figures in brackets are par of exchange.)

Spain	165-16
Portugal	205-20
Italy	71-25

FLOATING DEBT

Date	Treasury Bills (£ millions)		Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap				
1941						
Feb. 15	845-0		Not available			
Nov. 8	975-0		"			
" 15	975-0		"			
" 22	975-0		"			
" 29	975-0	1575-0	128-9	26-2	723-0	3428-1
Dec. 6	975-0		Not available			
" 13	975-0		"			
" 20	975-0		"			
" 27	975-0		"			
" 31	2547-0		186-3	66-0	811-5	3610-8
1942						
Jan. 10	975-0		Not available			
" 17	970-0		"			
" 24	960-0		"			
" 31	945-0	1584-0	191-0	9-2	764-5	3493-7
Feb. 7	930-0		Not available			
" 14	915-0		"			

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1941					
Feb. 14	65-0	142-5	65-0	20 4-23	23
Nov. 21	75-0	158-2	75-0	20 0-35	33
" 28	75-0	174-6	75-0	20 1-83	23
Dec. 5	75-0	172-1	75-0	20 1-97	23
" 12	75-0	155-7	75-0	20 2-06	19
" 19	75-0	133-2	75-0	20 2-14	40
" 26	75-0	146-7	75-0	20 2-30	31
1942					
Jan. 2	75-0	157-8	75-0	20 1-85	30
" 9	75-0	161-6	70-0	20 2-00	27
" 16	75-0	143-2	65-0	20 1-85	28
" 23	65-0	142-9	60-0	20 1-78	17
" 30	60-0	144-6	60-0	19 11-91	20
Feb. 6	60-0	148-6	60-0	20 0-23	21
" 13	65-0	139-9	65-0	20 0-20	26

On February 13th applications at £99 15s. 1d. per cent for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 26 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 2d. for bills to be paid for on Tuesday were accepted in full. £75 millions of Treasury bills are being offered on February 20th. For the week ending February 21st the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2½%
BONDS SUBSCRIPTIONS

Week ended	£ thousands			
	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Jan. 13.....	4,097	2,128	4,613	3,274
" 20.....	4,090	2,250	7,853	7,220
" 27.....	3,757	1,777	11,835	7,742
Feb. 3.....	4,021	2,070	8,458	10,308
" 10.....	4,649	2,388	9,568	7,765
" 17.....	5,003	3,780	9,182	18,268
" 24.....	...	...	11,362	9,546
Totals to date....	451,404*	394,026*	505,938†	239,756‡

* 116 weeks. † 59 weeks. ‡ 19 weeks.
Including series "A" || Including Series "A" & "B"
Interest free loans received by the Treasury up to Feb. 17th amounted to a total value of £44,207,241. Up to Jan. 31st, principal of Savings Certificates to the amount of £55,322,000 has been repaid.

Marked Rates.—The following rates remained unchanged between Feb. 14th and Feb. 20th.
Egypt. Piastres (97½) 97½-1. India. Rupee (18d per rupee) 17½-18½. Belgian Congo. Francs 176½-177½. China. National \$ 2½-3½d.
Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.
Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 3 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par. Dutch East India. 1½ cents pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Feb. 13th and Feb. 20th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 6 months, 1½-1½%; 12 months, 1½-1½%; 24 months, 1½-1½%; 36 months, 1½-1½%; 48 months, 1½-1½%; 60 months, 1½-1½%; 72 months, 1½-1½%; 84 months, 1½-1½%; 96 months, 1½-1½%; 108 months, 1½-1½%; 120 months, 1½-1½%; 132 months, 1½-1½%; 144 months, 1½-1½%; 168 months, 1½-1½%; 192 months, 1½-1½%; 216 months, 1½-1½%; 240 months, 1½-1½%; 264 months, 1½-1½%; 288 months, 1½-1½%; 312 months, 1½-1½%; 336 months, 1½-1½%; 360 months, 1½-1½%; 384 months, 1½-1½%; 408 months, 1½-1½%; 432 months, 1½-1½%; 456 months, 1½-1½%; 480 months, 1½-1½%; 504 months, 1½-1½%; 528 months, 1½-1½%; 552 months, 1½-1½%; 576 months, 1½-1½%; 600 months, 1½-1½%; 624 months, 1½-1½%; 648 months, 1½-1½%; 672 months, 1½-1½%; 700 months, 1½-1½%; 720 months, 1½-1½%; 744 months, 1½-1½%; 768 months, 1½-1½%; 792 months, 1½-1½%; 816 months, 1½-1½%; 840 months, 1½-1½%; 864 months, 1½-1½%; 888 months, 1½-1½%; 912 months, 1½-1½%; 936 months, 1½-1½%; 960 months, 1½-1½%; 984 months, 1½-1½%; 1008 months, 1½-1½%; 1032 months, 1½-1½%; 1056 months, 1½-1½%; 1080 months, 1½-1½%; 1104 months, 1½-1½%; 1128 months, 1½-1½%; 1152 months, 1½-1½%; 1176 months, 1½-1½%; 1200 months, 1½-1½%; 1224 months, 1½-1½%; 1248 months, 1½-1½%; 1272 months, 1½-1½%; 1300 months, 1½-1½%; 1320 months, 1½-1½%; 1344 months, 1½-1½%; 1368 months, 1½-1½%; 1392 months, 1½-1½%; 1416 months, 1½-1½%; 1440 months, 1½-1½%; 1464 months,

PROVINCIAL BANK CLEARINGS
(\$ thousands)

	Week ended		Aggregate from Jan. 1 to	
	Feb. 15, 1941	Feb. 14, 1942	Feb. 15, 1941	Feb. 14, 1942
Working days	6	6	6	6
Birmingham	2,071	2,913	16,381	19,600
Bradford	2,462	3,353	14,886	15,735
Bristol	1,939	2,442	12,528	14,821
Hull	576	854	4,883	5,845
Leeds	916	949	7,849	10,016
Leicester	886	948	6,082	6,325
Liverpool	5,455	4,411	36,942	31,706
Manchester	11,127	12,243	80,467	86,658
Newcastle	1,307	1,581	10,048	11,004
Nottingham	458	576	3,699	3,698
Sheffield	549	831	4,011	7,613
Southampton	169	184	685	905
12 Towns	27,895	31,285	198,461	213,926
Dublin*	6,494	6,528	39,740	46,518

* Feb. 8, 1941, and Feb. 7, 1942.

OVERSEAS BANK RETURNS

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

	Feb. 13, 1941		Jan. 29, 1942		Feb. 4, 1942	
	1941	1942	1941	1942	1941	1942
Gold certifs. on hand and	19,903	20,522	20,522	20,530		
Total reserves	20,258	20,906	20,883	20,885		
Total cash reserves	345	371	350	342		
Total U.S. Govt. secs.	2,184	2,243	2,243	2,243		
Total bills and secos.	2,195	2,256	2,226	2,255		
Total resources	23,363	24,275	24,268	24,195		
LIABILITIES						
F.R. notes in circ.	5,931	8,230	8,352	8,422		
Excess rtr. bank res.	6,330	3,480	3,330	3,360		
Mr. bank res. dep.	13,871	13,075	12,849	12,905		
Govt. deposits	622	302	376	319		
Total deposits	16,330	14,756	14,592	14,533		
Total liabilities	23,363	24,275	24,268	24,195		
Reserve ratio	91.0%	90.9%	91.0%	91.0%		
BANKS AND TREASURY RESOURCES						
Monetary gold stock	22,130	22,744	22,738	22,741		
Treasury & bank currency	3,100	3,256	3,259	3,263		
LIABILITIES						
Money in circulation	8,665	11,097	11,231	11,319		
Treasury cash and dep.	2,834	2,498	2,577	2,513		

CENTRAL BANK OF ARGENTINA
Million paper pesos

	Dec. 15, 1941		Nov. 30, 1941		Dec. 15, 1941	
	1940	1941	1940	1941	1940	1941
ASSETS						
Gold at home	1,071	1,075	1,075	1,075		
Other gold and for. exch.	257	445	456	464		
Non-int. Govt. bonds	119	119	119	119		
Treasury bonds	395	394	394	394		
LIABILITIES						
Notes in circulation	1,180	1,268	1,281	1,318		
Deposits: Government	129	93	207	125		
Banks	457	624	502	732		
Certs. of participation	119	30	30	30		
Reserve ratio	75.0%	75.5%	75.6%	76.1%		

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Dec. 9, 1941		Nov. 24, 1941		Dec. 8, 1941	
	1940	1941	1940	1941	1940	1941
ASSETS						
Gold and English ster.	16.71	19.96	19.96	19.96		
Other coin, bullion, etc.	6.48	6.06	6.45	6.15		
Call money, London	56.97	32.85	35.11	35.79		
Serts. and Treas. bills	91.01	66.93	67.23	69.68		
Discounts and advances	28.49	20.98	22.17	22.03		
LIABILITIES						
Notes issued	62.62	75.36	76.11	76.61		
Deposits, etc.	121.84	114.65	118.58	120.69		

RESERVE BANK OF INDIA
Million rupees

	Feb. 7, 1941		Jan. 16, 1942		Jan. 30, 1942	
	1941	1942	1941	1942	1941	1942
ASSETS						
Gold coin & bullion	444	444	444	444		
Rupee coin	306	321	322	318		
Balances abroad	639	432	425	448		
Sterling securities	1,405	2,456	2,486	2,585		
Ind. Govt. rup. secos.	496	415	415	415		
Investments	70	102	130	123		
LIABILITIES						
Notes in circ.: India	2,351	3,295	3,306	3,332		
Burma	162	221	221	232		
Deposits: Govts.	235	130	149	295		
Banks	469	372	380	401		
Reserve ratio	69.8%	79.8%	79.8%	80.7%		

BANK OF CANADA
Million Can. \$

	Jan. 22, 1941		Dec. 31, 1941		Jan. 7, 1942	
	1941	1941	1941	1941	1942	1942
ASSETS						
Reserve: Gold	36.3	200.9	225.3	263.6		
Other	565.5	608.5	571.1	472.7		
LIABILITIES						
Note circulation	344.4	496.0	490.2	478.8		
Deposits: Dom. Govt.	26.5	73.8	93.4	44.9		
Chartered banks	215.0	232.0	200.4	199.3		

* Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

PRAGUE NATIONAL BANK
Million crowns

	Dec. 31, 1940		Dec. 15, 1941		Dec. 31, 1941	
	1940	1941	1941	1941	1941	1941
ASSETS						
Gold	1,447	1,512	1,512	1,513		
Foreign exchange	784	790	794	787		
Other cash	1,067	451	590	840		
Bills and securities	24	840	840			
Advances	7,816	12,456	13,328	12,987		
Other assets						
LIABILITIES						
Note circulation	6,453	8,713	8,924	9,397		
Cash certificates	1,002	1,986	1,900	1,842		
Clearing deposits	1,556	3,293	5,828	2,800		
Other liabilities	1,582	1,516	1,871	1,966		

REICHSBANK
Million reichsmarks

	Dec. 14, 1940		Nov. 29, 1941		Dec. 15, 1941	
	1940	1941	1941	1941	1941	1941
ASSETS						
Gold and foreign currencies	78	18,899	18,953	19,237		
Bills and cheques	13,608	202	276	265		
Reichsbank notes	202	24	24	39		
Advances	48	24	14	75		
Secur. for note cover	52	58	1,846	1,701		
Other assets	1,590	2,011	621			
LIABILITIES						
Notes in circulation	13,106	17,793	17,843	17,936		
Daily maturing liabilities	1,604	2,493	2,321	2,414		
Other liabilities	659	631	621			

(Continued from page 268)

New York

WITH no selling pressure Wall Street displayed a firm tendency at the end of the previous week. Events in the Far East over the week-end occasioned some precautionary marking down at the opening of the current week, but it was not until the next day that any selling developed, when, in very slow trading, losses of a point and more were widespread. Trading later was restricted but with support for a few scattered stocks.

New York Prices

Total share dealings: Feb. 12, Lincoln's Birthday; Feb. 13, 320,000; Feb. 14,* 170,000; Feb. 16, 380,000; Feb. 17, 390,000; Feb. 18, 340,000.

* Two-hour session.

STANDARD STATISTICS INDICES
(1935-36=100)

WEEKLY AVERAGES

	1942		Jan. 28, 1942		Feb. 4, 1942	
	Low	High	Jan. 14	Jan. 28	Feb. 4	Feb. 11
347 Industrials	71.0	75.0	74.0	74.0	71.0	71.0
32 Rails	66.9a	71.0b	70.7	71.0	67.0	67.0
40 Utilities	64.0	67.4a	65.6	66.0	64.0	64.0
419 Stocks	69.6	73.3	72.4	72.6	69.6	69.6
Av. yield*	80.0%	7.65%	7.73%	7.69%	80.0%	80.0%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4.

DAILY AVERAGE OF 50 COMMON STOCKS

Feb. 5	Feb. 6	Feb. 7	Feb. 9	Feb. 10	Feb. 11
89.4	88.4	88.5	87.2	86.0	86.0

1942 High: 91.2, Jan. 5. Low: 86.0, Feb. 11.

COMMODITY AND INDUSTRY NEWS

Tin Prices.—Prices and charges have now been established by the Non-Ferrous Metal Control of the Ministry of Supply for the various grades and sizes of tin. The prices apply to all metal sold by the Control since December 9th, the date of the Control of Tin (No. 3) Order. The basis price is fixed at £275 per ton, and has necessitated the revision of *The Economist* Sensitive Price Index from December 9th. The result is to raise the raw materials index by 1.7 points and the complete index by 0.7 points.

Oils, Fats and Soap.—The rationing of soap as a precautionary measure, it is expected, will result in a saving in consumption of 20 per cent. To a corresponding extent this will relieve the call on oils and fats used by the soap industry, normally about 300,000 tons annually. There is no shortage of soap or raw materials and stocks at present are good. Soap manufacturers will require a licence to carry on their business from February 23rd. Substantial supplies of linseed oil and other drying oils are available for the paint and allied industries, and the edible trades are meeting requirements.

Export Control.—From February 24th export control will be extended to cover gas meters; certain articles made wholly or mainly of non-precious metals, such as vases, candlesticks, cigarette cases, watch cases and zipp fasteners; lead accumulator plates and grids, preparations of derris and its extracts, and a number of additional paints and chemicals. Application for licences to export non-precious metal articles will not normally be entertained. The existing licensing requirements with respect to grain products, cotton knitted goods and various types of electrical goods have been modified. From February 11th licences were required to export chlorinated rubber, including expanded chlorinated rubber and rubber hydrochloride to all destinations.

Supplementary Coupons.—Supplementary clothing coupons are to be allowed to certain types of iron and steel workers in sections of the industry not already covered by a supplementary issue. The new award covers certain workers in non-ferrous metal industries, coke and by-products and gas workers, salt, asphalt, textile and coal distributive workers and dockers. These coupons will be issued to employers for distribution to their workers.

Cotton.—Trade activity in the market has continued on a restricted scale. Some have been arranged but ordinary commercial business remains more limited than promised at an early date in regard to the number of cotton and rayon utility cloths, and representations are being made to the Board of Trade on the matter. It is

expected that particulars of the construction of the cloths will be available very shortly. The Cotton Board has held a Colour, Design and Style Exhibition in Manchester, where about 150 designs have been on view. The operative spinners and cardroom workers have made an application to the Master Spinners' Federation for an increase in wages of 3s. 4d. in the £ on current rates. It is understood that this demand is in addition to any concessions available under the agreement whereby wage rates are linked to the cost of living index figure of the Ministry of Labour. Consumption of raw cotton in the United States continues at a very high level, the total for January being 946,000 bales, compared with 887,000 bales in December and 843,000 bales in January last year. Consumption for the first half of the season has been 5,387,000 bales against 4,467,000 bales in the corresponding period of last season.

Use of Rice.—The purchase or sale of ground rice by retail and the use of any rice or rice product in the manufacture of bread or of any meat product is prohibited from May 1st, under the Rice (Control) Order made by the Minister of Food. From March 1st the purchase or sale of rice or rice products is prohibited for the manufacture of any meat product. The manufacture of flaked rice and the sale or purchase of broken rice except to or from the Minister was prohibited from February 16th. The provisions of the 1941 Rice (Control) Order, prohibiting the use of rice or rice products except for human food, are repeated. The purpose of the Order is to make the best use of available supplies of rice.

Fertiliser Packing.—The Minister of Supply, in consultation with the Minister of Agriculture, has made the Control of Fertilisers (No. 18) Order, which allows the packing of imported potassium salts (or fertilisers containing imported potassium salts) in packages of not less than 14 lbs. weight. The minimum packing was previously one cwt., but it is now possible to release some potash to allotment holders and gardeners, and the object of the new Order is to permit manufacturers to begin packing for this retail trade in the forthcoming season.

Standard Wedding Rings.—A general licence has been issued by the Board of Trade permitting the supply by manufacturers of plain wedding rings made of 9-carat gold, each weighing not more than 2 dwt. The prohibition contained in the Limitation of Supplies (Miscellaneous) (No. 14) Order is waived by this licence, but sales of the rings will be subject to quota. Each of the rings must be impressed with a special mark, consisting of two intersecting circles enclosed within a rectangle.

Capital Issues

Week ending February 21, 1942	Nominal Capital	Conversions	New Money
By Stock Exch. Intro.	100,000	...	103,500
By Permission to Deal	177,900	...	178,575

Particulars of Government issues appear on page 269.

Year†	Including Conversions	Excluding Conversions
1942	160,743,225	156,741,166
1941	164,304,194	164,204,194

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp.	Foreign ex. U.K. Countries
1942	156,535,846	178,320	27,000
1941	161,655,091	2,549,103	Nd

Nature of Borrowing (Conv. Exclcd.)

Year†	Deb.	Pref.	Ord.
1942	155,647,317	82,029	1,011,820
1941	161,655,091	8,541	2,180,562

† Includes Government issues to Feb. 10, 1942, only. Above figures include all new capital in which permission to deal has been granted.

UNITED STATES: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1940			1941						
		1929	1932	1937	1938	1939	1940	Sept.	Oct.	Nov.	May	June	July	Aug.	Sept.	Oct.	Nov.
		1929	1932	1937	1938	1939	1940	Sept.	Oct.	Nov.	May	June	July	Aug.	Sept.	Oct.	Nov.
(Population 1940: 131,669,275; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.)																	
1. Indus. production, F.R.B. (a) (b)	1935-39=100	110	58	113	88	108	122	127	130	134	154	159	160	161	161	163	167
2. Minerals, F.R.B. (a) (b)	"	107	66	112	97	106	117	127	117	113	126	132	131	132	131	131	139
3. Manufactures, F.R.B. (a) (b)	"	110	57	113	87	108	123	129	134	137	160	164	165	166	166	169	171
4. Coal production	Million m. tons	46-0	27-2	37-4	29-3	33-8	38-0	45-7	39-1	39-0	42-4	43-2	43-7	46-5	46-5	50-1	42-4
5. Electricity generated	Million kw. hrs.	8,113	6,842	10,083	9,400	10,856	12,080	13,055	12,765	13,616	13,671	14,226	14,540	14,348	14,521	15,231	16,337
6. Steel production	Thous. m. tons	4,599	1,128	4,192	2,257	3,991	5,065	5,404	6,027	5,869	6,359	6,170	6,149	6,351	6,187	6,571	6,237
7. Index of new orders, N.I.C.B.	1935-39=100	140	45	108	85	116	"	171	"	213	249	243	262	249	231	237	237
8. Building contracts awarded:																	
Residential	Million \$	159-6	23-3	75-5	82-2	111-2	133-1	152-4	148-5	152-8	201-3	205-6	205-0	231-5	175-7	171-8	"
Output of private cars	"	319-6	89-3	184-4	184-1	185-0	200-6	195-3	234-6	227-5	347-4	333-5	372-4	528-7	447-6	434-5	"
Output of c. Commercial vehicles	Thousands	382	88	326	167	239	300	226	421	407	418	419	448	438	468	296	"
Cotton consumption	"	64	20	72	41	59	65	72	90	101	120	120	100	69	66	85	103
Index of Rly. car loadings (a)	Thous. bales	587	418	619	492	614	672	638	771	741	924	876	930	874	876	954	903
Index of Dept. Stores sales (a)	1929=100	100	51-3	73-0	58-6	66-4	71-7	73-1	72-4	76-3	88-8	91-4	90-8	91-4	85-7	84-6	"
Retained imports	"	100	62-2	63-6	58-7	69-1	84-2	87-4	84-7	90-1	94-6	93-7	103-6	120-7	104-5	105-4	"
Domestic imports	Million \$	362	110	251	163	190	211-7	196-3	213-1	217-2	281-4	261-1	264-7	273-9	265-2	265-2	213-1
Factory employment, F.R.B. (a)	1929=100	430	131	275	255	260	327-9	328-3	321-3	376-4	323-7	348-9	438-3	406-1	336-2	336-2	"
Pay rolls, Dept. of Lab.	"	100	62-6	101-0	81-5	92-5	102-7	104-0	106-4	109-1	119-1	122-9	127-4	127-3	126-4	126-5	"
Hourly earnings, N.I.C.B.	"	100	42-6	93-5	78-5	83-3	96-6	102-3	106-5	106-7	113-2	139-4	140-0	145-1	149-3	152-8	"
Av. hours of work, N.I.C.B.	"	100	84	100	123	124	127	129-7	128-3	128-8	137-8	140-1	141-7	142-8	145-8	147-7	"
Applicants for work	Number	48-3	34-8	39-3	34-5	37-4	38-6	39-9	39-9	39-9	41-3	41-0	41-0	41-2	41-6	41-7	"
Cost of living, N.I.C.B.	Thousands	100	84	100	123	124	127	129-7	128-3	128-8	137-8	140-1	141-7	142-8	145-8	147-7	"
Wholesale prices, D. of Lab.	1929=100	100	77-9	88-4	86-3	85-2	85-2	85-2	85-2	85-2	85-2	85-2	85-2	85-2	85-2	85-2	85-2
Raw materials	"	100	68-0	90-6	80-9	80-9	82-4	81-1	82-6	83-5	89-1	91-4	93-2	94-8	96-3	97-7	97-7
Semi-manufactures	"	100	56-3	85-3	73-8	72-0	73-7	72-3	73-2	74-5	81-7	85-7	88-9	89-8	92-3	101-3	95-9
Finishes	"	100	61-2	90-8	80-3	82-0	84-2	86-3	84-6	85-9	92-0	93-3	93-6	95-2	96-2	99-4	99-4
Farm products	"	100	74-4	92-2	87-0	85-5	86-3	86-3	86-3	86-3	92-3	93-9	95-7	96-3	96-3	96-3	96-3
354 Indus. securit's, Standard Statistics	"	100	45-0	82-5	65-3	63-4	64-5	63-5	63-5	63-5	63-5	63-5	63-5	63-5	63-5	63-5	63-5
Federal Expnd. Total (c)	Million \$	100	24-4	69-0	52-6	55-5	61	49	50	51	45	47	49	50	48	48	8-9
Federal Receipts (c)	"	3,852	4,020	5,544	7,632	9,528	12,774	2,299	3,169	3,987	11,228	12,774	1,600	3,164	5,046	7,135	2,995
Total Res. Banks credit	"	4,032	2,076	5,292	5,040	6,518	7,606	1,899	1,822	2,184	6,330	7,606	413	809	1,944	2,390	2,995
Gold stock	"	1,459	2,077	2,554	2,600	2,815	2,457	2,485	2,412	3,304	2,231	2,267	2,293	2,275	2,264	2,264	2,264
Money in circulation	"	3,996	3,952	12,162	13,250	12,215	12,215	21,244	21,506	21,801	22,573	22,624	22,675	22,719	22,761	22,761	22,761
Member Bank Res. Balances	"	4,476	5,328	6,475	6,510	7,171	7,901	8,511	8,300	8,522	9,513	9,513	9,513	9,513	9,513	9,513	9,513
Excess Reserves	"	2,358	2,114	5,830	7,935	10,466	13,331	13,727	14,208	14,215	13,749	13,051	13,151	12,914	13,227	13,227	13,227
Member Bank in 101 towns	"	43	256	1,220	2,522	4,469	6,376	6,566	6,960	6,489	5,824	5,210	5,215	4,796	5,169	4,557	4,557
Loans and investments	"	22,599	19,080	22,198	21,023	21,427	21,936	24,233	24,429	24,862	27,764	28,137	28,560	28,942	29,171	29,368	29,368
Deposits: Demand	"	15,097	15,097	15,097	15,097	15,097	15,097	24,013	24,023	24,890	24,010	23,985	24,211	24,343	24,404	24,361	24,361
Time	"	6,788	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666
Bank debits ex. N.Y. City	"	27,662	12,867	12,867	12,867	12,867	12,867	5,378	5,378	5,378	5,455	5,455	5,455	5,455	5,455	5,455	5,455
Call money	"	7-61	2-0	2-0	2-0	2-0	2-0	1-0	1-0	1-0	1-0	1-0	1-0	1-0	1-0	1-0	1-0
Yield on Govt. bonds	"	3-60	3-66	2-68	2-56	2-56	2-56	2-18	2-10	1-97	1-92	1-91	1-90	1-90	1-94	1-94	1-94
Capital issues, C.F. Chronicle	%	595	599	175	196	186	186	1,657	1,657	1,657	1,657	1,657	1,657	1,657	1,657	1,657	1,657
	Million \$	3-60	3-66	2-68	2-56	2-56	2-56	2-18	2-10	1-97	1-92	1-91	1-90	1-90	1-94	1-94	1-94

COMPANY RESULTS (February 5 to February 18, 1942)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Coal, Iron and Steel													
British Iron & Steel (R.A.) & Co.	Sept. 30	131,517	...	80,280	151,143	9,675	56,000	16	15,000	- 395	139,293	97,077	16
Financial, Land, &c.													
Electrical & Industrial Investment...	Dec. 31	51,748	...	33,207	33,207	13,000	12,000	12	8,207	...	52,585	36,238	12
Lennards Real Property Co.	Dec. 31	17,937	...	8,712	10,652	10,000	...	...	...	- 1,288	24,950	22,237	12
N. Queensland Mortgage & Investment	Sept. 30	19,994	...	8,354	11,290	7,358	...	...	1,000	- 4	20,407	8,852	9
Wemyss Collieries' Trust	Nov. 11	38,468	...	34,468	70,394	19,310	5,850	9	8,806	+ 502	34,957	33,457	9
Whitehall Court	Jan. 30	11,968	1,190	Dr. 33,255	Dr. 33,072	...	...	...	...	- 33,255	24,128	Dr. 1,991	...
Rubber													
Asahan	July 31	48,941	2,000	6,609	15,599	...	5,200	4	1,000	+ 409	32,672	5,293	4
Morliman Pegoh	Mar. 31	101,842	...	38,609	49,743	...	34,690	10	2,000	+ 1,919	155,397	78,747	10
Peureula (Sumatra)	Sept. 30	3,516	42	3,096	4,972	...	...	...	3,000	+ 96	2,983	2,983	4-16
Serdang Central	Aug. 31	9,175	...	5,851	7,746	...	...	...	2,000	+ 3,851	8,562	3,368	...
Textiles													
Barracks Fabrics Printing Co.	Dec. 31	36,287	2,598	14,890	25,128	3,000	10,125	131	...	+ 1,765	35,624	15,603	131
Barran (John) & Sons	Oct. 31	51,042	...	36,010	70,263	17,550	11,035	5	...	+ 7,425	67,621	41,194	5
English Velvet & Cord Dyers	Dec. 31	38,614	16,636	5,682	19,958	5,297	...	...	...	+ 385	56,160	36,550	...
Jute Industries	Sept. 30	80,434	50,000	30,434	70,102	30,000	...	...	...	+ 434	123,437	57,748	...
Linen Thread Co.	Sept. 30	248,560	5,526	241,001	430,256	121,000	99,000	6	...	+ 21,001	455,327	229,799	12
Wilkinson & Riddell	Dec. 31	37,347	...	29,237	57,163	5,200	22,500	10	5,000	- 2,463	59,326	52,017	...
Trusts													
British Investment Trust	Jan. 1	301,029	...	103,688	271,059	38,672	61,896	12	3,120	...	311,268	125,057	12
Charter Trust & Agency	Nov. 30	35,734	...	11,441	16,257	10,218	...	...	...	+ 1,223	35,168	12,522	...
Foreign & Colonial Investment	Jan. 10	160,083	...	71,395	125,572	37,500	26,250	31	10,000	- 2,355	161,266	70,789	...
General Consolidated Investment	Oct. 31	57,953	...	90	46,617	...	...	...	...	+ 90	58,311	Dr. 141	...
Governments Stock Investment	Dec. 31	92,062	...	29,262	56,093	9,903	14,000	7	5,000	+ 359	88,392	31,854	...
Metropolitan Trust Co.	Jan. 1	147,830	...	43,356	44,847	24,281	30,565	34	...	+ 1,491	98,289	74,099	...
New York & General Trust	Jan. 3	44,131	...	9,511	126,994	24,125	34,296	101	...	+ 1,048	152,789	45,050	...
Omium Investment Co.	Dec. 31	119,155	...	53,413	60,376	31,611	22,128	31	...	+ 326	115,134	53,598	...
Sterling Trust	Dec. 31	198,449	...	49,223	121,133	22,240	20,015	41	...	+ 6,968	224,396	64,667	...
Standard Trust	Dec. 31	98,364	...	30,176	74,027	17,462	19,583	5	5,000	- 2,869	98,840	34,987	...
Traction & General Investment	Dec. 31	63,331	...	33,545	69,371	17,025	18,386	9	...	+ 1,866	75,799	42,925	...
Other Companies													
Atlas Stone Co.	Oct. 31	44,541	5,000	27,443	57,106	...	18,333	10	...	+ 9,110	58,715	28,401	...
Barnes (James) & Co.	Nov. 30	37,128	...	11,916	19,884	2,500	5,000	20	...	+ 4,416	32,735	16,182	...
Barrow, Hepburn & Gale	Dec. 27	70,293	5,000	47,920	126,760	27,000	10,500	6	...	+ 10,420	81,583	67,583	...
Bolding (John) & Sons	Dec. 31	24,142	1,698	6,244	31,574	875	5,000	10	...	+ 369	11,597	6,208	...
Braunbury Greaves & Co.	Jan. 2	63,394	...	49,057	109,544	12,000	32,670	9	...	+ 4,387	147,099	47,038	...
British & Burmese Steam	Dec. 31	382,414	158,077	18,337	21,655	2,666	19,500	5	...	+ 3,829	328,930	36,761	...
British Industrial Plastics	Sept. 30	169,124	11,755	14,959	20,840	1,482	12,870	6	...	+ 607	163,069	23,198	...
Craigton Cemetery Co.	Dec. 31	9,002	...	3,982	5,060	...	3,000	6	500	+ 482	8,666	3,916	...
English China Clays	Dec. 31	35,173	...	29,365	40,251	27,935	...	...	...	+ 1,430	42,085	39,257	...
English Electric Co.	Dec. 31	515,321	100,000	362,604	417,099	73,830	192,251	10	100,000	- 3,477	517,066	363,336	...
Imperial Tobacco (G.B. & I.)	Dec. 31	33,973	5,898	17,645	50,279	16,269	...	...	...	+ 1,376	67,103	36,539	...
Isle of Man Steam Packet	Oct. 31	7,981,241	...	7,971,241	9,592,178	852,208	6,573,534	171	500,000	+ 45,499	8,882,899	8,892,828	...
Larkins (S. C.) & Sons	Dec. 31	111,967	50,379	37,353	58,566	...	...	...	...	+ 1,353	123,658	38,910	...
Liverpool Post & Echo	Dec. 31	24,844	...	23,243	60,152	1,875	...	...	5,000	- 1,444	30,189	28,589	...
McLaren (Wm.) Sons & Co.	Dec. 31	231,064	...	181,878	280,894	10,000	175,000	25	...	+ 3,122	276,690	181,049	...
Manchester Corn Exchange	Dec. 31	35,874	...	10,893	23,269	(a) 4,500	...	...	...	+ 6,393	10,699	10,699	...
Milton Proprietary Limited	Sept. 30	56,944	2,665	Dr. 11,118	Dr. 6,631	...	...	...	...	- 11,118	29,439	14,980	...
Outram (George) & Co.	Dec. 31	96,168	...	70,284	126,584	5,193	12,109	121	5,000	+ 1,625	35,162	36,539	...
Packing Materials Association	Sept. 30	26,298	3,000	8,780	18,213	5,528	2,643	10	15,000	+ 520	85,144	80,592	...
Pawsons & Leaf	Dec. 24	32,686	...	24,195	60,221	...	20,700	71	...	+ 609	49,082	19,332	...
Phillips (J. & N.)	Jan. 19	106,342	17,043	88,249	97,413	60,667	16,500	3	10,000	+ 1,082	125,685	106,157	...
Phillips Rubber Soles	Nov. 30	120,850	6,389	32,533	51,794	9,000	20,250	111	3,000	+ 283	95,987	38,580	...
Pullin (R. B.) & Co.	Oct. 31	99,873	7,709	29,551	31,727	...	20,000	20	10,000	+ 449	91,984	18,311	...
Randall (H. E.) & Co.	Dec. 27	25,627	5,580	18,258	67,472	5,100	12,375	71	...	+ 783	26,016	26,704	...
Redfern's Rubber Works	Dec. 31	47,249	...	22,470	31,044	9,800	12,000	10	...	+ 1,470	43,016	25,704	...
Selincourt & Sons	Nov. 30	28,277	...	15,884	24,762	12,500	...	...	...	+ 3,384	24,599	12,500	...
Steward & Patterson	Nov. 1	366,583	56,298	63,561	134,338	3,750	37,500	121	23,143	- 832	324,188	62,594	...
Sunderland & South Shields Water	Dec. 31	311,963	...	65,284	134,207	1,094	60,604	71	15,000	- 11,414	308,197	519,194	...
Tilling (Thomas)	Dec. 31	546,464	...	524,496	695,805	16,500	412,000	10	100,000	+ 4,004	541,633	148,693	...
Trinidad Leaseholds Limited	June 30	100,848	308,639	153,328	273,377	...	137,484	15	...	+ 15,844	1,544,177	20,184	...
Vulcanite Limited	Oct. 31	74,335	...	7,288	10,663	2,220	3,750	30	2,500	+ 182	31,992	20,318	...
Weyburn Engineering Co.	Oct. 31	46,364	15,550	12,464	13,937	1,890	10,500	35	...	+ 74	52,613	20,318	...
Woolworth (F. W.) & Co.	Dec. 31	6,872,721	361,973	2,487,553	9,270,294	150,000	2,062,500	55	...	+ 275,053	8,471,291	2,297,249	...
Totals (1941-42)													
Jan. 1 to Feb. 4, 1942		113	20,482	1,607	11,272	17,784	1,652	8,244	...	+ 1,197	20,996	12,263	...
Feb. 4 to Feb. 18, 1942		62	22,146	1,201	13,494	24,078	1,804	10,482	...	+ 350	25,284	14,594	...
Total: Jan. 1 to Feb. 18, 1942		175	42,608	2,808	24,767	41,862	3,456	18,726	...	+ 2,055	46,280	26,857	...

(a) Two Years to 20th June, 1935.

† Free of Income Tax.

BRITISH WHOLESALE PRICES

CEREALS		Feb. 10, 1942	Feb. 17, 1942	TEXTILES—continued		Feb. 10, 1942	Feb. 17, 1942	MISCELLANEOUS—continued		Feb. 10, 1942	Feb. 17, 1942
GRAIN, etc.				8/40 Hessians, per yd.		s. d.	s. d.	Fuel oil, in bulk, England and Wales—		s. d.	s. d.
Wheat—				10/40 Calcutta Hessians, Mar.		0 4-88	0 4-88	Furnace—		0 81	0 111
No. 1 N.Mt. 496 lb. f.o.b. St. J.		35 71	35 44	100 yds.		45 9	45 9	Diesel—		29 6	29 6
Eng. Gaz. av. per cwt. (e)		15 7	15 9	71/40		33 1	33 10	ROBIN (per ton)—American—		33 0	33 0
Barley Eng. Gaz., av. per cwt. (e)		44 2	48 11					SHELLAC (per ton)—TN Orange—		187/10/0	187/10/0
Oats (e)		15 4	15 1					TALLOW (per ton)—London Town		25/0/0	25/0/0
								VEGETABLE OILS (per ton net)—			
								Linseed, raw—		41/10/0	41/10/0
								Rape, crude—		46/5/0	46/5/0
								Cotton-seed, crude—		31/2/6	31/2/6
								Coconut, crude—		28/2/6	28/2/6
								Palm—		20/15/0	20/15/0
								Oil Cakes, Linseed, Indian—		7/10/0	7/10/0
								Oil Seeds, Linseed—		18/16/3	19/0/0
								La Plata (new)—		20/13/9	20/13/9
								Calcutta			

(b) Higher Pool prices in some zones.

(c) Average for weeks ended Feb. 7th and Feb. 14th.

Shorter Comments

Transvaal Gold Output.—Witwatersrand output in January, 1942, 1,186,048 fine ozs. (1,181,502), outside districts 30,116 fine oz

have served to exclude him from office altogether. The real reason for his departure is unknown to the public, but it may be taken for granted that there was a place for him in the Cabinet if he had felt able to take it. No attempt has ever been made in these columns to minimise Lord Beaverbrook's defects as a planner and organiser. But in one thing he had magnificently succeeded—that is, in securing the confidence both of Premier Stalin and of President Roosevelt as head of a "Foreign Office of Supply" (the phrase is his own). There was a suggestion in the first announcement that he would continue with at least the American side of this work, though without Ministerial rank, but even this suggestion now seems to have lapsed. This is no time for any man of competence to retire to his tent.

Lord Beaverbrook's place as Minister of Production is not to be filled. Mr Lyttelton is to have production as his "sphere of superintendence," but the newborn Ministry is to die before it is out of its cradle. This is retrogressive, unless, as may indeed be intended, the Ministry is to reappear as the Minister of State's staff. It cannot be denied that to knock down so offhandedly what had only just been set up gives a painfully indifferent and slapdash impression. The House of Commons will be justified in securing the most definite assurances that its victory of a fortnight ago is not now to be thrown away.

The natural comparison of these changes is with the change of government in May, 1940, which brought Mr Churchill to the helm. In many ways, the emergency is graver now than it was then. It is true that there is not now so overwhelming a danger of an immediate and disastrous end to the war. Freedom has more than one citadel to-day, and even this one is far better defended. But the strategic situation is serious enough, in all conscience, and so far as this country is concerned there are dangers and difficulties which did not then exist. In May and June, 1940, the nation for the first time came fully awake; its unity and confidence were at their peak; the English spirit enjoyed its finest hour; and the changes at the top of the Government needed to be not much more than symbolic. To-day, something more is wanted. It is not enough to tell the British people to awake and be of good courage. Much more than sloth has to be removed. There have to be changes—some of them painful—in the comfortable ways of doing things, in the accustomed ways of choosing men. Now the changes are needed not only—perhaps not mainly—in the supreme direction, but at every grade of the structure of the state. In Commander King-Hall's colourful language there should be a "night of the long knives" in many parts of the administrative machine.

There is another most significant difference between May, 1940, and February, 1942. The earlier change was a union of the political parties, this change is the end of the political parties. The Cabinet of May, 1940, consisted entirely of party leaders. Apart from Mr Churchill, it was made up of Mr Chamberlain and Lord Halifax, Mr Attlee and Mr Greenwood. In this Cabinet, apart from Mr Attlee (who, without personal offence, can be called its least considerable member), there is not a single man who was a party leader three years ago. Mr Churchill was a rebel of ten years' standing. Sir Stafford Cripps had been expelled from his party, Mr Eden had resigned from the Government, Mr Bevin had never sat in the House of Commons, Sir John Anderson was barely in politics, Mr Lyttelton not at all. There could have been no clearer proof of the bankruptcy of all the existing parties. The only service they can still render to the nation is to dissolve themselves as quickly and as completely as possible.

Possibly the most encouraging feature of the events of the last two weeks has been the very healthy refusal of the public and the House of Commons to take the new Government on trust. It must prove itself. If it turns out to be a mere re-shuffle of offices, the old criticisms will reappear very quickly. But the new Cabinet has no enemies, and if it proves that it can make a new start, that it can change the whole spirit and tempo of government, it will receive overwhelming support. Almost any

audacity will be pardoned, only indecision will be unforgivable. The task is more difficult than merely to summon up the ancient virtues of a brave people; it is to cut through the institutional overgrowth of many easy decades before those ancient virtues can be fully released. There are long arrears of regeneration to be made up.

The first necessity, since it governs all the others, is a reform of personnel and methods. It has been a matter of universal agreement for nearly two years that the plans drawn up before the war for the mobilisation of the nation were utterly inadequate, not only in scale but also in method—but, by and large, the men who drew up those plans and who started to apply them in September, 1939, are still in their offices, only the political chiefs have gone. There is a crying need for new men everywhere—their very newness would be an advantage, since the over-riding failure of the war has been the inability to see that the problems were new. In the spring of 1940, Lord Ironside thought it was an advantage for the British Army that it has so many generals who had had experience of command in the last war. Many of the generals, and almost all of their civilian counterparts, are still there. What is wanted now is men of imagination and elasticity and energy, not men of knowledge or of eminence or of experience, least of all men who "represent" anything but their own competence. In a word, what is wanted now is young men. And with individual competence should go the power of decision. Let there be as many consultations as are necessary; let men with responsibility for decision meet to settle matters that concern several departments. But let the committee habit disappear.

As a special case of the need for changes in personnel and methods, the Government might begin with the Army. Perhaps the recognition of this necessity is the explanation of the appointment of Sir James Grigg—another of the breaches of tradition that have been perpetrated this week. Of the qualities of the higher command, only those who know the facts are really in a position to judge; the outsider, judging by results, cannot help but be doubtful. But every citizen is in a good position to judge the junior officers and the other ranks. Much has been made of the "democracy" of the new British Army. But is it really more than a façade? A list of old boys of a certain public school who are serving in HM Forces has just come to hand; in page after page of names there is only the merest sprinkling who are anything but officers or cadets. Can it really be said, in the face of facts like these, that there is an unbiased selection? To put the matter quite bluntly, the troops do not believe their officers are selected for their soldierly competence, but for their possession of qualities beyond the ordinary man's reach. How can there be, in such circumstances, the fullest confidence between officers and men? Again, one feature that the most successful armies of this war—the German and the Russian—have in common is that they go to great pains to develop the intelligence of the ordinary private soldier, not merely his military intelligence but his intelligence as a citizen. They convince him of his importance in the nation, they give him a sense of belonging to a community. This is what is meant by teaching the Army politics; but the British Army cannot be taught politics because nobody knows what its politics are.

Thus from whatever starting point the consideration of what must be done to win the war sets out, it arrives at the conclusion that there must be the conscious construction of a living democratic faith. A whole series of articles in *The Economist* has attempted to show the raw material out of which such a faith can be built. It is not a question of imposing doctrines on those who do not accept them, but of codifying the real agreement that already exists. It is not a question of designing something that is to be kept in cotton wool until the victory has been won, but of finding the faith that will move mountains in wartime. The Cabinet should not regard this as a distraction from their main task; it is part of their main task and after two and a half years of spiritual vacuum there are few things more urgent than to fill it.

Trial of the Republic

AFTER a delay of over a year, the Riom trials have at last opened. Two French Prime Ministers, MM. Daladier and Blum, two Ministers, M. Cot (who is in America) and M. La Chambre, General Gamelin and M. Jacomet, Secretary-General to the Ministry of National Defence, stand indicted for a variety of crimes against the nation. M. Reynaud and M. Mandel await their turn. There is an air of unreality about the whole proceedings, almost an Alice-in-Wonderland effect—if the issues were not so tragic. One could expect the 100,000 pages of evidence to have been collected on a slate with a squeaky lead pencil and one of the chief witnesses for the Crown to turn out to be a lizard—M. Bonnet, perhaps. There is the same air of bewilderment, the same difficulty in distinguishing accusers from accused, the same tendency to shout "Off with his head" on totally inadequate evidence.

The defendants themselves have been the first to point out the unconventionality, not to say flat illegality, of the trial. In one sense, they have already been condemned without a hearing. Last October, Pétain's Council of Political Justice passed judgment of "political confinement" on a number of the accused. Apparently the distinction—dear to France's new masters—between "justice" and "political justice" is to be grafted on to the French system. Yet the crimes are political, rather than moral. The indictment speaks of neglect of France's armaments, failure to co-ordinate foreign policy and military strength, faulty staff work and strategy. What is to be gained by trying these political offences again, when the Committee of "Political Justice" has already spoken? What is the point of the trials at all?

With Vichy, it is always a useful point of departure to find out what interest Berlin has in any given point of policy; here, the connection is obvious. As M. Daladier put it: "Germany, who is really responsible for this war, today by this trial wants to obtain proof of her innocence." But it is not only the Nazis who are in search of scapegoats. The way in which the Riom trial is developing, with the hushing up of all military scandal, the acceptance of General Gamelin's silence and the insistence on the faulty political conduct of the war, all point to one thing: the building up of a French "stab-in-the-back" myth. The French army—like the German army in 1918—was not beaten. It was betrayed, so the myth will run, by those who stirred up—the accusation is levelled at Blum—"social disunity and class war." The army, whose honour is in the ancient Marshal's keeping, is to emerge intact. It is the political system that is to be the real scapegoat of Riom. Both Daladier and Blum have protested against

this suppression of the military evidence. They deny that all was ill in politics and all well at the front. As Daladier pertinently remarked, "Is it [the trial] to ensure impunity for the generals who capitulated in the midst of the fight? Is it that in reality today's trial is directed against the Republic?"

This is exactly what Riom is—the trial of the Republic, the grand frame-up to throw on to the pre-war political and social system of France the whole blame for Germany's invasion and Pétain's collapse. Nearly two years have passed since the melancholy capitulation. A spate of books have been written on the state of France. Witnesses have escaped from occupied and unoccupied territory. The world outside is in a better position to judge "the truth about the tragedy of France." Perhaps it would have been wiser if Pétain had held the trials immediately when, in the confusion and terror and recrimination, his thesis of an upright honourable enemy, an undefeated army and a swarm of cowardly, incompetent politicians might have commanded assent. Today France and the world know better.

The tragedy of France was not her political and social system so much as the incompetence of that system to stand up to totalitarian war against an enemy twice as numerous. The French Republic had errors and futilities enough, yet can it seriously be maintained that the German and Italian systems of government, designed for war and maintained for the sake of war, were to be preferred? The downfall of France was not primarily due to shaky Cabinets and an irresponsible parliament—they played their part, but millions of Frenchmen lived happy, unpolitical lives whatever Government came or went—it was due to an implacable enemy bent on world conquest and to a military and economic system incapable of meeting this enemy's threat. The indictment against the Republic is that it failed to rise to the new challenge—economically, militarily and politically—not that it was responsible for the challenge itself.

Total war is waged successfully by a certain type of community—the totalitarian community. Germany and Russia are the supreme examples of this, Japan bids fair to be another. So far total war has not been waged successfully by free communities. Looking back on September, 1939, the people of both France and Britain must realise how completely unfitted they were for the ordeal. Britain had a Channel and the chance of a second wind. France relied on the Maginot Line and had no second chance. She cannot now contribute, save by way of warning, to the solution of the supreme problem; but the trial of the Republic is in one sense the trial of every free state.

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It is, of course, vital to distinguish between the weaknesses of French democracy and the weaknesses of democracy as such. The French Republic was not a perfect example of a democratic community. For example, it had a multitude of shortcomings which are not shared by Britain—a peace party on the Right waiting for the first opportunity to sell out, a mass of non-co-operative Communist opinion on the Left, and no possibility of bridging the great gaps between the various economic and social sections of society. These are faults which are not inherent in democracy as such; and there were others. The two accused Prime Ministers were right to insist that military bungling played a great part in the final collapse. There is no reason on earth why a free community should not devote some of its best research and most creative intelligence to the problems of defence and still remain a free community. On the contrary, if France had kept abreast of modern methods of warfare, she might well have produced forms of military service far less onerous and far more individually satisfying than three years' conscription and the *levée en masse*. It is a paradox that the German system, both in the relationship between officer and man and the devolution of responsibility, has produced a far more democratic army. If such changes towards greater freedom and spontaneity could be introduced within a framework of rigid dictatorship, they could certainly have been introduced into a society where equality and individual responsibility are—or ought to be—the mainsprings of action.

Another fatal weakness of the French Republic—its loss of unity and confidence—is again obviously not inherent in a democratic society. It is true that the French people had lost all sense of the things for which they as individuals and France as a nation really stood. There was little trace of a personal vocation or a national mission in the way in which France went to war. *Il faut en finir*, which began as a gesture of dogged defence, ended as a catchword of collapse. But it does not follow that no free community can "project" itself, can have a vision of its function and mission. It does not follow that there is no answer to the fanaticism of the all-embracing political

state with its creed and its discipline imposed from above. France's answer should surely have been to realise that she was fighting for the opposite principle, a community unified by agreement, a war effort sustained by voluntary sacrifice and dedication, a way of life in which politics only played its part among other activities, an economic framework within which co-operation, not regimentation, imposed the social purpose of the community. Instead of this, the onslaught of war on France brought with it some of the worst elements of the totalitarian enemy—censorship, arbitrary arrest, the concentration camp. Small wonder that, with the repression and without the fanaticism of the dictatorships, the French community collapsed.

Yet there is a fundamental sense in which a democracy can never be fully prepared for the ordeal of total war just because it is a democracy. Democracy is an order of society based on co-operation and consent and aimed towards the wellbeing—moral and material—of its citizens. Totalitarianism is a system of government based on regimentation and violence and directed towards the acquisition and exercise of power. It follows inevitably that the second system is always better prepared for war, since it demands as a regular part of the life of the community sacrifices and violations of human dignity and happiness which no free community will accept until war is actually inevitable. And there is no solution to this dilemma save, in the unhappy, discredited yet nevertheless essential slogan of the last war, "to make the world safe for democracy."

Free communities cannot cope with totalitarian dictatorship on an equal footing once the totalitarian dictator has seized power. Then all the immediate chances of war are on his side. There is one means only of meeting the threat; that is by ruthlessly maintaining a system in which the totalitarian dictator cannot arise. France has, it is true, capitulated in the immediate fight to check the wicked system she allowed to grow up on her frontiers. But a future, liberated France will rise to play her part in the even greater task of maintaining a world from which the totalitarian menace has been effectively purged.

Ten Years of Protection

JUST ten years ago, in the last week of February, 1932, the Import Duties Act received the royal assent. On March 1, 1932, Great Britain became a protectionist country. It is true that there had been protective duties before the Act of 1932: McKenna duties, key industry duties, abnormal importations duties, horticultural duties. It is true also that many new varieties of protection have since followed: Ottawa duties, agricultural quotas, subsidies, exchange restrictions. But the Import Duties Act was the dividing line. Before March 1, 1932, Great Britain was a Free Trade country, with a few exceptions. Since that date, Great Britain has been deliberately and boastfully protectionist. With the outbreak of the war, import duties, as such, ceased to have any but the slightest influence on the course of trade, and some of them have been reduced or abolished. But the tenth anniversary is nevertheless a good opportunity for an attempt to assess the effects of British protectionism.

It may be said at once that the direct effects of the Act have been much less than was expected at the time—less good than was boasted by its authors and less bad than was apprehended by its opponents. In the popular mind, it is true, this judgment would hardly be accepted. *Post hoc ergo propter hoc* is good reasoning for the man in the street, and he looks no further than the undeniable fact that Britain was chronically depressed in the last decade of Free Trade and that a recovery, which in its later stages was very rapid, began almost as soon as the Act was on the statute book. But there is really very little evidence for such a hasty conclusion. The Import Duties Advisory Committee itself investigated the change in employment in protected and unpro-

ected industries when the Act was two years old. In industries affected by that Act, the total number of persons employed in 1934 was 50,000, or 1.4 per cent, lower than in 1930; in industries not covered by the Act, employment was 392,000, or 6.2 per cent, higher.* It is possible that the feelings of confidence engendered in protected industrialists by the Act led to an increased volume of capital investment; but it is very doubtful whether this was of substantial quantitative importance. As is notorious, the great increase in investment in the recovery years was in housing, which could not have been affected by protective duties.

Indeed, it can be argued with considerable force that British recovery was attained in spite of protection rather than because of it. The first reason for so arguing is that the export trades remained, throughout these years, the great drag on recovery, and not even the most ardent protectionist would claim that import duties have a favourable effect on exports. Secondly, it can be very clearly demonstrated that the great increase in the demand for houses, for motor-cars and for all sorts of household equipment originated in the fact that the British people enjoyed all the benefits of cheap food and cheap raw materials. As was pointed out in *The Economist* at the time, the estimated expenditure of the public on food, clothes, liquor and tobacco fell by some £320 millions a year between 1924-27 and 1932, while the total paid out

* The figures can be found in full, together with much other information, in "Britain Under Protection," by Frederic Benham, published by the Macmillan Co. of New York for the Carnegie Endowment, (271 pages, 10s. 6d.) Dr. Benham's book is rather disappointingly superficial, but it brings together most of the relevant data.

in wages and salaries fell only by some £65 millions. In other words, the British public, after paying for its food and clothes, had about £250 millions a year more to spend on other things. It is fairly widely agreed that this, more than any other one factor, was the mainspring of recovery. The Import Duties Act itself did very little to interfere with cheap food and materials. But the whole protectionist movement was clearly intended as a brake on the fall in prices—and on the rise in the real standard of living.

On the other hand, it cannot fairly be claimed that import duties were a serious drag on recovery. The British tariff has remained a very moderate one, as tariffs go in the modern world. As Dr Benham reports

They [the Import Duties Advisory Committee] have tended to favour low rates of duty upon foodstuffs which are widely consumed by the working classes. They have tended to favour high duties of 30 or 33½ per cent upon luxuries and upon the products of what they regarded as key industries. On many manufactures they have not been averse from imposing an additional duty of 10 per cent, making the total duty 20 per cent. . . . They seem never to have recommended a rate of more than 33½ per cent *ad valorem* on any article not subject previously to key industry or McKenna duties, but they have recommended a number of specific duties on low-priced imports which are equivalent to a higher rate than this.

Most imports of raw materials are still free, and in 1938, when the total value of imports into the United Kingdom was £920 millions, the revenue derived from duties that can be classified as protective was only some £50 millions.

The Psychological Impact

The traceable direct effects of the Import Duties Act have thus been small. But the indirect consequences have been more important. The Act played a large part, by its psychological impact rather than by its actual effects, in the general strategy of world trade. As a disrupter of international trade it cannot compare either with the American Hawley-Smoot tariff of 1930 or with the depreciation of sterling in the autumn of 1931. But the work of reconstruction was beginning in 1932; the Lausanne Conference, which buried Reparations (and, by extension, war debts) was held in the summer, followed by the World Economic Conference in the next year. There was a distinct possibility, with a new and more liberal regime in America, that the slow recovery from the Great Depression might be accompanied by an equally gradual lifting of world trade barriers. The Import Duties Act was the first of a string of British acts which destroyed that possibility. It was not that Britain was at last turning to protection—few other countries could object to that—it was the deliberate pains that the British Government took to make it clear that they cared little or nothing for the international economy. The fall of the pound had already embarrassed a long list of countries; but the Import Duties Act was rushed through with very little discussion and no consultation. The Ottawa Conference converted the inherently reasonable proposition of Imperial preference into a weapon of offence against other countries' trade. And the crowning blow came a few weeks later when, by obstructing the Ouchy Convention, the British Government refused to allow other countries to do in the right way (by mutual lowering of duties) what they themselves had just done at Ottawa in the wrong. In the international economic history of the past decade, the onset of British protectionism will be criticised less for what was done than for the tone of voice in which it was done.

More important than this, however, have been the indirect effects of protection at home. The general scheme of the Act was to impose a duty of 10 per cent on all goods not on the free list or in exempted categories, and to provide that higher duties could be imposed on the application of the trades affected. This method would, by itself, have put a heavy enough obstacle in the way of any consideration of the public interest. When an industry made an application for higher protection, what

general criterion could the Import Duties Advisory Committee apply to it? The Act provided no guide, and if the industry could prove, as it usually could, that it would itself be benefited by a higher rate, how could the Committee justify stopping short? And, in fact, as the record proves, the Committee found it difficult to act as trustee for interests that were always general and usually invisible against particular benefits that were very tangible. They deserved sympathy for being set an inherently impossible task, and their performance of it serves to push home the lesson that, if a protective tariff is to have any chance of serving the general interest, it must consist entirely of one or more general rates, without provision for exceptions to be made on special pleading.

The Committee, however, made its task of serving the public interest considerably more difficult than it might have been. From the start, it laid down the rule that "applications should be made as far as possible by representative bodies of the trade concerned." This ruling came at a crucial period. Over a period of several decades, the old common law against combinations in restraint of trade had been losing its force. More and more, it was being flouted and ignored, but it remained in the background as a deterrent, and British industry, as it marched towards monopoly, was compelled to keep looking back over its shoulder. The new regime altered all that; the trade association was now officially encouraged; indeed, the IDAC made it clear, as in the case of steel, that a functioning "organisation" of the trade might be a condition of receiving protection, that something in the nature of a cartel was necessary lest, by some mischance of competition, any of the protection should spill over to the consumer or to the general public. The result has been far-reaching. Within the decade, British industry has become almost completely "organised." Even before the war, the price that was determined by free competition was a rarity, and the trades where any fresh breezes of entering competition were allowed to penetrate were growing fewer year by year. "Low profits and quick turnover" has become an outmoded slogan; the new one is "high profits and restricted turnover," and the results have been what might have been feared. The system has come to its finest flower since the war, with every trade "controlling" itself and with the nation left wondering why its productive effort is so sluggish. For all this, the Import Duties Act and the procedure of the Import Duties Advisory Committee are more to blame than anything else. Monopoly may not have been the expected child of the Act, but it is a far lustier and more dangerous progeny than any protection against overseas imports.

Protection for Steel

By common consent, the steel industry is the test of the new protectionism. Over nothing else has the Advisory Committee lavished such care. Unfortunately, it is difficult to disentangle the results of protection from those of general recovery and general rearmament. Certainly, the industry itself has been more prosperous than it was before and some part of the renewal of plant that was undertaken can properly be ascribed to protection. In return for these benefits, the community was to get a reorganisation of the industry to increase its efficiency. But as Dr Benham says

the "re-organisation" which the IDAC accepted in fulfilment of the pledge given by the industry was mainly administrative: a reorganisation, so to speak, on paper. The incentive of a tariff was used to induce the industry to make its trade associations . . . stronger and more comprehensive. . . . This means that the industry is now in a more monopolistic position.

For the way in which the industry has used its monopolistic position, the names of Jarrow and Ebbw Vale may be allowed to speak—or perhaps the fact that, after the statement in 1935 that "the Federation categorically renewed the assurance . . . that it is not their intention to raise prices as a result of increased protection," the Board of Trade index of iron and steel prices increased by over 38 per cent in three years. Or as a final epitaph

on the IDAC's efforts to protect the public interest in the matter of steel, some words can be quoted from Mr D. L. Burn's masterly and impartial history of the industry:

There was no question of a general plan . . . there was a marked unwillingness to interfere with the integrity and autonomy of existing firms, even where this seemed necessary for maximum technical efficiency. . . . The way to maximum efficiency is more and more cluttered up with compromises, which to the unwary count for ordered progress.

The verdict on the Import Duties Act after its first decade must, then, be that it has done little good and substantial, if indirect, harm. The days have gone when a return to uncontrolled trade can be seriously advocated—at least without a long period of adjustment and pre-

* "The Economic History of Steel-Making." By D. L. Burn. (Cambridge.)

Social Surveys

ON few occasions since it began its series of searching criticisms has the Select Committee on National Expenditure found a branch of Britain's war effort for which it has little but praise. The conclusions of its latest report are the more remarkable since the subject—the Wartime Social Survey of the Ministry of Information—was for a short time as big a butt of the daily Press as the Department that sponsors it.

As the Select Committee points out, the campaign against "Cooper's Snoopers" in July, 1940, with its complaints of Gestapo methods, was based upon nothing more substantial than the ill-advised secrecy which surrounded the Survey when it was first set up, together with a general dislike for anything that the Ministry of Information touched. There was no evidence that the public objected either to the principle of the survey or to being interviewed; indeed, it is probable that those selected for interview achieve a certain kudos in the eyes of their neighbours. As for the argument current in the summer of 1940—that social surveys are all very well, but they should be left to private investigators—it has been the experience of many people who have collected information from the public on official behalf that the phrase "for the Government" is an open sesame to confidence rather than the reverse.

But though the Survey can be acquitted of the frivolous charges brought by the Press, the question still remains whether it is really necessary. On this the Select Committee has no doubt; it considers that "the Wartime Social Survey is an essential service, performing useful work . . ." To begin with, its chief purpose was to test the effect on the public of Government instructions and publicity. This it still does; for instance, it has investigated the success of the Ministry of Food's Kitchen Front campaign and various problems of clothes rationing for the Board of Trade. But the Survey is also used as a precursor of policy as well as an investigator into its effects. To take a purely hypothetical example—it might seem to the Board of Trade that the manufacture of hats should be prohibited, and a preliminary survey could determine whether this would cause genuine hardship. The difficulty about extending the scope of the Survey in this direction is that the policy for which it is to provide the basis must remain a secret. Clearly, some of the present troubles of soap rationing would have been avoided if the Ministry of Food had been able to obtain in advance some idea of the amount of home laundry that is done and the amount of soap used in households with young children compared with other households. But the persons interviewed would not have to be very intelligent to guess the reasons for the enquiry, and the secret would be out long before the results of the survey were made known to the Department concerned.

Thus, the main purpose of the Survey is to assist in adapting and modifying policy rather than moulding it.

paration. But the past ten years, if they have taught anything, should have shown that the control of trade and the protection of industry can only be permitted if the most elaborate precautions are taken to protect the public interest. The theory of the Import Duties Act—that if the profits of manufacturing industry are protected the public interest is automatically served—is a typical piece of Brummagem economics and it should find no place in a soundly conceived economy. There are two possible lines of development from the present position: either the state, in order to secure the public interest, will have to interfere more and more deeply in the conduct of ordinary business; or else protection in Britain, as in the United States, will have to be accompanied by anti-trust legislation to enforce competition and prevent restriction. If industry regards that as a choice of evils, it must blame the Import Duties Act and the lessons that its first ten years have taught.

But it is as well to emphasise that the Survey is mainly concerned with such concrete things as hats and soap and recipes in case there are still members of the public and MPs who regard it as a thermometer in the mouth of public morale. It is true that in its early days it was used in this way, but the practice was dropped, and the Select Committee has no hesitation in recommending that it should not be revived. There is no reason why questions of public opinion, such as "Do you agree with the composition of Mr Churchill's Cabinet?" should cause resentment, as the Committee says they would, except, perhaps, among MPs who regard such an assessment of public opinion as an encroachment on their province. There has been no evidence that the public resents being cross-examined by Mass Observation or the British Institute of Public Opinion, and the Home Intelligence section of the Ministry of Information, to which the Survey is attached, presumably has its own method of watching the effects of events on public opinion. But such enquiries, though interesting and possibly useful, cannot by their nature have the same value as the factual investigations carried out by the Survey. They show the short-term fluctuations in morale, but they provide no information on which long-term policy can be based.

The distinction between these two sorts of social enquiry serves to emphasise the scientific nature of the Wartime Social Survey. In all research work of this kind, success or failure depends upon the interviewers. The best interviewers are both born and made. They must be born with a sympathetic temperament and ability to inspire confidence in strangers; they must be trained to acquire the detachment of the scientist. It is reassuring to learn from the Select Committee's report that the interviewers employed by the Wartime Social Survey are chosen with the greatest care. They are carefully trained and coached in the subject to be investigated; and before they set out on the survey they take part in experimental interviews so that they can discover the pitfalls to be avoided. The questionnaires are drawn up with the help of the Department concerned in the survey and a panel of scientific consultants, whose advice is also sought on the form of the reports. The work of the Survey would certainly expand were it not for the difficulty of finding suitable interviewers, but the Ministry has rightly refrained from lowering its standard of recruitment. It is also important to point out that, although the Survey is controlled and financed by the Ministry, neither the interviewers nor the editorial staff are civil servants, and the Ministry never sees the names and addresses of the persons interviewed.

The high qualifications required in both the interviewers and the directing staff of survey work make it a costly business. The Select Committee states that the estimated expenditure on the Wartime Social Survey is £40,000 for the current financial year, which it considers not excessive. But the Survey is being used continually, so that its

overhead cost is probably lower than that of outside organisations, whose survey staffs are only used intermittently. This question of costs is important when the future of social survey work is considered. Extremely valuable individual surveys, such as Mr Seeborn Rowntree's in York, have been carried out; but to keep together a team of twenty interviewers—the size of the Ministry's team last October—and a first-class directing staff, security of employment is essential, and probably only the State can afford to guarantee it.

Unless, therefore, social survey is to be allowed to fall into a decline after the war, the Government must be prepared to bear its cost. But if it is to continue in peacetime as an officially sponsored experiment, the question of who should control it must be settled. The Select Committee has accepted the suggestion that the Wartime Social Survey should be placed under the direct authority of a member of the War Cabinet, such as the Lord President of the Council. One reason for this recommendation—that the Ministry of Information has a bad name—carries little weight, and it is in any case a little hard on the Ministry, which has had to bear so much abuse for other people's mistakes, if it is not allowed to receive the credit when it does do something worth while. But there is a lot to be said for the other argument, that as the work of the Survey is done for more than one Department, it should not be controlled departmentally. In practice, however, as the Select Committee itself found, very good relations have been established between the Departments and the Survey, which it would be a pity to disturb by further reorganisation. Moreover, there is

a possible danger that if it were centralised, the Departments would regard it as a means of Cabinet prying into their work and efficiency and retire behind their usual secrecy.

On the assumption that the Survey continues after the war, however, the best solution for it seems to be to establish it under an independent but State-financed body like the Medical Research Council, which works under the administrative direction of a committee of the Privy Council. The MRC, one of the good things to emerge from the last war, has shown that science can be State-aided and yet retain its independence, and to place the newest form of social science under similar auspices would appear to give it the best chance of successful development.

There is finally the question of whether the Survey's reports—or, at least, their conclusions—should be made public. The Board of Trade published the results of its enquiry into the use of clothes coupons, and it is difficult to see what harm could be done by the publication of the Survey's findings—in fact, a great deal of harm might be prevented had, for instance, a survey of the ATS revealed how ill-founded was the recent whispering campaign. The public, as the Home Division of the Ministry of Information must know by now, wants facts, and much unnecessary resentment and absurd criticism would disappear if people were given the facts about themselves. At present, it is true, considerations of security possibly preclude publication; but there should be no secrecy about any social surveys that may be undertaken after the war.

NOTES OF THE WEEK

The Conduct of the War

"There is nothing which I do or have done as Minister of Defence which I could not do as Prime Minister." This sentence was the core of Mr Churchill's argument against including defence, with production, home affairs and Dominion relations, among the "spheres of superintendence" of other Cabinet Ministers. Actually, very few of his critics believed that the Prime Minister, especially when he was Mr Churchill, could cease to direct defence matters; their point was that he could not also, because of the time and energy required, direct production, lead the Commons and make almost every Cabinet decision in person. The Prime Minister dispelled the crude picture of the "Captain-General" personally conducting the war from day to day himself—which is no truer of Hitler and "that great strategist" (to quote Sir Stafford Cripps) Stalin than it is of Mr Churchill. In strategy, as in everything else, the danger is a bottleneck on the Premier's, the Fuehrer's, or the President's desk. The war is conducted from day to day by the First Sea Lord, the Chief of the Imperial General Staff and the Chief of the Air Staff, who make up the Chiefs of Staff Committee and "give executive directions and orders to the commanders-in-chief in the various theatres." In 1941, this Committee met 462 times, always once and often twice a day, and Mr Churchill presided on only 44 occasions; usually the Prime Minister is represented by Major-General Ismay, who heads a small advisory staff which is part of the War Cabinet secretariat, and he is "responsible for keeping the War Cabinet and myself informed on matters requiring higher decision." Mr Churchill made it plain that any notion of campaigns being conducted by politicians was quite wrong. The three Chiefs of Staff have professional executive control of their three Services; subject to the Prime Minister's general supervision, suggestion and guidance, they are "left alone to do their own work." If this is really so, there is a marked contrast with the pull-devil pull-baker situation of the last war.

I do not think there has ever been a system in which the professional heads of the fighting Services have had a freer hand or a greater or more direct influence or have received more constant and harmonious support from the Prime Minister and the Cabinet under whom they serve. The politicians are, of course, responsible for what is done; the three Service Ministers are the responsible heads of

their departments, and they are members of the Defence Committee of the Cabinet. But it is the Chiefs of Staff who attend the War Cabinet when military matters are discussed. Apart from Mr Churchill's general direction, as both Prime Minister and Minister of Defence, the war is being run by the professionals, who must share the praise and blame for what happens and what has happened. Obviously, there have been notable political interventions, as in the case of the Greek campaign. But, on balance, the question seems to be, not whether laymen are interfering too much with the conduct of the war, but whether Service Ministers and the Cabinet as a whole count for too little. A week or so ago the working of the Board of Admiralty was described in answer to a Commons question, and there was a feeling among some Members that the First Sea Lord was probably too powerful and the First Lord not powerful enough. Wars must, of course, be run by soldiers, sailors and airmen—and Mr Churchill—but professionalism can perhaps be carried too far for enterprise and initiative to flourish.

One More Chance

It is firmly reported that the Government has decided to offer greater freedom to the people of India. There is to be an early debate on its decision. The statement of a new policy towards India is now more than a matter of expediency—or equity. It is a matter of necessity. Indeed, it is a melancholy fact that Mr Churchill and his colleagues should only have been brought to this under duress—from Japan; and the fact that the Indian political leaders have been no more ready to meet concessions halfway is just as melancholy. The problem at this juncture is, first and foremost, one of Imperial defence. What has happened in Malaya—and Burma—is evidence of the catastrophic consequences which can result where the peoples of the Empire do not regard the war as their war and stand passively by. Whether or not the native peoples of these Eastern countries bought, in their own interests, to regard the war as their own is an academic question. Probably they should; but the fact is that they do not. Nor need the rights and wrongs, the wisdom or the folly, of the British administrations that have failed to create solidarity be too much debated. No doubt there is a host of arguments in their favour, as well as against them. But the proof of the pudding is in the eating. The task now is to

save the British Empire and win the war. It may be that, until now, Mr Churchill has felt, as he openly said seven years ago, that the way to lose India was to give the Indians greater independence; he may even fear still that responsible and representative government at the centre may bring communal conflict, disorder and administrative paralysis in its train. But now another and more likely way to lose India, with Japan at the gates, is to refuse to give the Indians more freedom. Whatever the risks of doing this—and they should not be minimised—the risks of not doing it are much greater and less escapable.

General Chiang Kai-shek has been to India. He has met Indian politicians. He has helped to forge new plans for defending the mighty Indo-Burmese-Chinese bloc of territories (Burma, cut off from General Wavell's South-West Pacific Command, now reverts to the Command of India). The Generalissimo has spoken of the common roots of nearly 1,000 million people, Indians and Chinese, in the soil and in an ancient culture. He has expressed the hope and the belief that India will now be given freedom to defend itself. Pandit Nehru has pledged a "free India" to self-defence in the battle against Axis aggression; and it is known that the British Government is prepared to act. Two points stand out: first, the wholehearted co-operation of India is necessary for successful prosecution of the war; secondly, this world war is being fought for the freedom and independence, as well as the safety, of peoples. A generous statement by Mr Churchill will have a tremendous effect. He has been silent too long on India. The old cautious promise that India will be given self-government after the war if the communities and sects can agree will not do; it is no longer believed—which may be unfair, but is, again, a fact. Probably the least that will help now is the unconditional promise of Indian autonomy at a definite date, and the offer at once of a provisional National Government responsible for the conduct of India's own war. In 1935, Mr Churchill saw himself as the realist battling against doctrinaires over the Government of India Act. Now, in cold strategic fact, the boot is on the other foot. Only Mr Churchill, by abandoning what has become a doctrinaire position, can save the situation. It is the most welcome of reports that he, in so very many ways one of history's greatest and bravest realists, is now prepared to act courageously in this question; and it may be that, in serving expediency and necessity, an even greater victory may be gained—the doing of justice.

Discontent Down Under

Australia is in great danger; and militarily and economically the country is making a prodigious effort. But, diplomatically, Australia is still not satisfied, and Mr Evatt, Commonwealth Minister for External Affairs, has said so strongly in Parliament. On one count—the status of Sir Earle Page as Australia's representative in the British War Cabinet—it is difficult to see what the British Government can do. The only difference in council between Sir Earle Page and his British colleagues is that he must refer back to Canberra; and that is Australia's business, not Britain's. Australia, unwilling to tie her hands by giving Sir Earle power to act, cannot expect Britain to tie hers. On the other count—the inadequacy of the Pacific War Council for its professed purpose—Australian protests appear to be not unjustified. This body sits in London, not in Washington, where Australia wanted it; and, although China is now to be represented on it, the United States is still not. Decisions are in fact forged in Washington by the Combined Anglo-American Chiefs of Staffs Committee; and "no Australian representative ever meets any United States representative in any war committee." This may very well be inevitable in practice, but it is not what Australia asked for and was led to expect; and the obvious riposte is for Mr Curtin to increase the diplomatic and military representation of Australia in Washington to the greatest possible strength.

Assault on Java

The battle for Java has begun. The Japanese have bases for their attack in Southern Sumatra, in South Borneo, in the Celebes and now in Timor and Bali. True, their hold on Sumatra, Bali and Timor is still contested. Their

troops have not yet been able to fight their way southwards from Palembang, where the Dutch are blocking every yard of their advance. Timor is still only partly occupied. The Bali airport, Den Pasar, has fallen, but fighting continues in the island and the invasion fleet which attempted landings *en masse* was driven off by Dutch and American warships and bombers with little loss to themselves and a toll of nineteen enemy ships sunk or damaged. For the present, the last battle of the archipelago is being waged in the air. Effective defence against Japanese landings in Java depends upon maintaining the few remaining airfields in Java and Madura. If they can be blasted out of action, then once again the defenders will be fighting without air support. There is no doubt that the resistance will be tough and efficient. The bulk of the Netherlands Indies army is concentrated in Java and the country lends itself—like parts of the Philippines—to prolonged defensive action. The interior is mountainous, and specially prepared defence positions were constructed some time ago to meet the threat of invasion. The density of a native population of some 40 millions naturally creates special problems for the defenders, but there is no lack of solidarity between the white population and the natives in Java such as fatally undermined resistance in Malaya. The fundamental difficulty is that with the Japanese installed at Timor, it is practically impossible to bring fighter reinforcements from Australia to Java, whereas the Japanese now command a string of air bases, north, east and west. Still, the resistance on the Bataan peninsula shows what can be done in the face of overwhelming odds when natural defence positions are matched by a tough fighting spirit. The battle for the South Seas will turn on whether there can be a repetition of General MacArthur's stand.

A Problem in Neutrality

The attack on Timor by Japanese forces creates a delicate diplomatic situation for the Axis. It is apparently no part of Hitler's plan that Portugal should be forced to abandon its neutrality at this stage in the conflict, and the Japanese have had to perform heroic feats of mendacity to find an explanation of their conduct which will give the Portuguese Government some loophole for continued neutrality. Thus it appears that the Japanese do not threaten the integrity of Timor. Alone of all the South Sea islands, it is to remain under the sovereignty of its pre-1942 rulers. The Japanese attack is simply designed to clear out the British and Dutch who occupied the island "in gross violation of international law." The interesting point now is that the Portuguese are surely entitled to demand the same treatment from the Japanese as they were to have received from the British and the Dutch—a temporary occupation until such time as their own troopship arrives to take over the garrisoning. But their troopship—apparently without fuel for the return journey—is already in the near neighbourhood of Timor. Are the Portuguese troops to land? If they do, will the Japanese withdraw to the Dutch end of the island? Or will they admit that they have occupied Timor for good? And in that case, how neutral will Portugal remain?

Rangoon in Danger

The Japanese troops set free by the fall of Singapore are now available for attack north or south. Southwards, they can reinforce the army in Sumatra and press on to the assault on Java. Northwards, they can be despatched to the Burmese fronts where they have already a marked superiority in men and material and where reinforcements may turn the scale. The British held the Bilin river for a week, then retired to new positions behind the Sittang—the last defence line between Rangoon and the Japanese. One of the chief difficulties facing the defenders is the variety of points from which new Japanese attacks could be launched. There has already been skirmishing on the Siam-Burma frontier beyond Chiangmai. Other obvious objectives are Thazi on the Rangoon-Mandalay railway, or Pegu just to the north of Rangoon. The Japanese have mastered more fully than their opponents the art of using jungle routes and waterways as means of communication. They have even been able to bring tanks across from Siam to Martaban. True, the fighting is now moving out into the open paddy fields where the British have some greater support in the shape of the RAF and the American Volunteer Group whose air defence of Rangoon has been beyond praise. But there is nothing in the Burmese picture to suggest an early turning of the tide

Lend-Lease Terms

The terms of the Agreement between the American and British Governments, signed by Mr Sumner Welles and Lord Halifax on February 23rd are sensible and satisfactory. In the main, the Agreement is intended to define the consideration to be given in return for Lend-Lease aid. Any "defence articles" transferred under the Act which at the end of the war have not been destroyed, lost or consumed shall be returned to the United States. Nothing could be fairer than that, even though in one particular case, that of shipping, it will leave Great Britain in a very embarrassed position. In addition to this return of unused goods, "full cognisance" is to be taken of "all property, services, information, facilities or other benefits or considerations provided by the Government of the United Kingdom subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States of America." Clearly, this may mean almost anything; but it is contemplated that the valuation put on these considerations will be insufficient to discharge the obligation, since the Agreement proceeds to make provision for "benefits" to be provided by Britain to America after the war. The condition is made that in determining these benefits "the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations." How much trouble would have been avoided if there had been such a clause in the Debt agreements of the last war. The Agreement includes a comprehensive programme for world trade. The two countries are to take "agreed action . . . open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers." Conversations are to be begun between the two Governments at an early convenient date "with a view to determining, in the light of governing economic conditions, the best means of attaining the above stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments." To these statements there cannot be any objection (unless it be to the fact that preferences are to be "eliminated," while tariffs are only to be "reduced"); they admirably combine a statement of the objectives with a realisation that they cannot be attained overnight. Some surprise has been expressed in England that these matters were included in a Lend-Lease agreement. But, as was said in *The Economist* of November 8, 1941, "certainly the main return, and perhaps the only return, that the beneficiaries of Lend-Lease will be asked to make is co-operation in the movement towards freer trade," and Mr Wendell Willkie has shown that this view is not confined to one party by his statement, made in praise of the new Agreement, that "hope of the survival of liberty in the United States and the world is directly dependent upon the creation, after this war, of conditions under which trade can flow as uninterruptedly as possible in the largest possible areas and among the greatest number of people."

Farm Prices

The schedule of prices to be paid in 1942 for domestic farm products (with the important exception of milk, which is deferred) that emerged at the end of last week from the long argument behind the scenes has been received by the farming community with a certain grudging acquiescence. It may be deduced from this fact that the farmers have got all that they could reasonably expect, even if they have not got all that the Minister of Agriculture asked for. The problem is complex and difficult, the more so since it has to be conducted in a statistical twilight. If the industry is taken as a whole, it is highly probable that the whole of the recent increase in wages could be absorbed by the farmers without reducing the profits of the industry to, still less below, the pre-war level. But the argument against this is that there are many high-cost producers who cannot absorb the higher wages at all and who would go out of production if not assisted. This argument is true to some extent, but nobody can say to what extent. Moreover, there are Government pledges which, however careful in their phraseology, gave rise to precise expectations in the farmers'

minds. The chief impression that has been—or should have been—created by the whole controversy is of the extraordinary clumsiness and rigidity of the present agricultural controls. The price increases show very little sign of any attempt to differentiate between the products that are most urgently and those that are less urgently needed. Farm prices seem to be regarded as a reward of virtue, not as an instrument of control, and the only thing that can be done with them is to put them up all round. Again, no attempt is made to grapple with the problem presented by the great variation of costs. If the price is put too low, marginal producers will go out of business. If it is put high enough to satisfy them, it will present the efficient farmer with large profits which, in these days of EPT, he will use to bid up the price of labour and so once more push the higher-cost producer below the surface. The Ministry of Food has shown considerable ingenuity in adapting the price mechanism to the novel necessities of war. The Ministry of Agriculture has not been able to advance its technique beyond the primitive stage of making hay while the sun shines.

Siege Economy

Finance is not a means of making war. It is a means of distributing the burden of sacrifice among civilians; and the struggle against inflation has great importance. Last week-end Sir Kingsley Wood spoke encouragingly about the progress of savings; subscriptions to all Government securities were 40 per cent higher in 1941 than 1940, and the net increase in deposits at the Post Office and Trustee Savings Banks was 73 per cent higher. But present expenditure on all purposes is at the rate of just over £5,100 millions a year, and on the war only at the rate of nearly £4,400 millions a year. Much more genuine saving—and still higher taxation—will be needed to cut down the inflationary gap in coming months. Even so, this is not the main reason why, as the Chancellor of the Exchequer suggested, people should save more and spend less. A more pressing reason was given by the Prime Minister in the Commons on Tuesday:

In the last two months there have been most serious increases in shipping losses. Our anti-U-boat flotillas and Allied naval forces of all kinds have been stretched to the utmost by bringing food, materials and munitions and by convoys carrying troops.

The fact that the Chancellor of the Exchequer is now no longer a member of the War Cabinet is a recognition that men, materials, and machines come before money in the making of war policy. The time has come, not to ask savers, but to compel everyone, to cut down consumption. It is almost incredible that the nation's diet should remain virtually uncut three months after the attack on Pearl Harbour. The ordinary family is not eating well, it is true. But it is fantastic that ample feeding off the ration in restaurants, which can buy up unrationed foodstuffs in bulk, should still be permitted; and that expensive foods, out of the reach of ordinary persons, should still be freely on sale. The "black" and "grey" markets are large and a scandal. What shipping space there is to spare, after the barest siege needs for food have been met, is required with acute urgency for materials, munitions, convoys and expeditions. It would be madness at this stage to cut down stocks and supplies of raw materials while stocks and supplies of food are kept inviolate; and the sternest rationing, wherever there is a surplus—not voluntary saving—is the remedy.

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Morale and Manpower

Neither the danger of inflation nor the shortage of shipping space is the final reason for making a further drastic cut in civilian consumption. The only reserves of labour for war output now are in civilian manufacture and distribution. Sir Stafford Cripps' threat to restrain dog-racing and boxing spectacles is a gesture in aid of morale, rather than an act of economic policy; it arises from the conspicuous waste of time and energy and petrol on these peculiar occasions—and should not, it is hoped, be generalised into a wider attack on all popular entertainment. But the threat does point the way of economic wisdom and necessity at this stage of the war. Only by reducing all forms of civilian consumption, including domestic service, to the barest iron ration can more manpower, as well as merchant shipping, be saved, and the sense of urgency that Sir Stafford Cripps calls for be translated into physical fact.

Assam Highway

An announcement from Chungking toward the end of last week told the world that Rangoon had been closed to supplies for the Burma Road. This development, which, in view of Japanese progress in Burma, had appeared inevitable for several days previously, in effect deprives China of the use of the Burma Road. Nor can reliance be placed on the alternative route which proceeds up the valley of the Irawaddy via Bhamio to join the main road north of Lashio, since its southern terminus is already threatened. The Chinese Government, unshaken by this desperate blow, have announced that the Burma Road will shortly be superseded by the completion of a new road which leads from Chittagong in India over the Assam mountains in close proximity to the southern frontier of Tibet as far as Chungking. One of the main functions of General Chiang Kai-shek's visit to India was the agreement of final plans for the completion and use of this stupendous mountain highway. The possibility that the Burma Road might eventually be closed was foreseen by the Generalissimo as long ago as 1939, and work on the new road was started by March, 1940. Construction was unfortunately delayed by the hostility of the Tibetan people, who are xenophobe on religious grounds, and who have memories of an earlier Chinese incursion. This hostility was, of course, exploited by the Japanese, but it is believed that Tibetan suspicions have now been allayed. Details of the route and the progress of construction are not disclosed by the Chinese authorities for security reasons, but it is estimated that as much as three-fifths of the new road is complete. Some 40,000 Chinese coolies are busy on the remaining portion, and the work is proceeding fast. The project is breathtaking, and it is to be taken seriously. The Chinese estimate that the interval between the closing of the Burma Road and the opening of the Assam Highway will be short enough to guarantee survival.

The Struggle for Smolensk

The Red Army has celebrated the week of its anniversary by a great renewal of activity in almost every sector of the front. In the Leningrad area, very heavy pressure has been brought to bear upon the besiegers and reports suggest that effective military contact between the garrison and the Soviet forces outside may soon be re-established. To the south of Leningrad and of Lake Ilmen, at Staraya Russa, the Russians claim to have routed three German divisions and to have left 12,000 Germans dead on the field. An advance at this point along the line towards Pskov would effectively break the link between the Leningrad front and the armies round Smolensk. In the south, the Germans report a strong Russian offensive in the Donetz basin, and new Soviet landings have taken place in the Crimea. But the heaviest fighting of all has been reserved for the central sector, where the battle seems to be taking the shape of an intense struggle on the part of the Russians to surround and capture the various strong points which are the buttresses of the German defence system. Last week Rzhev was threatened and almost surrounded, but the Germans claim to have relieved the pressure and re-established the fortress. This week, with the Russian advance to Dorogobuzh, it is Vlasia that is in danger, for the town lies almost midway between Vlasia and Smolensk. If Russian forces can now press upwards from the Roslavl sector, it looks as though they

have a good chance of flattening out the Smolensk salient. Nevertheless, the fighting has still taken no absolutely crucial turn for the better. The Germans are still dug in at Rzhev, Vlasia, Bryansk, Orel, Kursk and Kharkov, and these towns form the linch-pin of the whole German defence line. The Germans admit new Soviet activity, but they repeat their claim that the initiative is passing back to them. For the moment, everything depends upon the German strong points. If they can be held, then no amount of surging about in between them will finally affect the issue.

Stalin's Order of the Day

Stalin's inspiring Order of the Day to the Red Army, while it is arousing fresh enthusiasm and fresh self-sacrifice all over the Soviet Union, will perhaps come as something of a disappointment to the ideologues of various types abroad. For the uncompromising revolutionary, whose mind has long since ceased to move in any but the strictest dialectical categories, the spectacle of the leader of the Socialist Mecca rousing his people to "a war of patriotism, of liberation, a just war," without a single reference to internationalism, the worldwide solidarity of the workers, and the inevitability of Communist revolution, must be rather like hearing the Angel Gabriel sounding the Last Trump on a Swanee whistle. Premier Stalin has restated in the most uncompromising terms the war aims of the Soviet people. They are: to liberate Soviet soil, Soviet lands, from the foreign invader—and the Soviet lands are carefully enumerated: White Russia, the Ukraine, Lithuania, Latvia, Estonia and Karelia. If in the course of ridding the country of the foreign invader, the Russians should drive out the "Fascist clique" in Germany all the better—but Stalin does not raise this point to the dignity of a war aim. For the rest, neither he nor the Russian people have any quarrel with the German people or with the German State. It is at this point that another and very vocal school of thought will grow perturbed. For Stalin there is no carping problem of what Germans are good and what Germans are bad, or indeed if there are any good Germans. He accepts the view which was widely accepted in Britain until Dunkirk, that a vast mass of the German people have been misled by gangster leadership. The whole tenor of this Order of the Day leaves the problem of Russia's future foreign policy a complete mystery. Or rather, leaves it as a field in which no commitments have been taken beyond the commitment of liberating Russia. This is not an unhelpful starting point for far closer elaboration of a common Anglo-American-Russian settlement. Ideology need interfere with it as little as it is interfering with Premier Stalin. It could be based upon a realist appreciation of security. Including, naturally, the security of the Russian people. In a word, it is an empty canvas on which a picture, either of collaboration or frustration, can still be drawn. The interests of Europe and the world obviously demand collaboration.

Old Soldiers

Quite rightly, Captain Margesson, presenting the Army estimates last week—his final act in office—reminded the House of the British Army's notable success in East Africa, Eritrea and Abyssinia when, in a brilliant campaign by General Cunningham, 280,000 Italian and native troops were wiped out. It is a success which has lasted, but the total story is still lack of achievement, and Capt. Margesson's lucid recital of the difficulties attendant upon, for instance, doubling the Territorials before the war or producing tank guns afterwards did not remove the impression that, tactically and technically, the Army is constitutionally disposed to take very much too long to get into its stride. Not all is inefficiency; and some of the most efficient fighting of the war has been done by British units. Moreover, it has repeatedly been under-equipped, under-supported and under-sized in its battles. So much so, that one would have thought that, ever since the early summer of 1940, there would have been tremendous pressure by the political and professional heads of the Army, carried in this vital matter to the point of resignation, for air units and the production of dive-bombers. It is what the Army does not do—or see—that is surprising. There may have been pressure; and there was, admittedly, a life-or-death crisis in aircraft production for the few crucial months of the Battle of Britain. But when Colonel Moore-Brabazon was at the Ministry of Aircraft Production, months after the crisis was over, he said that dive-bombers had never been

asked for. In Malaya, only a few weeks ago, a whole army—not outnumbered this time—was lost; it still had no air component of its own. It is old things that the Army does well, not new ones—except in the case of this or that general, this or that commander, this or that regiment or unit. The present feverish scramble in the Army to transfer and remuster skilled engineers is welcome and encouraging—evidence of the fresh air that the Beveridge investigation has blown into dusty places. As Permanent Secretary, and signatory of all Army Council Instructions, Sir James Grigg, it seems, was nevertheless not able to stamp his forthrightness and drive upon the attitude and organisation of the Army; perhaps, as Secretary of State, he will be more successful. Perhaps he will even be able to guarantee a general welcome for new ideas at the top and attention to new instructions at the bottom.

War by Proxy?

In this war and in the last it has been an aim of British propaganda to demonstrate Imperial solidarity. Every movement of Dominion or colonial troops has been loudly noted; every native gift of cowrie shells or rhinoceros tusks has been widely proclaimed. In each war this has acted as a boomerang. There are still Americans—and Australians—who believe that there were only Anzacs at Gallipoli in the last war; and there are ill-wishers now, in a number of countries, who describe Britain as fighting this war entirely by proxy, with arms from the United States and men from the Commonwealth and Empire—even with money from exploited natives. The best reply to such nonsense is facts. Last week, Captain Margesson gave some of the sort of figures which should have been given months ago. Of all the troops in the Middle Eastern Command, nearly half came from the United Kingdom, and just over a quarter from the Dominions, including South Africa. In the Eighth Army, which is fighting Rommel, half the men are from the United Kingdom and a third from South Africa and New Zealand, with small contingents from Australia and the Polish, Free French and Czech forces. It is no disparagement of the great fighting qualities of Dominion and colonial troops, or of the astonishingly high proportion of volunteers for military service that their small populations have achieved, to make these points. Nor would it be a disparagement of American aid, which, with American war industry, is still in its infancy, to point out, as it should be pointed out, that on the world battlefronts together, apart from Russia, the overwhelming majority of Allied aircraft and equipment is still British made; and, in Russia, the imported aeroplanes and tanks that are making more than a little difference to the fighting, have been sent out from Britain. The United States will be, must be, the arsenal of democratic victory. But Britain has been, and is, the arsenal of democratic resistance, as well as a source of fighting manpower second only to Russia and China.

French Naval Policy

While it is probably true that Marshal Pétain and the more responsible statesmen at Vichy are as opposed as ever to any kind of collaboration with the Nazis over and above the strict terms of the Armistice, there are disturbing signs that those elements in France which believe most firmly in a German victory and believe, too, that France would profit by it, are manoeuvring in the curious twilight of Franco-German politics in order to be in a better position to make their contribution when the word from Berlin comes. A good deal more help has been going to Rommel from Tunisia than the Vichy administration ever authorised. This is certainly due to disaffected officers on the spot. But, as might be expected, the chief centre of disaffection continues to be the French Fleet. The Navies of the United Nations are rounding a very dangerous corner; on every ocean the tasks they have to do exceed the resources at their disposal. Under these circumstances, the French Fleet has unavoidably become a bargaining counter of first-class importance, and clearly men of the calibre of Darlan, or of the Admirals he has scattered through the French Colonial Empire, cannot be relied upon to take no advantage of their new position of power. It is ominous under these circumstances to read of the arrival at Toulon of the battleship *Dunkerque*. Why should it not have remained in North Africa? For what purpose has it been brought to a port where German control could be easily and quietly established? The outlook in the Colonial Empire is also uncertain. Admiral Decoux has gone out of his way in Indo-

China to flatter the Japanese and co-operate in their aggression. Why should not the same principle be applied, say, in Madagascar or at Dakar? The submarine base at Dakar, heavily defended by shore guns and by the guns of the immobilised *Richelieu*, would be an enormous acquisition to the U-boats of the Atlantic. There is little evidence to suggest that the Germans have already established themselves at this crucial strategic point—on the contrary there is evidence that M Buisson, who defended Dakar so strenuously against the Free French and the British, would defend it even more strenuously against a German attempt at a sea or an air landing. The danger is that, at Dakar as elsewhere, the Naval officers are more anti-British than anti-German, and the sight of the British Navy in difficulties will not have softened these feelings. The naval policy of Vichy France must be watched with the closest attention, and it is good news that the American administration, through Admiral Leahy, is on the *qui vive*.

Local Output

It would be untrue to say that the Ministry of War Production, which lasted less than a fortnight and then vanished with its White Paper and its Supplementary Estimate, left not a wrack behind. During his brief tenure of office, Lord Beaverbrook had "under review" the local organisation of production; and he set up a committee, composed of representatives of employers' and workers' organisations and of the regional boards, to advise him. If Lord Beaverbrook, during the changes of mind and Ministers of the past two weeks, has melted away like the Cheshire Cat, Sir Walter Citrine, chairman of this committee, remains behind as his grin. When Mr Lyttelton, who is now to superintend "the whole process of production in all its aspects," lands in London, he will have to help him, not only Mr Bevin at the Ministry of Labour but Sir Walter Citrine and his committee as well. The regional organisation of production is a vastly important matter. It is as important that there should be enterprise, initiative and responsibility in each industrial area as it is that a single Minister should have drive, decision and power to act in Whitehall. In the First Two Weeks Plan for a Ministry of War Production, the present area boards, which are representative of employers, workers and the executive Ministries concerned and had been under the eyes of the Production Executive, were to be Lord Beaverbrook's special concern. They should now be Mr. Lyttelton's. They should cease to be simply committees and become agents with responsibility to see that orders from above are carried out locally with the utmost expedition and flexibility, and with the minimum of delay due to temporary shortages, at this plant or that, of labour, material or machinery available elsewhere in the region. They should add self help to central planning.

Soap Rations

No concessions have yet been introduced into the soap rationing scheme, although public opinion is very conscious of its defects. Major Lloyd George's statement in the House that pithead baths will receive soap free of the ration was

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apparently implied in the original announcement, which provided that factories, institutions and offices should receive an allowance based on the previous six months' consumption. Major Lloyd George said that the needs of miners for whom pithead baths are not available are under consideration. It is obviously unfair that workers who have water laid on at their place of work should be favoured as against those who have not, and it is to be hoped that Lord Woolton's consideration will extend, not only to all miners, but also to agricultural labourers, builders, quarrymen, dockers and other workers doing dirty work who do not enjoy washing facilities provided by their firms. The other main demand has been for an additional ration to persons doing their own washing and in charge of young children. On this, Major Lloyd George was less encouraging. He announced that Lord Woolton "has no evidence that the prescribed ration will not prove to be sufficient for every class of domestic consumer." Actually, of course, the need for soap varies widely. Where a high proportion of clothes is washed at home, and especially where clothes have to be washed every day, as with small children, the ration is insufficient. On the face of it, the ration cannot be just adequate both for adults who use a laundry and for the members of a family where clothes are washed at home daily. When the issue is further complicated by the "hardness" of water for washing, as it is in a considerable area of England, the struggle against dirt must be unequal. One interesting suggestion is that owners of children's ration books should be entitled to use margarine coupons for soap; the same raw material is, in the main, in question; and margarine is not consumed directly by infants. This idea implies an extension of the group rationing principle and deserves attention from the Ministry of Food. It cannot be too often emphasised that in the matter of rationing "to each according to his need" is a more appropriate ideal than "each man shall count as one." The overriding consideration, of course, is the expected serious shortage of ships and supplies, and a drastic solution is the only sound policy at this juncture, in this as in all other matters of rationing. No one can legitimately ask for an increase in the total supply of soap made available for rations. But a redistribution of the rations so that those who need more get more, and those who can make do with less get less, is both possible and desirable.

A Fresh Mixture

A new Committee on conditions in the women's Services has been set up. The one set up a month ago, consisting of four male and junior Ministers, was still-born. It was violently criticised from the outset because it contained no women, and was, in fact, made up of representatives of the four departments—the three Service departments and the Ministry of Labour—which were to be scrutinised. The new one contains five women, three men, and no Ministers. The episode has been stridently hailed already as a victory for women—which, of course, remains to be seen. Femininity is a badge neither of competence nor of incompetence. It will only be a triumph—for anyone—if the Committee does a good job properly; and its composition, on the whole, promises well. The women are Miss Violet Markham, Miss Thelma Cazalet, MP, Mrs Walter Elliot, Mrs J. L. Stocks, and Dr Edith Summerskill, MP; the men are Major Milner, MP, Air Vice-Marshal Sir David Munro, of the Medical Research Council, and Sir Frederick Sykes, MP. The only victory, from the point of view of the women in the Services, will be a report which shows what is wrong and why, and makes sure, for the future, of just the food, shelter and treatment they are entitled to and need to do their work. No frills are needed or asked for. The members of the Committee, men and women, have now to prove that they are capable of conducting an inquiry which will produce this. If they listen to loose-mouthed talk and tight-lipped criticism outside the Services, they will probably waste their time, just as they certainly will if they just sit in Whitehall and hear from high officials inside the Services about what is supposed to be the state of affairs, according to the book, the orders, and the instructions. The Committee must do some field work among the local panjandums. Orders are not always obeyed; instructions are sometimes ignored. If the Beveridge Committee had relied on what was supposed to be being done with skilled men in the Army, and not gone to see, it would have done the country a disservice, instead of the great service it has done.

Christian Teaching

The debate on Christian education which took place last week in the House of Lords on a motion of the Archbishop of Canterbury adhered mainly to general principles. It is known, however, that specific proposals, to which the Primate referred, are now before the Board of Education. The debate showed general agreement that the present dual system of education, by which denominational schools are apt to be starved of funds, while public elementary and secondary schools are precluded from offering any but the most general religious teaching, is not satisfactory. There was wide anxiety that the nation as a whole is becoming less Christian—though some of the evidence adduced, such as the increase in juvenile delinquency, can very easily be accounted for on other grounds. If religious instruction could be given a more prominent place in the curriculum of state schools, a large step forward would have been taken in the inculcation, possibly of Christian faith and certainly of Christian moral standards. But this is where the difficulties begin. What sort of instruction? And by whom? There is great force in the argument that a Christianity divorced from doctrine, a compromise syllabus that ignores all controversial issues, will be as flat and uninspiring as the "Scripture" that schoolchildren get now, that it will teach little more than the conventional virtues that Christianity shares with other religions. The Bishop of St Albans, for example, affirmed that Christian character cannot be produced if teaching is divorced from Christian faith and creed. But if the teaching of religion is to be denominational there are the great difficulties not only of providing for the major, let alone the minor, differences of belief and of finding teachers in very large numbers, but also of allowing for the great number of parents who wish their children to be educated in Christian philosophy but not in the dogmas of any church, which they believe are not for young minds. It is difficult to resist the conclusion that the teaching of a more vital religion than is possible within the present limitations is very necessary but that it cannot without great difficulty be fitted into the framework of an educational system whose structure is, by now, predominantly secular. Such teaching, outside the school curriculum might well be encouraged and perhaps even assisted by the state, and the law might possibly be amended to permit the use of school buildings for this purpose. But any attempt to go further will almost certainly meet with strong opposition.

Shorter Notes

The nomination of Dr Temple to succeed Dr Lang as Archbishop of Canterbury has been very widely welcomed. Since the retiring Primate specifically resigned in favour of a man more suited to dealing with the complicated and vital problems of reconstruction, it would have been odd indeed if the choice of a successor had passed over the churchman whose contribution to social thought has been most outstanding. As it is, Dr Temple's appointment is well in keeping with the nation's new mood of resolution for war and peace.

Stefan Horthy was last week elected by the Hungarian Parliament as permanent deputy for his father. It was reported that Admiral Horthy refused to make use of his right, under a recent law, to nominate three persons from whom a permanent deputy could be selected and left the Hungarian Parliament to make its own selection. Behind the whole affair, however, there was almost certainly pressure and intrigue on the part of the Germans; and the election of Stefan Horthy, a pro-Nazi, who as director of the Hungarian railways connived at the German troop movements through Hungary before the attack on Yugoslavia, only confirms Hungary's complete subservience to the Axis.

A further development in the grant of State bursaries to school children to serve the needs of the State has been announced. At least 50 scholarships of £200 per annum will be awarded, without a means test, to selected boys from secondary and public schools to enable them to study Japanese, Chinese, Turkish or Persian at the School of Oriental and African Studies. The Board of Education states that these scholarships are important both to the war

effort and for post-war development, and the successful applicants will be required to give an undertaking to be at the disposal of the Government for not more than five years after their scholarships end. The announcement follows the decision last summer to give State bursaries in science subjects at universities and technical colleges in order to meet the demand for trained men and women in radio work and in engineering and chemistry.

The following table, taken from a written Parliamentary answer, shows the amount of unemployment benefit, transitional benefit, transitional payments and unemployment allowances paid during the ten years before the war:—

Calendar Year	Paid at Local Offices of the Ministry of Labour and the Assistance Board				Grand Total, including Payments made through Associations
	Men (Aged 18 and over)	Women (Aged 18 and over)	Boys (Aged 16 and 17)	Girls (Aged 16 and 17)	
1929	£'000	£'000	£'000	£'000	£'000
1930	37,260	4,950	117	58	44,359
1931	61,294	12,628	335	207	78,244
1932	90,051	16,960	552	273	114,576
1933	88,617	7,971	447	180	102,681
1934	82,021	6,993	304	135	93,708
1935	73,609	6,803	220	104	83,725
1936	76,863	7,467	250	115	86,662
1937	68,908	6,622	250	133	77,353
1938	62,177	6,466	279	188	70,355
1939	72,917	10,936	452	343	87,144
1939	59,266	9,614	321	271	71,411

AMERICAN SURVEY

Politics 1917 and 1942

(By a Correspondent)

THAT history never repeats itself may be true, but it is a truth that practising politicians find it very hard to accept. And political manoeuvring in America at this moment reveals the determination of one set of politicians to promote, and of another set of politicians to avoid, the repetition of the political history of the last war.

For the second time in a short span of the national history, a Democratic administration is in office while the United States is at war. Normal party politics are frowned on by public opinion, and the increased gravity of the national danger has made the rôle of the Opposition party hard to play—at the political level. No one doubts that the regular Republican leaders have the complete triumph of the United States deeply at heart, but they cannot be unconscious of the fact that the future of their own party, as of the important political vested interests that it represents, is in danger. War concentrates power in the executive, and in America that executive is one man. The President may vary his advisers, he may get rid of old assistants and take on new ones, but he cannot divide or evade his own unique responsibility—and, even if he could, Mr Roosevelt is notoriously not the type to try. The range of the Federal Government must widen, the shadow of presidential power grow longer, and already in his first two terms, Mr Roosevelt has added immensely to the power of his great office and so to the power of the party of which he is the head. This aggrandisement of the presidency and of the Democratic party, if it is to be a permanent feature of American political life, means eclipse both for the personnel and for the policies and attitudes of the Republican party, as now represented in Congress.

Yet those Republican leaders are certainly remembering, in their present difficulties, the superficially encouraging precedent of 1917-18, when war did temporarily aggrandise the Presidency, then as now held by a Democrat, but when the Republican party rapidly profited by the revulsion against the strain and novelty of war. The President, who was almost omnipotent when the German danger was at its height, was defeated in the Congressional elections held a few days before the Armistice and his policy and party

The Government's ruling on holidays for industrial workers will be welcome. It recommends that they should take one week's holiday, staggered over the period between the beginning of April and the autumn, with for most workers a one-day break on Easter Monday, Whit Monday and August Bank Holiday, and two days at Christmas or the New Year.

Mr Churchill has revealed in answer to a Parliamentary question that the post of Intendant-General in Cairo was abolished early in January. This post, to which General Haining was appointed, was set up two months before the appointment of Mr Oliver Lyttelton to Cairo, and General Haining's responsibility was supplies, both to serve the Commander-in-Chief and also to deal with the mass of equipment arriving from the United States. Mr Churchill has now stated that the existence of a Minister of State, together with the provision of a senior army officer to be in charge, under the Commander-in-Chief, of the administration of the army in the Middle East, has made the post of Intendant-General unnecessary.

In the article "Neutral Iberia" in *The Economist* of last week (page 243), the 1941 wheat harvest in Spain was given as 31,445,000 tons, which was said to be well over 10 million tons short of the pre-Civil War average. In each case, tons should have read metric hundredweights.

dramatically repudiated at the presidential election of 1920.

This historical precedent is obviously present in more than Republican minds, as is revealed by the difference of opinion which is now known to exist between the President and the chief Democratic party manager, Mr Ed Flynn, boss of The Bronx and chairman of the Democratic National Committee. Mr Flynn has his eye, as the duties of his office make proper, on the Congressional elections of November, 1942. Like a good party man, he wishes to cash in on the prestige of the Administration; he wishes to condition the electors to express their loyalty and patriotic energy by voting a straight Democratic ticket. Given the constitutional necessity of having Congressional elections and the constitutional impossibility of having a coalition executive, Mr Flynn's tactics may seem reasonable enough. So far as the Republican party in Congress has had a foreign policy, it has been blind, complacent, irrelevant and petty. The American electors might be invited in Cromwellian terms to send these myopic public servants about their business. But Mr Roosevelt has not endorsed Mr Flynn's policy, and there are two good reasons why it does not appeal to him. The first is that if the record of the Republican party in Congress is black, that of the Democratic party in Congress is not much better than tattle-tale grey. To ask the electors to take the party labels as indicating the national usefulness of candidates is to be unjust to some Republicans and to be too kind to more Democrats.

Present in the minds of party leaders of both sides is the failure of Woodrow Wilson to secure the return of a Democratic Congress in 1918, with the disastrous effect on his authority in Europe which ensued. We all know the story. Wilson was persuaded by the spiritual predecessor of Mr Flynn, Postmaster-General Burleson, to appeal for the return of a Democratic Congress, not for the election of men of like mind with the President, whatever their label. Many of Wilson's wisest friends deplored the appeal. He himself hesitated, then took the plunge—and lost. Mr Roosevelt remembers 1918 and has resolved not to make the same mistake.

But it should be remembered that he is under far less

temptation to make the mistake than Wilson was. President Wilson was elected on a minority vote in 1912; he was re-elected, narrowly, in 1916 in face of a reunited Republican party. The recovery of Republican strength, while just failing to win the presidency, had cut the Democratic majorities in each House of Congress to very narrow margins. The prestige of the Republican party was great. The two Democratic victories were and looked accidental. In the Republican party were most of the great national leaders, Lodge, Penrose, Smoot, Elihu Root, Charles Evans Hughes, and two ex-Presidents, Taft and Roosevelt. Wilson, in any case, was going to be badly handicapped by his own party's weakness. The temptation to try to improve his hand was great. And always present was the fact that the Republican party had in its ranks not only the most effective conservative leaders but some of the most effective spokesmen of agrarian radicalism. There were Senators Johnson, Borah, Norris, La Follette in more or less regular communion with the party of Big Business. Mr. Wilson's re-election was opposed not only by the two Republican members of the present Roosevelt Cabinet, Messrs Stimson and Knox, but by Mr Harold Ickes, by the father of Vice-President Wallace, by Mr La Guardia, by scores of local leaders whose *clientèle*, if not themselves, have been absorbed into the New Deal ranks.

The Republican party to-day is weak and knows it. It has not won a national election for nearly fourteen years. It has not (ominous sign for the practical politician) elected a Governor of New York since 1920. It is weak in each House of Congress, and its not terribly impressive gains of 1938 were largely wiped out in 1940. Mr Roosevelt has not Wilson's need to strengthen his hand. And, even if his party position in Congress were weaker, his personal position is far stronger than Wilson's ever was. He has been elected President three times, and even on the last occasion his majority was impressive, though no longer spectacular. His last victory, too, was won over a candidate who was stronger than his party and who is far closer to the administration in spirit than he is to the average Republican Congressman or Senator. Mr Willkie is not a leader of a united Opposition. Perhaps he is not in opposition at all. How different from 1917 and 1918 when the Republicans had among their chiefs Theodore Roosevelt, almost as formidable a campaigner as his nephew-in-law. Then every commitment of the United States by the President was opposed and its validity contested by some of the chief leaders of the Republican party—and the Republican party was still full of the pride of life, still convinced that it had a divine commission to rule.

There is no likelihood that such a situation will recur. The Democratic party is much stronger than its rival and the President is much stronger than his party. He has shown, too, more regard for the political conditions of national unity than Wilson did. His appointment of Messrs Stimson and Knox and his insistence on the candidacy of Mr Wallace for the vice-presidency in the summer of 1940, like his support of Mayor La Guardia in the New York election of November, 1941, were proofs both of strength and wisdom. And, lastly, the United States is far more deeply involved emotionally and practically in this war than it was in the last. This is no crusade on a point of honour; war has been made, and so far successfully made, on the United States by a most formidable combination of powers. In 1917-18, for the American people, the war was dramatic, moving, but remote. In such an atmosphere, mere or pure politics were not wholly out of place. But they are out of place to-day in a grimmer, harder, less complacent world.

A Shifting of Effort

[FROM OUR NEW YORK CORRESPONDENT]

January 21st
INDUSTRIAL production in December was virtually the same as in November—the unadjusted index went down two points, but the adjustment lifted it two points. The index was as follows for the last four months of 1941:—

	INDEX OF PRODUCTION	
	Seasonally Adjusted	Without Seasonal Adjustment
September	161	167
October	163	167
November	166	167
December	168*	165*

* Preliminary.

This is evidence that something like a ceiling has been reached; and while this ceiling may be lifted, it seems likely that more is to be expected from shifting of effort than from general increases in output.

	BUSINESS INDICES		
	1935-9=100 for industrial production and car loadings 1923-5=100 for other series		
	Adjusted for Seasonal		
	Dec., 1940	Nov., 1941	Dec., 1941
Industrial production (total) ...	139	166	168
Manufactures (total)	142	172	175
Durable	164	209	215
Non-Durable	124	143	142
Minerals	118	131	130
Construction contracts (total) ..	115	138	133
Residential	90	74	68
All Others	136	189	186
Factory employment (total)	116.6	134.3	—
Durable Goods	117.6	143.7	—
Non-Durable Goods	115.7	125.4	—
Factory payrolls (total)	122.4	165.2	—
Durable Goods	131.6	190.3	—
Non-Durable Goods	112.1	137.2	—
Freight car loadings	119	135	137
Department store sales	101	116	110
Department store stocks	71	95	—

The first series to reflect clearly the effect of the re-allocation of effort is residential building. Last July the index of residential building (adjusted) was 115; in December it was only slightly more than half that. Total building, however, has remained high.

The announcement of the rationing of rubber tyres brought a general buyers' rush into all sorts of retail lines in January. This is the third of these episodes since August, 1939—the first came in September, 1939, and was inspired by the mere outbreak of war; the second occurred in August, 1941, and was apparently touched off by the stress on petrol shortage and prospective rationing. The third (now in process) seems to have been a contagion of the actual rubber shortage. In the first and last of these rushes, sugar has been the conspicuous object of the housewife's desire—out of memories of the sugar shortage of 1918.

The tyre situation may bring a pinch at some time during the year. Allocations for civil use are extremely small, but, with one expedient or another, they threaten no immediate difficulties. By the year-end, the synthetic product should be available in reasonable amounts. In the interval one might expect some Brazilian wild rubber to come into the market, but little promise is forthcoming of supplies from that source. It would be interesting to conjecture what proportion of passenger car driving in the country could be classed as strictly for pleasure—possibly as high as 10 per cent; but, of course, a good deal not so classed could be omitted without causing serious disruptions of the processes of production.

Tyres are the only articles now rationed, although the priority system acts in effect as a rationing system. It is, however, so inflexible in its workings that it seems probable that the rationing method will be extended before long, and would be welcomed. In some lines, assurance that one could obtain a limited amount would be preferable to the present uncertainty.

The rise in commodity prices continues unabated. The BLS index of 28 basic commodities, which averaged about 119 in January, 1941, began to advance in February, and by September had reached 155, at which level it showed some signs of stability until early December. The rise was then resumed and by mid-January it stood at 164. The comprehensive BLS index opened the year 1941 at 80, and closed at 94—an advance of over 15 per cent. The cost-of-living index rose about 10 per cent during the year. It is hard to appraise the impact of these price changes on the economy. Average hourly wage rates rose last year more than the cost of living, and these rates, supplemented by overtime, brought a substantial increase in real wages to many of the 12 million-odd factory workers. The rise in prices of farm products has increased the real income of the farmer, although by no means uniformly for the 6 or 7 million farm families. Railroad workers and coal miners also received substantial wage increases during the year, besides receiving fuller employment. Of the 55-odd million persons estimated as gainfully employed, at least half may be estimated to be recipients of a larger real income than a year ago, including those previously unemployed. It is possible that the proportion runs larger.

American Notes

A Lead to the Nation

Although President Roosevelt's broadcast on Monday night contained no sensations, it provided the first comprehensive and authoritative account of American policy and strategy after ten weeks of being at war. The speech accomplished three main purposes. One was to explain the nature of the war, stressing the vital necessity of maintaining communications all over the world between the "main reservoirs of power"—China, the Southwest Pacific, the Mediterranean, Britain, and Russia, and illustrating, on the basis of geography, the inevitability of early Japanese successes. Another was to denounce and dispel the rumour-mongers who have been insinuating that the government was concealing extensive damage to the US Fleet. And finally, the President outlined the main aims of American policy: to keep open communications and supply the free nations wherever they were fighting; to solve the problems of production and secure an overwhelming superiority of armaments; to attack the enemy wherever and whenever possible in the interval before a grand offensive is practical; and to co-operate fully and on a basis of equality and comradeship with all the United Nations in planning and executing both the war and the peace. Recalling the long ordeal of the War of Independence, the President called on the American people to display the same fortitude, self-sacrifice, and discipline in these "times which try men's souls." At one point he referred to the "solemn pact of truth between government and people" in a democracy. He has discharged magnificently his obligation to place before the country the essential facts, the perils and the promise of the coming years. Equally, he has performed an even greater function of democratic statesmanship; he has given an inspiring lead to the nation in demanding production, sacrifice, and unity. It is a call to which the American people will respond enthusiastically.

Wartime Shipping Control

In an Executive Order President Roosevelt has established a War Shipping Administration under Admiral Emory Land, formerly of the Maritime Commission, "to assure the most effective utilisation of the shipping of the U.S. for the successful prosecution of the war." Admiral Land will represent the United States in dealing with the British Ministry of Transport, particularly in regard to the operation of the combined Shipping Adjustment Board. The Administrator has wide powers, covering the operation, purchase, charter, requisition and use of all American merchant ships, the allocation of all such vessels, war-risk marine insurance and re-insurance, and the establishment of conditions for priorities. He is responsible only to the President. Admiral Land's experience and success as Chairman of the Maritime Commission fit him admirably for one of the most vital jobs in the direction of the war. The Maritime Commission was the only branch of the war effort to emerge unscathed from the investigation of the Truman Committee, published in January. It was warmly commended for having achieved its programme of a ship a day, and it has announced this month that production will be doubled within sixty days and trebled within six or seven months. With the nomination of Mr Averell Harriman to be the American representative on the Shipping Adjustment Board in London, and the selection of Mr Lewis Douglas, former Director of the Budget, to be Admiral Land's adviser, the control of American shipping resources appears to be in able hands. This is fortunate in view of the recent heavy shipping losses and the urgent calls on merchant fleets all over the world. It is to be presumed that the creation of machinery of control will now lead to the final tightening-up of the mobilisation of American shipping, which has hitherto been rather loose and incomplete.

Eagle and Ostrich

Senator Walsh demanded last week that the U.S. Fleet be concentrated along the American coasts to prevent Axis attacks. Senator Johnson is reported to fear a repetition of Pearl Harbour in his native California. The attacks on Aruba were immediately responsible for these outbreaks of what President Roosevelt has characterised as an "ostrich

or turtle policy." The shelling of the Bankline Oil Refinery near Santa Barbara, the first attack on the continental United States in this war, shows that the fears along both coasts are not groundless or hysterical. Fortunately the Administration had grasped the nettle firmly; President Roosevelt pointed out several weeks ago that both submarine raids and bombing attacks were quite possible. Last week Mr Stimson, the Secretary for War, said, "We must be prepared against pressure by the public to string out our defences along the coastal bases. To yield to such pressure is the surest way to lose the war." Instead, as both Mr Stimson and President Roosevelt have made clear, the administration is thinking constantly in terms of possible offensives against the Axis, as the best method of reducing the threat to the coastal regions and of winning the war. The Administration has shown admirable firmness and foresight in forestalling the demand that the American Fleet be reduced to standing guard over New York and San Francisco, and in steeling the people to endure descents upon their coasts. The speed and effectiveness with which its spokesmen, particularly Mr Stimson and Mr Berle, have denounced calls for a purely defensive strategy, have been applauded and echoed in the press. This is an encouraging indication of the determination and realism of both government and people.

A Pacific Charter?

The demand for a Pacific version of last year's Atlantic Charter has been expressed by Mr Elizalde, for the Philippines, and has received support in Chungking. It has been taken up with considerable enthusiasm in the United States where it is felt that America has a unique opportunity for leadership in the Pacific. President Roosevelt's suggestion that the Atlantic Charter covered the whole world does not fully meet the criticisms behind the proposal. The American people are taking justifiable pride in the gallant co-operation of the Filipino people with General MacArthur against the Japanese which the Filipinos themselves attribute to the American grant of independence and self-government. The Americans consider it a complete vindication of their imperial policy when contrasted with the apathy displayed by the native populations in Malaya, Burma, and India. The problem of India in particular has always held a special fascination for Americans, and the recent meetings of General Chiang Kai-Shek with the Indian leaders have concentrated attention on the possibilities of arousing India to a greater participation in the war. The demand for a specifically Pacific charter appears to be based in part, as the President implied, on a misunderstanding of the scope of the Atlantic Charter, Atlantic referring rather to the place of meeting than to the regions where it was to apply. However, Mr Churchill's statement that the situation in India was a separate issue certainly provides ground for American and Far Eastern doubts about the intentions of the United Nations, and there are special difficulties in convincing the Indians, Malays, Burmese and Chinese which do not exist in Europe. First among them is the long history of the exploitation of the Far East; it will be no easy job to persuade the peoples that the victory of British, Dutch and Americans over the Japanese will mean more than a change of overlordship. All the freedoms promised by the Atlantic Charter have not by any means the automatic appeal in the Far East that they have in much of Europe, where free and democratic ways of life are deeply ingrained. Finally, the purely physical problem of reaching millions who are illiterate, scattered over vast areas, and scantily equipped with radios is a tremendous one. The good offices of the Americans are essential, but plainly the Chinese provide the ideal ambassadors and leaders of the Far East, and the experience of the Dutch and British should be invaluable. A restatement of the Atlantic Charter, and a vigorous application of its provisions to the Far East is overdue, but it would be regrettable if it implied that there are degrees of sincerity among the signatories.

Dollar-a-Year Men

New regulations have been announced by the WPB covering the employment of dollar-a-year men and officials serving without compensation. They are the direct outcome of vigorous charges, particularly in labour circles, that businessmen offering their services to the Government at the worst favour their own companies in awarding contracts and at best carry into government work an anti-labour frame of mind. The new orders provide that dollar-

a-year men must have independent means of at least \$5,600 a year, can make no determinations directly or indirectly affecting private firms with which they are connected, and may be appointed only to positions requiring special business or technical knowledge, for which they are qualified by outstanding experience and ability. Those appointed on a "without compensation" basis may serve only in an advisory capacity and may not assume any administrative responsibility or exercise any authority over the staff of the WPB. If vigorously applied, the regulations should eliminate the idle and unqualified, and the possibility that industry could indirectly finance its representatives in government office. The provision concerning the award of contracts is a fundamental necessity of honourable public service, though presumably a certain amount of influence through personal contacts will still be possible. The "invidious distinction" remains between those who can offer their services to the government and those who must have a salary in order to live, but this is of less importance than the assurance that the first group is confined to those who are essential and are not attempting to forward the interests of any special group. This action by the WPB shows a quick response to public sentiment and should increase confidence in the government, particularly among the trade unions.

Mineral and Power Expansion

Mr Ickes, Secretary of the Interior, has announced a sweeping programme to mobilise the nation's unexploited natural resources in order to ensure adequate supplies of metals, oil, power, fuel, food and timber. The programme includes the construction of plants utilising new processes for obtaining more manganese, aluminium, and chromium; the opening of new deposits of copper, zinc, lead, iron, and tin; the building of new 100-octane plants permitting the manufacture of 200,000 barrels of aviation fuel; tripling the 1941 power output of the principal publicly-owned hydro-electric plants by installing new units, and increasing the production of coking coal for the steel industry by 10 million tons annually. The President has already asked Congress for \$57 millions for the construction of hydro-electric power projects considered essential to the war effort. The mineral programme is a continuation of the work of the Bureau of Mines, which during 1941 devoted itself primarily to a search for new methods of treating a number of low grade domestic ores and of finding substitutes for imported materials. With the exception of nickel and tin, favourable results were reported in increasing the domestic sources of over 500 strategical minerals. The most striking result was the discovery of a high-grade tungsten deposit in Idaho (referred to in *The Economist* of May 31, 1941, p. 741). Additional sources of coking coal are being developed in the Western States, and the Bureau was able to show that a number of oilfields which have not so far produced high octane aviation spirit can supply crude oil for this purpose. Much hope is placed in the use of new refining methods for the production of manganese of high purity and of ferro-manganese from the abundant low grade domestic manganiferous ores by electrolysis. The Bureau lays stress on the improvement of production processes for magnesium by direct electrothermal reduction. It has also investigated successfully the possibility of finding substitutes for imported graphite, special clays, mica, bauxite for high temperature refractories and kyanite. The Bureau's methods of producing gasoline, lubricating oil, and valuable by-products from domestic coal have been greatly improved. The work of the Bureau of Mines has provided an indispensable foundation for the wide expansion of domestic mineral and power production made necessary by the war and the endangering of foreign sources of supply.

Shorter Notes

About 340,000 of the nation's stock of 480,000 new cars will be released this year to priority customers, including doctors, visiting nurses, hospitals, certain local authorities and farmers with no other means of taking their produce to market. The rest will be kept for future years.

The Census Bureau has reported that last year more than 2,500,000 children were born, the highest figure since 1921.

A bill designed to promote production in the US of guayule and other rubber bearing plants has been vetoed by the President because it omitted provision for production in other countries of the Western Hemisphere. An amended version has been passed by the Senate.

Mr Kanzler, Chief of the Automotive Branch of the WPB, has announced that when the "big three," General Motors, Chrysler, and Ford, reach the peak of their present war orders, they will be producing at the rate of \$10,500 millions a year, a rate which will exceed by more than 250 per cent the dollar value of these companies' production in 1941. The industry will need 800,000 to 1,000,000 workers compared with a peace-time peak of 550,000.

The WPB has announced that the Army and Navy have been able to grant permission for the hire of more than 99 per cent of the unnaturalised workers seeking employment on secret war production.

Voluntary enlistments in the US Army reached an all-time high of 90,241 in January, double the highest figure for the last war.

The Senate, by a vote of 75 to 5, has repealed the legislation providing pensions for Congressmen.

The House Ways and Means Committee has rejected the President's request for \$300,000 for unemployment compensation to workers displaced through the conversion of industry to war production.

Persons entering waterfront areas are now required to possess identification cards.

The Supreme Court has ruled in favour of the Bethlehem Shipbuilding Corporation in a suit in which the government was trying to recover \$8,000,000 paid the corporation on contracts during the last war. In the Court's opinion, a 22 per cent profit on total building cost of the ships was exceeded in too many other instances to be regarded as extraordinary.

Attorney-General Biddle has announced that the nation's transport systems will be permitted to pool their resources during the war without incurring prosecution under the anti-trust laws if so ordered by the Office of Defence Transportation.

Federal Bureau of Investigation agents in Northern California have arrested a number of Japanese said to have been equipped with weapons, signal lights, radios, binoculars and cameras. There is said to be considerable alarm on the Pacific coast over the extent of Japanese espionage. Earlier it was announced that eighteen Germans, one Italian, and one Japanese had been charged with possessing contraband material such as shortwave radios, and had been turned over to the Immigration authorities.

Simplified procedures are to be adopted by the Civil Service Commission in filling government posts. Those appointed under the special procedures will not acquire civil service status.

Pacific coast shipyards have experienced another walk-out by the independent welders who are unwilling to pay dues and hold cards in the AF of L unions which have obtained a closed shop in the yards. It is reported that there was almost a pitched battle between the 400 welders and 1,000 shipyard workers.

THE WORLD OVERSEAS

The Plight of French Industry—II

(By a French Correspondent)

February 23rd

THE shortage of coal and oil has set a severe limit to the volume of industrial activity in France. The fuel crisis, however, at least in its most acute forms, is temporary. From March onwards, for example, the electric power produced from coal will be supplemented by the output of the hydro-electric stations. This is not the case with the raw material crisis, which must become increasingly severe until French industry is either completely paralysed or forced to work almost wholly for Germany.

When it concluded the armistice, the Vichy Government counted on a short war. It calculated that, between the armistice and the conclusion of peace, France could exist on her stocks of raw materials, of petrol and lubricating oil, or, to be more precise, that she could exist on the small fraction of these stocks which were left to her by Germany. The stocks at the disposal of the Vichy Government are now exhausted, or on the point of exhaustion, and the possibilities of replacing these by imports are virtually non-existent.

Rubber manufacturing works had to close for two weeks in October after a 50 per cent cut in their rubber quota. The Government has several times sounded the alarm regarding stocks of base metals; there are virtually no supplies of copper, zinc, nickel, lead and tin. A big campaign was launched on July 11th last for the salvage of unessential objects, but without much success. M. Lehideux, Minister of Industrial Production, ventilated his annoyance on October 12th that the Government appeal had not received everywhere the understanding which it merited. "A subtle propaganda," he pointed out, "has been at pains to disturb public opinion by letting it be understood that the collected metal will not be available for the use of France." And he proceeded to give the lie to this allegation by affirming that the occupation authorities had agreed to impose no levy on the results of the campaign. M. Lehideux was unable to convince the French of the purity of the Germans' intentions and the conclusion of the campaign had to be postponed. Raw material supplies from North Africa have stopped completely, the available shipping being insufficient to carry the food products to France.

The cause of the iron and steel shortage has a different explanation. France herself produces the necessary coal and iron ore. Normally, she exports iron and steel scrap. Nor does it appear that it is mainly the shortage of coal which explains the reduction in the supply of iron and steel available for French industry. The greater part of the heavy industry is situated in the occupied zone and is working for the Germans who exercise priority for the quantities of coal, iron ore and iron and steel scrap which they require. Iron and steel scrap has even been exported recently to Germany. So far as French civil consumption is concerned, it is fed by the heavy industry of the unoccupied zone and by a small quota permitted by the Germans from the production of the occupied zone.

Quotas of coal and scrap which the French authorities allow to the heavy industry of the unoccupied zone have been steadily reduced. Deliveries of coal have been cut from 30,000 tons in June, 1941, to 22,000 tons in October. Those of scrap, which ranged between 30,000 and 35,000 tons a month, have been reduced to 12,000—15,000 tons. French civilian needs in both the unoccupied and the occupied zones were estimated at 230,000 tons of iron and steel a month; at the end of 1941 available supplies had been reduced to around 110,000 tons. And the press does not disguise the fact that a further reduction is to be expected. The estimate of 230,000 tons a month already represents a considerable reduction on pre-war consumption which was of the order of 500,000 tons a month, the greater part

—about 350,000 tons—being destined for civilian consumption.

Almost as serious as the drastic reduction in available supplies of iron and steel is the scarcity of cement. Here, there is no question of a production crisis. In June, 1941, the output of cement reached the level of June, 1938. None the less, the quotas available for industry are very slender. The explanation lies in the requisitions of the occupation authorities, in the repair and construction of roads and railways, undertaken by the Vichy Government but often enjoined by the Germans, and in exports whose destination is not disclosed but which represent supplementary levies exacted by the Germans.

For the sake of completeness, it would also be necessary to account for the shortage of timber, of pulp, of textiles and of hides and skins, but the foregoing information is enough to indicate the insuperable difficulties with which French industry is grappling.

The consequences of the raw material shortage are extremely grave. In the first place, unemployment is begin-

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ning to increase. The situation, in this respect, has changed completely in the last six months. In the middle of 1941, there was a labour shortage. To-day, the Government is obliged to employ all sorts of devices to prevent the number of registered unemployed from rising. It even found it possible to announce that the number had been reduced from 700,000 in January, 1941, to 300,000 in July, and 202,000 in November last. But the Government has for some time forced employers to continue to pay full wages to the workmen in factories in which production has been suspended through lack of fuel or raw materials. The result is, indeed, to prevent an increase in the number of unemployed, but the payment of wages does not alter the fact that the supply of consumer's goods is steadily dwindling.

To give only one example, the greater part of the French factories were closed from December 21st to January 4th by decree, the reason given being the insufficiency of the production of coal and electric power. Electric power stations, mines, factories producing foodstuffs and blast furnaces alone were spared this measure. The workmen were not thrown out of work, since they continued to receive 92½ per cent of their wages based on a working week of 40 hours. Moreover, civil industry is only on part-time work. The duration of work in the textile, leather and foodstuffs industries frequently does not exceed 20 to 30 hours a week.

Transport Difficulties

A further consequence of the grave lack of fuel and raw materials is the disorganisation of transport. Up to the present, despite the shortage of rolling stock—of which alone one-third was requisitioned at the armistice by the Germans—of coal, lubricating oil and of cement for the repair of the permanent way, the transport of goods has been more or less maintained although the distribution of foodstuffs has greatly suffered. Passenger transport has, however, been constantly reduced and will soon be no more than a memory of the past. While, in 1931, the daily capacity of passenger trains travelling on the French network reached 700,000 passenger-kilometres, this figure fell to 190,000 during last summer and to 170,000 at the end of 1941.

The great repair, rebuilding and construction works which the Government undertook immediately after the armistice have had to be virtually abandoned through lack of raw materials, especially iron and cement. Only one-sixth of the bridges, other than railway bridges, which were destroyed during the hostilities, have been completely rebuilt. The Vichy Government and the Germans themselves had evolved a plan to economise coal and to reduce the transport of fuel by pushing ahead the electrification of France. But this plan has had to be abandoned, at least provisionally, owing to the shortage of copper, and because all aluminium is reserved for military production.

The tragic circumstances in which French industry is struggling force the Government, in spite of its own wishes, to seek a formula which will allow economy of fuel and raw materials. This is the background against which the campaign for concentration and rationalisation of French industry has been announced. It is still too soon to discuss its scope, but it must have implications of great moment.

Moreover, last but not least, the German grip on French industry grows in proportion to the increase in its difficulties. Having effectual control of coal, petrol, lubricating oil, raw materials and transport, the Germans supply them only to factories which are working for them. It is possible to foresee the moment when the whole of French industry, in both zones, will depend on the Germans and will be compelled to conform to their production plans.

Agricultural Outlook in Eire

[FROM OUR DUBLIN CORRESPONDENT]

February 9th

THE experience of the war has acted as an educative force in the realities of Irish economics. Speeches have been made by Ministers in recent months expressing sentiments which they would have seriously questioned in their earlier years of office. The importance of maintaining a large volume of imports, for example, has been forcibly demonstrated by the scarcity of many essential articles of con-

sumption—such as tea, petrol and coal. Indeed, some of those who were inclined to regard imports with disapproval a few years ago have now transferred their disapproval to a large volume of exports, which, it is alleged, brings no return except "paper money." The implications of international trade are being more correctly appreciated in the restriction of war than in the abundance of peace. The Minister for Agriculture recently delivered a speech which is remarkable, not only for its lucid enunciation of some of the elementary principles of the laws of comparative advantage as the foundation of an export trade, but also for its revelation of the official view regarding the future of Irish agriculture.

The Minister, dealing with the question of settling more people on the land, which is so popular a means of solving the Irish unemployment problem, pointed out that the possibility of increasing the population employed in agriculture is limited. Emigration from the countryside is inevitable if the standard of living, already low, is not to be still further depressed. At present, only one-third of the holdings can be considered large enough to be described as economic, and it is on the continued existence of these large holdings that 100,000 agricultural labourers depend for employment. Further sub-division would increase the need for public works and unemployment assistance. To attempt to relieve unemployment by the creation of more small holdings would undo the good work of the Congested Districts Board and the Land Commission in enlarging uneconomic holdings in the past. These are the views of the Banking Commission, which emphatically condemned the policy of sub-division of holdings.

Comparison with New Zealand

Small holdings, the Minister proceeded to explain, do not produce an export surplus, and agricultural exports must be relied upon to pay for the large volume of imports which will be necessary after the war. Some of our export industries, notably dairying, are experiencing great difficulty in meeting competition from overseas. New Zealand enjoys the advantages of a better climate—which renders winter dairying easier than in Ireland—larger farms, more mechanised methods and higher milk yields. At present, Irish butter competes with New Zealand only with the help of a subsidy. This subsidy, the Minister stated, would be maintained during the war, but would be discontinued afterwards. Apparently the abandonment of the export trade in butter is contemplated. This is a counsel of despair, which should not be adopted until every possibility of reducing the cost of production of Irish butter is fully investigated by experts. The official spokesmen of the dairying industry are not convinced that the outlook is so hopeless. It is the duty of the Government, they suggest, to set about reorganising the industry by means of education and the encouragement of the co-operative movement rather than to acquiesce in the disappearance of an old-established and valuable export trade.

The prospect held out for the bacon trade is equally gloomy. At present no bacon is being exported, and pig production is profitable only because of the high price of bacon in the home market. No attempt will be made to revive the export of bacon by means of subsidies, which are in their very nature wasteful and unsound. The only articles on which reliance can be placed for export after the war are live animals, poultry and eggs. In respect of these commodities, the climate, the size of farms and the proximity to the British market give Ireland a high degree of comparative advantage. If this rather sombre picture of the post-war export position is correctly drawn, the corollary that imports must be reduced to the practicable minimum cannot be denied. At present, a considerable active balance of trade is being maintained by the export, mainly, of cattle; but this balance reflects the shortage of imports and will rapidly become passive as soon as the normal conditions of trade are restored. Apparently, the policy of growing the greatest possible quantity of human and animal foodstuffs at home is to be continued, with the objects of reducing imports and of providing employment. Additional rural employment on a small scale may be afforded by forestry, turf development and reclamation, but the possibilities of employment in these occupations is popularly much exaggerated.

Those views, which must be taken to be those of the Government as a whole, are interesting as showing the degree to which reality has shattered some widely-held hopes, based on false optimism, of the possibility of developing a very intensive agriculture by protective

measures. Indeed, it may be that the Minister's outlook is unduly dark. There are many students of Irish agriculture who believe that a considerable expansion of the export trade is possible provided that modern methods are adopted. There is admittedly room for much improvement in methods of breeding and feeding livestock, and the possibilities of co-operative production have not been fully explored. It may be that the success of such a policy depends upon free imports of cheap feeding-stuffs and the abandonment of all relics of agricultural protection. These are difficult problems on which opinions may legitimately differ, but they are problems so vital to the future of Ireland that their solution should be attempted only on the best obtainable expert advice, and their discussion should be taken clean out of the region of party politics.

Foreigners, Food and Fuel in Argentina

[FROM OUR BUENOS AIRES CORRESPONDENT]

January 11th

THE transfer abroad of funds belonging to non-American belligerents is already controlled by the Argentine Central Bank. In a decree issued yesterday the Minister of Finance extends this control to movements of funds within the country belonging to such parties. With the decree, the Minister issued a stern warning to any firm, subject to the control, which should use its commercial status to cloak movements of funds either inside or outside the country for purposes not established in its statutes. Both the decree and the accompanying warning refrain from any mention of nationality or names of firms, but the measure is interpreted by the Press as inspired by the disclosures in the reports published by the "Committee of Investigation into Anti-Argentine Activities." These reports revealed the active financial participation of German business concerns here in the propaganda work in Argentina undertaken by official Nazi organisations with headquarters in Berlin, which has been centralised in the German Embassy in Buenos Aires. Among other purposes for which substantial contributions by German firms have been used are the financing of the "nationalist" newspaper *El Pampero*.

In issuing his warning, in which he gave assurances that foreign firms proceeding in the normal course of business had nothing to fear, the Minister of Finance stated: "It is very regrettable that some firms should have deviated from their traditional honesty through the influence of extraneous factors and inspirations foreign to all commercial ends." He added that should the authorities discover the existence of pressure on foreign concerns, conducive to violation of the decree, a second decree signed by the Minister of the Interior would immediately be enforced. The contents of the latter are not revealed, but the Press surmises that it provides for the deportation or internment of those violating the regulations laid down in Dr Castillo's recently declared state of emergency.

The decree is one more reminder, if such were needed, that totalitarian propaganda, organised from Berlin and financed by German business interests in this Continent, is still a living force in South America. Reports of the suppression of Axis news agencies and Nazi-inspired newspapers in neighbouring countries are growing. In Brazil, where the Press was forbidden to condone the Japanese invasion of Pearl Harbour, three newspapers (two German-inspired and one Japanese-inspired) have just been banned, and the official German *Transocean* news agency in Bolivia has been prohibited from further operation.

Argentina's current wheat and linseed harvests are officially expected to yield 6,000,000 tons and 1,700,000 tons respectively. These figures show in the case of wheat a decline of 26.4 per cent and in the case of linseed an increase of 16.5 per cent, compared with the previous year's crops. During the year ended November 30, 1941, wheat exports amounted to 2,393,525 tons, or 33 per cent less than the annual average over the decade 1931-40. Including the new crop, the exportable balance of wheat at the end of the year was 6,200,000 tons. The Treasury, which owes the National Bank 767,500,000 pesos in respect of the Government's purchases of grain at minimum prices from farmers, will, in future, itself finance this policy, mainly, it is presumed, by recourse to internal loans.

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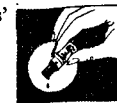
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It is announced that during the coming year the National Grain Board will undertake the conversion into oil, at local factories, of 150,000 tons of its linseed stocks, which, including the current crop, are estimated at 2,400,000 tons. Of this amount, it is calculated that it will be possible to export some 700,000 tons during the year.

The annually recurring problem of the high cost and acute shortage of grain bags at harvest time may be alleviated by the Government's plan to manufacture bags from low-grade Chaco cotton. A factory costing 10 million pesos is to be established for the purpose. Approximately one-half of Argentina's cotton production is low-grade fibre, the local outlet for which has always been limited, while export possibilities, never strong, have inevitably faded under war conditions. The Government's decision is expected to stimulate cotton growers in the Argentine Chaco to increase production by removing the bogey of an "unmanageable surplus," which Argentine agriculturalists have in recent years come to dread. It remains to be seen, however, whether the country's demand for jute will be appreciably affected.

A Fuel Shortage?

While war conditions have caused a decline in Argentine exports and the accumulation of unexportable grain surpluses, the complementary problem of a scarcity of essential imports has assumed increasing importance during the past year. Fuel imports are particularly affected. With the entry of the United States into the war, there is much speculation here as to the measures to be taken to maintain these at a reasonable level.

Argentina's petroleum production is increasing. Stocks of home-produced petroleum in October, 1941, were 299,171 cubic metres (against 265,500 in September, 1939), while stocks of the imported product were 85,697 cubic metres (against 92,438 in September, 1939). Work is about to proceed on a pipeline to obtain Bolivian supplies, and the reciprocal trade treaty recently signed with Peru promises increased supplies from this important producer in exchange for Argentine frozen meat. In regard to coal, however, Argentina's low-grade production is negligible in comparison with her requirements. Brazil and Chile send very limited and generally inferior supplies, and the country is largely dependent on Great Britain and the United States. The following table compares coal imports (in tons) from these two sources during the first six months of the years 1939, 1940 and 1941:—

	1939	1940	1941
Great Britain.....	1,068,803	747,139	405,589
United States	Nil	334,661	51,215

German European Trade Relations

THE authorities claim that Germany's foreign trade in 1941 was equivalent to four-fifths of the total volume of imports and exports in 1938; the total value was greater than in 1938, which indicates a considerable increase in prices. This would mean that Germany had been able to replace some 60 per cent of her imports from overseas and from the Soviet Union by imports from occupied, dependent and neutral countries on the Continent. But the ratio between imports and exports must certainly have changed. During 1940 Germany maintained almost normal exports to the Danubian countries. In 1941, actual exports to all European countries fell, and dwindling imports from Danubian countries were compensated by imports of manufactured goods from the occupied countries in the west under the system of "industrial collaboration."

There is hardly any way of arriving at an accurate estimate of internal European trade. At the request of Germany, Norway, Denmark and Hungary have suspended the publication of trade returns. Nothing is known about the imports and exports of France, Belgium, Holland, the Protectorate of Bohemia and Moravia, and the Government-General of Poland. The neutral countries, Sweden and Switzerland, no longer publish detailed figures about the volume and distribution of their foreign trade. From the Balkan countries, only summary figures are given. The

Argentina's coal stocks in October, 1941, were 850,000 tons, compared with 1,068,000 tons in September, 1939.

In an extensive review of the fuel situation, *La Prensa* considers that, while it may be possible to alleviate the coal shortage to a slight extent by recourse to neighbouring countries, hope for increased deliveries from the two major suppliers lies in the following factors: (1) that British and American shipyards are gradually defeating the submarine menace; (2) the limiting of hostilities to the Pacific for some time to come will leave America's eastern seaboard clear for South Atlantic shipments; and (3) the expressed intention of both Great Britain and the United States to maintain foreign trade to the utmost of their ability.

The Shipping Problem

For her own part, Argentina is doing something to facilitate fuel supplies by providing tonnage. Her State Mercantile Marine, formed last October by the acquisition of sixteen Italian ships laid up in Argentine ports, and recently augmented by four refrigerated Danish vessels similarly laid up, is now actively engaged in inter-American trade. Negotiations are practically completed for the purchase by the same concern of four large French ships. Of this newly-acquired fleet, several of the former Italian ships are already being used to bring coal from the United States, and the authorities have indicated that coal cargoes will be given preference by these vessels for return freight. It is expected that, during the first few months of 1942, 300,000 tons of coal will be brought by them to this country. The former Danish vessels, which are refrigerated, are unsuitable for this traffic, and of the French ships to be bought three are large passenger vessels (one of which has just been practically lost by fire). Although on the outbreak of war between Japan and the United States there was some uncertainty whether the ships would continue to run to United States ports, it is now clear that they will. There are no Japanese ships in Argentine ports, and it is understood that three German cargo vessels acquired by a local syndicate will not be put into service until after the war.

La Prensa estimates that, in order to provide the tonnage required to import the country's calculated annual requirements of 2,500,000 tons of coal, 120 ships of 6,000 tons each would be wanted. The State Mercantile Marine has no oil tankers, of which there are seven operating under the Argentine flag, three being used for the private requirements of one shipping concern. According to *La Prensa*, fifteen tankers of 10,000 tons each are necessary to maintain the country's essential petroleum imports. United States tankers have hitherto provided the greater part of the necessary tonnage, but fears are expressed locally that the United States will now find her tankers indispensable for war purposes.

scanty figures which are still published show that Germany's share in the total foreign trade of the various European countries ranges from 50 per cent at the lowest to 85 per cent at the highest; Italy, Sweden, or Switzerland usually take second place after Germany.

The total value of the imports and exports of a number of countries have been as follows, in millions of their respective currencies:—

	VALUE OF TRADE					
	Imports			Exports		
	1939	1940	1941	1939	1940	1941
Sweden (kronor)	2,499	1,999	1,672	1,889	1,338	1,351
Switzerland* (francs) ...	1,665	1,703	1,823	1,175	1,179	1,306
Denmark (krone)	1,750	1,390	1,300	1,578	1,517	1,250
Finland (mark)	7,573	5,180	7,900	7,710	2,980	3,900

* The figures for Switzerland cover only 11 months.

The first fact emerging from this particular table is the recent excess of imports over exports in each case. But the figures are deceptive. The value of Switzerland's imports, for example, increased in 1941 by 7.1 per cent over 1940, but the volume of imports fell by 23 per cent. Similar discrepancies are experienced by other countries; and the fact is that Germany's system of continental trade is based on arbitrarily fixed prices, fixed in Germany's favour. The

prices of German exports have usually been advanced, whereas the prices of goods imported into Germany, and exported by these other countries, have been reduced.

The few summary figures that have been published about the value of the foreign trade of Danubian countries, however, generally show an excess of exports over imports. This is illustrated by Roumania's foreign trade during the first six months of 1941. The value of Roumania's exports fell during this period compared with the first six months in 1940 by 22 per cent, though the volume of exports fell during the same period by 76 per cent; the value of imports fell by 39 per cent, and the volume by 35 per cent. The bad harvest and the difficulties caused by mobilisation forced even the Germans to pay higher prices for Roumanian exports, of which 65.5 per cent were shipped to Germany.

In fact, closer examination of the few detailed figures that are available show that Germany's imports from continental countries have usually exceeded German exports; and the majority of the countries, having thus run up considerable clearing credits (chief among them are Sweden, Switzerland, Denmark, Slovakia, Roumania and Bulgaria), are naturally trying to reduce the accounts by demanding greater imports from Germany. Germany has usually promised increased exports of coal, chemicals and manufactures; but, since the war against the Soviet Union started, deliveries have remained far behind the quotas fixed. Then the countries with large clearing credits became by necessity favourably inclined towards the system of a central clearing, so that they could resume and intensify their trade relations with the countries under German occupation.

By the central clearing, run by Berlin, Germany was able to direct discussions in such a way that the northern countries, on the one hand, and the Balkan countries on the other, were drawn closer together. Sweden's clearing credit with Germany a short time ago amounted to Kronor 50 millions. In discussions with Germany, Sweden agreed to use the central clearing system in trade with Holland and Belgium, which may make it possible to reduce the clearing credit. At the same time, the Swedish Government refused to grant new credit guarantees for exports to Germany, which means principally smaller supplies of woodpulp and cellulose to Germany. Germany was forced to recognise the appreciation of the Danish currency by 8 per cent; by this means, it is hoped to reduce the price of Danish imports, but Germany stipulated that there should be no change in the price of German coal and coke. At the same time, Germany succeeded in getting a promise from Denmark to supply butter to Finland; and the German press promptly described this as proof that Denmark had realised the duties arising from signing the renewed Anti-Comintern Pact. In return, Denmark was promised onions, paprika, pulse, timber, radio valves and women's clothing, all from Hungary. But the main cause of the difficulties in Denmark's foreign trade has not been changed. Germany's share in total Danish trade has now reached 80 per cent, and Germany's clearing debt has risen from Kronor 364 millions in September, 1940, to Kronor 758 millions in September, 1941.

Official information about Finland's foreign trade is very scanty. Germany's share has increased to just over half. Sweden takes second place; and Swedish exports to Finland have greatly exceeded imports from Finland. But it is reported that further credit guarantees for exports from Sweden to Finland have now been suspended.

In the trade of the Balkan countries, Switzerland plays a role which is similar to Sweden's part in the trade of the Scandinavian countries. France, Belgium and Holland are a separate group. In France, a German commissar for foreign trade has overriding powers, and 200 German customs officers control the most important points of France's customs frontier. It appears that the export capacity of France is fully employed on orders based on "industrial collaboration." The export surplus in trade to Germany must therefore be considerable. Recently, imports of raw materials and semi-manufactures for German orders decreased. No clearing problem exists, because payments for exports to Germany are financed by the Bank of France, which makes advances towards the costs of occupation. Recently, there were attempts to resume more normal trade relations with Belgium, Denmark and, particularly, Sweden, Spain and Hungary, but no definite agreements have been concluded. Belgium's foreign trade with Germany is also governed by "industrial collaboration," and Holland has been practically part of Germany, commercially, since the customs frontier was abolished. In recent months, Italy has been able to secure first place in trade with Croatia,

but in all other Balkan countries Germany still takes first place. Slight increases can be noticed in Italy's trade with Scandinavian countries.

During 1941, then, the regional grouping of European countries under German direction had some success. But the war strain on Germany's industry and the burden on the European railway system, because of the fighting in Russia, prevented Germany from increasing the volume of foreign trade on the Continent. The losses of imports from Balkan countries were, on the whole, hardly compensated by the gains derived from "industrial collaboration" with the western countries.

Plate Glass Cartel.—At the beginning of February the domestic cartel of the German plate-glass industry formed the Plate Glass Export Company of Cologne. The former export cartel, domiciled at Aix-la-Chapelle, was dissolved. Before the incorporation of Austria, there was only one important outsider, the Bavarian Plate Glass Company; and after the Sudetenland had been added to Germany, the Bavarian, Austrian and Sudeten manufacturers of plate glass formed a rival cartel. But the two cartels soon concluded a price agreement. In the summer of 1940 the two cartels amalgamated. The new cartel will be in force until 1960.

Share Prices.—After a temporary slump in share prices at the end of last year, which was the result of the restricted registration of transactions in shares, prices have again risen. The index compiled by the *Frankfurter Zeitung* moved as follows:—

	Average Quotations	
	25 Shares	15 Debentures
1940: Highest	180.56	105.81
Lowest	138.36	102.23
1941: Highest	223.22	107.87
Lowest	171.70	105.75
1942: January 9	201.56	107.70
30	206.09	107.84

In spite of all warnings, capital was again seeking investment, and the supply of shares fell again. Shares of German colonial companies showed considerable appreciation, especially those of the New Guinea company. The situation calls for further restrictions to discourage fresh advances in prices. From February 1st onwards, the provision of compulsory statistics of turnover has been extended to more groups of shares. Brokers are now compelled to disclose their orders. These new orders, supplementary to the original registration of shares order, caused a slight fall in prices during the first week in February.

Opposition to Concentration?—The ultimate fate of small-scale businesses under the new concentration programme is agitating the public. Small business men violently oppose the idea that only large-scale modern factories are efficient. A small manufacturer argues in a letter to the editor of the *Deutsche Allgemeine Zeitung* that concentration, in other words, the closing down of small factories, will not necessarily increase total production. In spite of rationalisation, the writer maintains, large-scale factories work at higher costs of production than small ones. The discussion has now been carried to a point where economic and political arguments are being mixed. Concentration and rationalisation are recognised as inevitable if maximum production is to be achieved; maximum production, on the other hand, is not only necessary for winning the war, but also for "preventing the return of the Jews." The press tries further to explain that the demarcation between small and big factories differs in different industries; and the leaders of big business explain that the programme does not really mean the closing down of all small factories; it is intended to close down only the inefficient factories whether small or large.

Lubricants and Fats.—A special order has been issued regulating the supply of lubricating oils for internal combustion engines. Henceforth lubricants will only be supplied against special permits of the commissar for mineral oils. The fat content of grease and cooling liquids used with machine tools has been reduced. The use of whale oil in processing leather has been prohibited.

THE BUSINESS WORLD

Works and Buildings

THE main purpose of the Ministry of Works and Buildings, when it was set up in October, 1940, was to adapt the building and civil engineering industries to war-time conditions. Its task was a threefold one. First, it had to organise existing building resources. Secondly, it had to weld the construction plans of the various Government departments into a single programme, to take over their non-specialised work, to restrict civilian building to a maintenance basis, and to adjust the size of the industry to the changing needs of war. Thirdly, it had to ensure that building resources were used as efficiently as possible. In *The Economist* of July 5, 1941, an outline was given of the Ministry's plans. The time has now come for recording the measure of success or failure in their execution.

The organisation of the industry's resources has been a task of some complexity, but it was an essential preliminary to their control and efficient allocation. The measures taken to secure control over the building materials industries were discussed in the article of July 5, 1941. Control over building operations and over building and civil engineering firms has been secured by a number of Orders. So far as labour is concerned, the Essential Work Order applied on June 9, 1941, ensured the maintenance of the then existing force of operatives engaged on essential works. In order to ensure that all labour in the building and civil engineering industries released from a contract shall be available without delay to the employment exchanges for re-employment on essential work, two further Orders were issued by the

Ministry of Labour on December 18th, after consultation with the Central Council for Works and Buildings, and the Joint Advisory Panel to the Ministry of Works and Buildings of the building and civil engineering industries. The one is an amended form of the original Essential Work Order, and the other, the Building and Civil Engineering (Restriction of Transfer) Order, prohibits the contractor from retaining his labour (except key workers and certain specialists) after the completion of a contract, and from transferring them to another site, without the permission of a national service officer. With these Orders the Ministry has established a measure of control over the employment and movement of building operatives.

In order to secure control over building and civil engineering concerns, the Ministry last August ordered the compulsory registration of all firms as well as of the building departments of local authorities and municipalities. Private firms with maintenance departments were excluded from the scope of registration, unless they also undertake outside work. The preliminary results of the census, given below, reveal the large number of small firms engaged in the building trades, which has been one of the administrative difficulties in the achievement of central control. They also show that the proportion of labourers to the total number of operatives increases with the size of the firm:—

NUMBER AND SIZE OF BUILDINGS AND CIVIL
ENGINEERING UNDERTAKINGS (a)

No. of Employees	No. of Undertakings	Composition of Labour Force	
		Craftsmen %	Labourers %
0-19	79,985	64.2	35.8
20-99	5,371	54.5	45.5
100 and over	1,224	38.0	62.0

(a) Including general builders and civil engineering contractors, plumbers, joiners, carpenters, painters, roofers, plasterers, glaziers, demolition contractors, scaffolders and others.

The compulsory registration of building concerns has greatly strengthened the Ministry's power of control over the industry. It has enabled the Ministry to call for regular returns from existing firms concerning the nature of their work, and thus to exercise supervision over the activity of the industry as a whole. It has enabled the Ministry to restrict non-essential operations and to exercise direction over individual concerns. Registration has also made it possible for the Ministry to control entry to the building industries by making it illegal for new firms to enter them without registration. Applications for permission to set up in any one of the branches of building are treated in accordance with the national interests, and are decided, not by any organisation of the trade, but by the Ministry itself. Finally, the Ministry has been able to improve labour conditions by making registration and, therefore, the right to continue operations, contingent on the observation of standard terms of employment. By the Essential Work (Building and Civil Engineering) (No. 2) Order, the Minister must satisfy himself, before registration, "(a) that the terms and conditions of employment of persons employed in the undertaking are not less favourable than the recognised terms and conditions as provided for by the Conditions of Employment and National Arbitration Order, 1940, or of that Order as amended by any subsequent Order, and (b) that satisfactory provision for the welfare of persons employed in the undertaking exists or is being made." These provisions go far beyond the Fair Wages Clause, which only operated where it was inserted in a contract.

The allocation of building resources, the second task of the Ministry, was begun before the industry had been properly organised. The programmes of individual Ministries

had been formulated without reference to the national building resources, and, in view of their size, co-ordination was the only alternative to chaos. The machinery of allocation was described in the earlier article. Briefly, the Ministry called for the plans of the various Departments, which were welded into a national programme by its Works and Buildings Committee—a committee of the former Production Executive—in consultation with the Departments concerned. The programmes of individual Departments, expressed in financial terms, were then translated into numbers of operatives, and each Department was allotted a labour force, subject to periodical adjustments in the light of changing needs, calculated on the basis of the estimated total number of operatives available. On the whole, this method of allocation has proved more efficient than inter-departmental competition, especially as the size of the individual building programmes far exceeded the building industry's capacity. But it is defective in certain respects. In so far as its failings were due to the lack of organisation of the industry and of machinery to move labour, and to the absence of accurate data concerning available labour and the real needs of the Departments, they will be remedied automatically as the Ministry is able to strengthen its control over building resources and to secure more accuracy in Departmental building estimates. But global allocation has also given rise to difficulties, when the size of local programmes exceeded local resources. These difficulties have been mitigated but not overcome by an arrangement whereby the various Departments submit each of their projects to the Works and Buildings Committee. There is reason to believe that the efficiency of the system of allocation could be improved by handing over to the Ministry still greater control and a far larger share of the actual work of construction.

The adjustment of the building industry to changes in the nature and volume of its work has made considerable progress as a result of the various measures adopted by the Ministry of Works and Buildings, in whose formulation it has been assisted by a Central Council of experts appointed last August. Until now the Ministry's main problem has been to transfer the largest possible proportion of the country's building resources to war work and to utilise them to capacity. The demand for essential works of many types—munition factories, hutments, aerodromes, fortifications—has been very substantial. Labour, rather than materials, has been the chief bottleneck, for the industry's unskilled labour force was depleted soon after the outbreak of war. An estimate made in the early summer of last year put the number of operatives at 750,000, against some 1,350,000 before the war. In view of the urgency and size of the Government's building programmes, there is a strong presumption that the labour force available for civilian maintenance work (this was restricted by making repairs costing £100 or more subject to licence)—the "garrison" as it is called—has not been reduced rapidly enough, though it may of course be contended, and not without some justification, that the lull in air raids could not have been foreseen. That a further reduction would have been possible was revealed by last summer's census, which showed that the total number of male operatives was then not 750,000, as had previously been estimated, but 820,000; the earlier estimate had not made sufficient allowance for the influx of Irish workers nor for the slowing down in the call-up.

But the peak of wartime construction has now been passed and the national shortage of able-bodied men and

women is growing ever more acute. Until next autumn the volume of construction will remain heavy, but, on present estimates, it will then begin to decline rapidly with the completion of the major part of the Government's building programme. Apart from the need for increasing the efficiency of the industry and economising labour, the Ministry will therefore be confronted with the problem of concentration. During the last war, the labour force of the building and civil engineering industries was halved. A similar reduction during the present conflict would bring it down to about 650,000; but an even greater measure of concentration will probably be necessary which will give rise to all the problems that had to be faced by other industries in a similar position.

The third part of the Ministry's task, that of increasing the efficiency of the industry, is no less important than the others. So far as the efficiency of labour is concerned, there is some evidence of an increase in output per head in the second half of last year. For example, the consumption of cement in the late summer and autumn of 1941 was higher than in 1940 or, indeed, in any previous year, in spite of the reduction in the industry's labour force. While to some extent the improvement may be due to the change in the nature of the work, it appears that the extension of the system of payment by results, sponsored by the Ministry, has played an important part, and the increased use of machinery has probably also been a contributory factor. But the waste of materials still appears to be very considerable, due largely to the insistence of Government Departments and other consumers upon pre-war specifications. The Ministry's powers to alter specifications are at present limited, but a small and independent committee of experts, responsible to the Ministry and with authority to inspect building plans before their submission to the Committee of Works and Buildings as well as building sites, might prove of assistance in securing greater economy.

An important step taken by the Ministry to ensure greater control over building prices is the preparation of a standard schedule of prices which will be applicable to some 80 per cent of its own constructional work and which, it is to be hoped, will be adopted by other Government Departments. The schedule lists no fewer than 1,646 items of constructional work. It is subject to percentage additions or deductions with variations in the prices of materials, wages and other costs, and it will greatly simplify the work of quantity surveyors and of architects as well as render largely superfluous the "cost plus" contract.

The task of organising the building industry for war, of utilising its resources to the full and of increasing its efficiency has been a complex one. After overcoming some of the initial difficulties, which were considerable, the Ministry has made headway in all directions. But the task is still far from completion. The industry's resources are not yet fully organised, controlled and directed, its capacity is still neither used to the full nor always employed to the best advantage, there is still too much waste of labour and materials, by Government Departments, other consumers and contractors, they still show too little inclination to depart from wasteful practices and to hand over to the Ministry a greater measure of control. The building industry and the Ministry of Works and Buildings, as well as its relations with other Departments, are still in a state of transition. But the position has now been reached when a period of rapid progress and adjustment is both possible and essential.

Finance and Banking

Big Money Turnover

The turnover of credit has been exceptionally heavy over the past week. The banks are still making substantial tax payment transfers, as may be seen from the latest Exchequer returns which reveal that with five weeks of the financial year to go, revenue has almost reached the estimate for the year. In addition the Warships Week campaign is now in full swing, and the volume of funds flowing to the Exchequer through small and large savings has increased accordingly. Further, the market has again had to take up £75,000,000 of Treasury bills this week, after an interval of six weeks, during which the weekly offerings have been below this figure. After a similar interval, during which the banks were not asked to make any Treasury deposit payments, they have, this week, had to transfer to the Exchequer £20,000,000 in this form. Finally, many of the

clearing banks have this week been engaged in their monthly making-up. Given this array of influences on the credit position, it might have been assumed that apart from the exceptionally large turnover of funds, which has, in fact, occurred, credit conditions in the money market would prove difficult. This was not the case. Thanks to an expansion of the credit base, in which the operative factor was an increase of £6,375,000 in the Government securities held by the Bank of England, the past week has proved an exceptionally easy one for the money market. Bankers' deposits have risen by £1,058,000, despite a further expansion of £928,000 in the active circulation, and an increase of £612,000 in Government deposits. The banks have thus been ready buyers of bills from the money market, and their purchases have included some May maturities.

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Bombay Silver Fluctuations

The Bombay silver market has continued to react in a very agitated manner to the rapid approach of hostilities to the frontiers of India. The threat of invasion has inevitably led to further hoarding demand for the metal and the turnover of the Bombay market has, over the past fortnight, been well above the recent level. The prices quoted have also reflected the prevailing nervousness, especially since Friday of last week when the Reserve Bank suddenly stopped its sales, which until then had kept the market reasonably steady. The sales made by the Bank consisted recently of unrefined bars of demonetised silver and therefore of .916 $\frac{2}{3}$ fineness. These sales were made on the basis of a price of Rs62 $\frac{1}{2}$ per fine ounce. Bars of this fineness had been made good delivery in the Bombay market, but owing to the delay in having the silver refined, they had fallen to some discount on the ruling price for fine silver. This discount had recently amounted to about 12a per ounce, and on the basis of the Reserve Bank's selling price for melted coin, the "parity" for fine silver in Bombay should have ruled around Rs63 per ounce. The open market price had during the earlier part of last week been pulling away from this parity. By Thursday it had risen to Rs66 14a. On Friday, when news came that the Reserve Bank was no longer selling, the price shot up to Rs70. This week the quotation has lost some of the ground gained in this sudden spurt and by Tuesday was down to Rs68 12a. The rise was then resumed and the quotation towards the end of the week rose towards Rs70 again. The Reserve Bank has as yet declined to re-enter the market, and the quotation is well above the parity indicated by its recent selling price.

India's Silver Reserve

The policy of the Reserve Bank has been the subject of a great variety of interpretations. One negative remark which can be made about it is that it is not due to the exhaustion or even to any serious encroachment on the silver reserves of the Indian Government. It is true that Government silver has been sold during the past year both in Bombay and in the London market where it has provided the greater part of the metal used here for industrial purposes and for coinage by the Royal Mint. But the steady reminding of rupee coinage from .916 $\frac{2}{3}$ to .500 fineness has brought the Government substantial amounts of silver over the year. On March 31, 1940—the last date for which complete statistics are available—these reserves amounted to 106,477,000 fine ounces in bullion and 43,766,000 fine ounces in demonetised coin. The reserve is unlikely to have fallen much below this huge total. The reason for the suspension of silver sales may be the natural desire to test the market during the present abnormal phase and to protect what is, in fact, the only substantial reserve of silver in the sterling area. It must not be forgotten that silver has in some respects become an essential industrial metal. With supplies of Australian and Burmese silver threatened, there is added reason for conserving available stocks. Indian speculators must, however, always reckon with the possibility of the Reserve Bank resuming its sales on the basis of its former price, and there must, therefore, be an appreciable element of danger in buying at the prices which have recently ruled in Bombay. The London quotation for cash has kept rigidly at 23 $\frac{1}{2}$ d., and the forward quotation which last week had risen $\frac{1}{2}$ d. above this figure has now returned to parity with the cash price. All possibility of silver arbitrage between London and Bombay has long since disappeared, and the two quotations can, therefore, move independently of each other.

Far Eastern Banks

With the civilian evacuation of Rangoon, the British banks with offices in that city have evacuated their branches to Mandalay. The Japanese advance in the Far East has by now made sad inroads in the network of branches of the great Far Eastern exchange banks. The Hongkong and Shanghai Banking Corporation has already lost all but 9 of its 42 offices. The Chartered Bank has 21 of its 45 offices still intact. Measured in terms of current income, these are serious losses. In terms of actual assets, they are far less severe. The buildings remain for the most part undamaged. If any bearer securities were left in the offices now in Japanese occupation they must have been of next to no importance. No bullion was allowed to fall into Japanese hands. The goodwill of these undertakings remains intact though its reinstatement as an earning asset can only follow the victorious conclusion of the war against Japan. Given

that condition, the apparent losses to the immensely rich and remunerative Far Eastern banking business will be rapidly recovered. The Japanese authorities have already announced that they propose to liquidate the business of the British and American banks in Shanghai. The process is bound to take considerable time and must create a measure of confusion and chaos which will take months to unravel.

Danish-German Exchange Adjustment

Information filtering from Denmark sheds further light on the recent appreciation of the krone in terms of Reichsmarks. Though the adjustment of the Danish krone was expressly designed to meet the abnormal situation arising out of German-Danish trade, the movement affected every currency quoted in Denmark. It was the krone which appreciated and not the reichsmark which depreciated. The following adjustments have thus been made in the rates of exchange officially quoted in Copenhagen:

	Aug. 31, 1939	Beginning 1942	Present Rate
Sterling	22.40	20.93	19.34
US Dollars	4.59 $\frac{1}{2}$	5.18	4.79
Reichsmarks	192.15	207.45	192.15
French Fcs.	12.80	11.75	10.85

The appreciation of the krone followed protracted negotiation with the German authorities and was only agreed upon after stiff initial opposition from the German side had been overcome. The main concern of the Danish authorities has been to arrest the menacing trend toward inflation which has been apparent in their country since the German occupation. While the supply of consumption goods in Denmark has been steadily drained by German purchases, the credit and currency circulation has been rapidly expanding, as a counterpart of the huge clearing credits which Denmark has been accumulating against Germany. It seems too much to expect that this state of affairs, which is the product of consciously planned trade policy on the part of the Germans, can be remedied by the old orthodox measure of exchange adjustments. There may, however, be some deflationary impact in Denmark from the fact that the National Bank must, as a result of the exchange adjustment, take a book-keeping loss of Kr.150,000,000 on the large reichsmark clearing balances which it had accumulated.

Moreover, the Danish authorities are determined to push on with their deflationary measures and some Kr.300,000,000 of Government bonds have been issued to the National Bank with a view to being sold in the open market to mop up redundant purchasing power. As against this, the farmers have had to be protected against the effects of the currency appreciation and the export price of butter (most of which goes to Germany at fixed reichsmark prices) has been temporarily adjusted so as to keep the krone price stable. The 8 per cent appreciation of the krone means a corresponding cut in the income derived by Denmark from invisible exports such as the shipping services rendered to Germany. Moreover, the large number of Danish workers now employed in Germany must suffer a corresponding loss in the remittances which they make to their families in Denmark. The exchange agreement is, therefore, by no means a complete victory for Denmark. In any case, its whole intention can be circumvented by increasing the prices of the goods which Germany exports to Denmark. A time must come when the exhaustion of raw materials and machinery in Denmark will involve a swing in the Danish-German balance of trade which for close on two years has been violently "favourable" to Denmark. When that time comes it will probably be found that Germany will raise the reichsmark prices of the materials and manufactured goods exported to Denmark and will do so by a percentage greater than the recent adjustment in the krone-Reichsmark rate.

South Africa's Balance of Payments

The information given by Mr Hofmeyr in the course of his budget speech, regarding the external trade of the Union in 1941, provides the first rough measure of South Africa's balance of payments last year. Imports amounted to about £100,000,000, of which the largest share was provided by the United States, namely, £38,000,000 against £30,000,000 from the United Kingdom. Exports, excluding gold and wool amounted to £31,000,000. The value of the wool clip, which is now taken over by the British Government, may be placed in round figures at £10,000,000. The

value of South African gold production last year was £120,000,000, of which all but about £1,000,000, added to the holdings of the Reserve Bank, was sold to the British Government. On this basis, there must have been a trade balance of some £60,000,000 in favour of South Africa for 1941. Some of this was absorbed by invisible imports, but the bulk of it must have been used in the repatriation of capital. Of this some £30,000,000 was accounted for by the vesting of South African sterling securities last October, and the balance by the transfer of South African securities (mainly gold shares) from British to South African ownership.

Mutual Insurance Association

It is announced that an association, known as The Mutual Insurance Companies' Association, has been formed with the objects, *inter alia*, of considering "all matters connected with the business of its members, including the taking of such measures as may be expedient for the protection of the interests of its members." The ten founder members are Builders' Accident Insurance, Ltd; Cambrian Insurance Company, Ltd; Chemists' Mutual Insurance Co, Ltd; Co-operative Insurance Society, Ltd; Employers'

Mutual Insurance Association, Ltd; Gresham Mutual Indemnity Co, Ltd; Iron Trades Employers' Mutual Insurance Association, Ltd; Midland Employers' Mutual Assurance, Ltd; National Employers' Mutual General Insurance Association, Ltd; Timber & General Mutual Accident Insurance Association, Ltd. These are all companies largely associated with the transaction of workmen's compensation insurance on mutual principles, and their combined premium revenue from this source amounts to nearly £5 millions, a large proportion of the total for all insurance companies of about £11 millions. It is reasonable to suppose that the prime motive for the formation of the association at the present time is the need for an organisation to give evidence on behalf of mutual companies in current Government enquiries into the workmen's compensation system, in the same way as the Accident Offices' Association represents the tariff companies. In this connection it is of interest to note that an employers' liability insurance association has recently been established by Lloyd's Underwriters, presumably for the same purpose. Not all mutual companies interested in workmen's compensation insurance are members of the new association, but it is expected that others will shortly adhere. The association has, of course, no concern with life assurance; mutual life offices already possess in the Life Offices' Association a medium for the expression of their views.

Investment

A Sensible Recovery

The general selling which followed the *débâcle* at Singapore seems to have spent itself. Already at the close of last week, after the announcement of the formation of a new War Cabinet, there was a tendency to view the war more optimistically. The averting of a crisis in domestic politics and a renewal of confidence in the qualities of the executive have checked the downward trend which was generated by sales of tin and rubber issues directly affected by the Japanese conquests. The disposition to discount local defeats, however severe, and to concentrate on the prospect of final victory was intensified this week by the renewal of the Russian counter-offensive and by the substance of Mr Roosevelt's fireside chat. There is still a tendency to play for safety, and the gilt-edged market enjoyed almost alone the first modest revival, although oil shares, which had been oversold, and certain industrials, among them stores and breweries, also staged a recovery. There is reason to suppose the realisation that ground must still be given in the Far East has caused further possible setbacks in Burma to be generally discounted. It is probable that only unexpectedly bad news will prevent next week's reinvestment of India moneys from forcing prices up. A rise in home rails is already overdue. Price falls which took place after the dividend announcements, for technical and speculative reasons, now provide tempting yields in all classes of issues.

More Railway Results

The results of the London and North-Eastern and Great Western Railway and of the LPTB proved rather less satisfactory to the market than those of the two main lines previously announced. Virtually the whole increase in total net income of the "Berwick" line was in the controlled revenue, and the actual distribution of 2 $\frac{1}{2}$ per cent on the 4 per cent second preference stock had been accurately gauged by the market. Against this, the decision of the Great Western board to carry the whole of an increase of £137,780 to reserve, merely maintaining the ordinary dividend at 4 per cent, proved a severe disappointment. There appears to have been a change of policy at Paddington in the opposite direction to that adopted at Euston, and this was reflected in a rather severe fall in Great Western ordinary. Finally, LPTB, with an increase in controlled revenue, was only able to distribute 2 $\frac{1}{2}$ against 3 per cent, simply because it had virtually exhausted its "C" stock fund in making the larger payment a year ago. If the net revenue remains unchanged in the current year, there will be sufficient available, with the amount in the fund, to pay 3 per cent, once more. The following table shows, as nearly as may be, the comparative figures for the two years for all five companies.

	1940		1941	
	Share in Pool	Other Revenue Net	Share in Rent Charge	Other Revenue Net
G.W.	6,504,292	289,695	6,670,603	261,164
L.M.S.	14,125,612	581,698	14,749,698	500,513
L.N.E.R.	9,867,713	483,279	10,136,355	510,672
Southern	6,569,801	185,989	6,607,639	326,621
L.P.T.B.	4,811,981	41,255†	4,835,705	8,954†
	41,879,399		43,000,000	

† Transfer from "C" stock fund and profit on investments.

Considerable discussion has been heard in recent months of the effect of road transport and Irish railway earnings on the position, but the figures published seem to bear out the previous experience that the carriage of goods by road yields a net income to the railways far inferior to what they would earn if the goods went by rail. The following table sets out the appropriations for the five companies. Out of a total increase in net revenue of some £1,136,000, rather under two-thirds has been distributed in increased dividends by three of the companies, leaving rather over one-third to be added to reserves and carry forward.

	To Reserves		To Carry Forward		Dividend	
	1940	1941	1940	1941	1940	1941
G.W. ordy.	£	250,000	+ 87,030	- 25,191	4	4
L.M.S. ordy.	300,000	400,000	+ 65,110	+ 32,609	1 $\frac{1}{2}$	2
L.N.E.R. 2nd pref.	150,000	300,000	+ 2,062	+ 1,334	2	2 $\frac{1}{2}$
Southern defd.	...	...	- 11,613	+ 9,406	1 $\frac{1}{2}$	1 $\frac{1}{2}$
L.P.T.B. "C"	...	...	- 26,029	+ 23,546	3	2 $\frac{1}{2}$

Tonnage Replacement

In commenting on the results of the Lamport and Holt Line for last year, results which included considerable loss of tonnage and a modest decline in profits, the chairman, Sir Philip Haldin, made some very outspoken comments on the official attitude to the problem of replacement. Earnings are insufficient to cover these charges, now double the pre-war level, and it is not permitted to insure for the full replacement value, so that, according to Sir Philip, there is nothing but a vague Government promise on which to build hopes that the merchant navy can be maintained after the war. The real question, however, which Sir Philip did not ask, is whether this state of affairs is not common throughout industry, and whether it is possible to avoid it. It will be generally agreed that physical replacement, by

ships suitable to post-war conditions—if those can be foreseen—is impossible and, probably, undesirable during the war. Presumably, all that Sir Philip claims is command of sufficient liquid resources to enable the company to replace its ships as and when it thinks fit, after the war. But unless a special exception is to be made of the shipping industry, a policy which puts all owners of physical capital in a position to bid against one another after the war for goods and services, which are likely to be relatively scarce, would simply raise prices higher than if a less generous policy were adopted. It may, in any case, be necessary, for a period of years after the war, to control in some measure the use which shall be made of many economic resources. All that any firm or industry has a right to ask is that the balance should be held as evenly as may be between competing claims, and that Governments should frame their policy, first, with a view to winning the war, and then with due regard to forwarding of good international relations, rather than to benefiting sectional interests.

No Dorman Long Dividend

The decision to pay no dividend for the year to September 30th last on the preferred ordinary and ordinary capital of Dorman Long came as a considerable shock to the market. Payments on preferred and ordinary shares were reduced from 18 to 15 and from 10 to 7 per cent, respectively, in the previous year, and there were then no surplus earnings. Some reduction had, therefore, been discounted, but the severity of the directors' decision remained unexpected. The preliminary statement shows a fall in trading profits of over £200,000 to £1,189,378. Provision for directors' fees and taxation totals £441,421 against £438,850 and depreciation again receives £275,000. There is no transfer to pensions fund against £15,000, but the allocation of £100,000 against nil to general reserve provides for war damage contributions already paid and so is a proper charge against profits. Earnings for fixed charges are consequently reduced from £666,179 to £372,957, while debenture, sinking fund and preference service require a draft on the carry forward of £104,595, reducing it to £52,320. This melancholy tale is hardly a good omen for the start of the iron and steel dividend season. It must be remembered, however, that Dorman Long is exposed to certain exceptionally unfavourable influences which also affected results in the previous year. Separation from normal sources of supply and possibly shortage of labour in the concern's coal mining subsidiaries are probably mainly responsible. The £1 ordinary shares dropped 5s. 6d. on the news to 14s. 9d.; the £1 preferred ordinary 6s. 3d. to 27s. 6d.; the 8 per cent non-cumulative 2nd preference shares at 20s. 7½d. yield £8 2s. per cent.

First London Store Dividends

The first dividend announcements of the leading London department stores suggest that retail trade in this area enjoyed a distinct recovery in the period to January 31st last. The preliminary statement of Harrods shows a rise in net profits, before transfer to tax reserve,

DIVIDEND COMPARISONS					
Years to January 31	Total Dividend %			February 25, 1942	
	1939/40	1940/41	1941/42	Price	Yield
D. H. Evans, £1 ordinary shares...	10	7	7	Ex div.	£ s. d.
Do. £1 6% cum. pref. shares...	6	6	6	20/7½	5 17 9
Harrods, £1 ordinary stock...	10	4	5	30/-	3 6 8
Peter Robinson, £1 ordinary shares...	Nil	Nil	Nil	5/3	Nil
Do. £1 7% cum. pref. shares...	7	Nil	Nil	8/9	Nil
William Whiteley, £1 ord. stock...	Nil	Nil	Nil	6/9	Nil
Do. 5% cum. pref. stock...	Nil	Nil	7½	12/6	0 8 0

‡ Ordinary shares held by Harrods Ltd.
 † Not ex dividend.
 ‡ For 18 months ending January 31, 1942.
 * On 1 year's payment.

from £485,609 to £560,120. Tax reserve receives £120,000 against £50,000, leaving equity earnings less than £5,000 higher at £140,120, representing 7.6 against 7.2 per cent. The ordinary payment is raised from 4 per cent, to which it was reduced from 10 per cent in the previous year, to

5 per cent. The transfer to staff funds is £5,000 lower at £25,000 and the carry forward is raised from £201,907 to £206,268. This improvement is not exceptional. D. H. Evans announces net earnings of £94,355 against £85,883, and William Whiteley an increase in the net figure from £60,941 to £107,550. Eighteen months' arrears of dividend have been declared by the latter concern on the 5 per cent cumulative preference stock, leaving gross arrears at £33,750 to January 31st last. Peter Robinson are paying a further six months' arrears on the 4 per cent first mortgage debenture stock to August 1, 1941. The company obtained a three years' moratorium on this liability in March, 1941, but was able last month to declare a six months' payment to February 1, 1941. No profit figure is yet available, but there is good reason to suppose that income exceeds last year's figure of £34,400. The most important factor conducing to the general improvement in the London store earnings has undoubtedly been the cessation of enemy bombing last spring.

A Provincial Contrast

The profits of Lewis's, Ltd., a concern which controls stores in the North and Midlands, show a fall, after deduction of tax, from £928,098 to £793,744 for the year to February 1st last. The directors state that gross profits exceeded those of the previous year and that the whole of the decline is due to higher taxation. There was, however, some loss of potential earnings on account of enemy action in the earlier part of the year. After repeating the allocation of £60,000 for contingencies and taxation and reducing total depreciation transfers from £35,000 to £10,000, the earnings for deferred shares are down from £386,991 to £293,030, representing 249.4 against 369.5 per cent. The directors have reduced the customary 275 per cent dividend to 250 per cent, which is not quite completely covered by earnings. Since there is also a transfer to general reserve of £24,155 against £50,000, the carry forward is reduced from £57,563 to £32,688. The balance sheet shows an ominous drop in the value of stocks from £878,721 to £559,865, accompanied by a corresponding rise in cash holdings from £116,508 to £440,052. It is indicated that investments, with a book value of £456,797 against £482,304, show an unspecified depreciation. Total reserves, before transfers from current profits, amount to £1,930,381 against £1,847,846, while capital reserve is reduced from £255,924 to £171,747 to provide certain war damage contributions. The accounts show that, relatively, the Lewis's group enjoyed a less substantial revival in business last year than did the London stores. This was to be expected, for, having been less severely disturbed by Blitz conditions, the provincial concern stood to profit less from a return to normal. Earnings in the current year are, above all, dependent on the extent to which saleable goods can be secured. The £1 deferred shares are held by Lewis's Investment Trust. The £1, 15 per cent, cumulative preferred shares, at 51s. 3d. ex dividend, yield £5 17s. 0d. per cent.

I. and R. Morley Accounts

Profits of I. and R. Morley, manufacturers and distributors of textile piece-goods, declined in 1941 from £336,206 to £328,869. The accounts show a moderate increase in taxation from £198,099 to £209,268, leaving equity earnings reduced from £82,607 to £65,643. Thus, the ordinary dividend, maintained at 5 per cent, is covered by earnings of 9.6 against 12.3 per cent. The allocation to general reserve is almost halved at £20,000, and the carry forward is some £600 higher at £39,178. The moderate setback to earnings appears to be due as much to the influence of lower profit margins as to the weight of increased taxation. It is probable that turnover was maintained at the maximum possible under clothes rationing. The balance-sheet shows a rise in the surplus of liquid assets from £1,003,029 to £1,067,962. Stocks stand at £559,528, against £603,413, of which £56,916 in the previous year was destroyed by enemy action. Cash holdings are reduced from £391,108 to £267,682, but more than £200,000 has been invested in Government securities, raising the total of this item to £401,033. Creditors and debtors show normal increases, while the total of general reserve, after the latest transfer from profits, stands at £140,000. The accounts as a whole suggest considerable stability of earn-

ing power, even under war conditions, and the margin of cover for ordinary dividends still remains comfortable. The £1, 5 per cent, cum. pref. shares at 21s. 7½d. ex dividend, yield £4 12s. 6d. per cent.

Borax Consolidated Profits

The preliminary statement of Borax Consolidated shows a rise in net profits from £464,148 to £554,996 for the year to September 30th last. This figure is, however, struck before provision for depreciation or taxation so that it is possible that there is a decline in equity earnings from the 9.3 per cent realised last year. Provision for British income tax in the previous year rose from £102,125 to £150,437 and it is certain that the liability must have been higher last year, while the company must also have faced the necessity of meeting war damage contributions. The dividend on deferred capital is maintained at the 7½ per cent distributed over the three previous years. It is clear from the preliminary figures that gross profits rose substantially and it may be assumed that the final disappearance of continental markets was compensated by increased sales at home and possibly by an expansion in the output of United States Potash, in which Borax Consolidated is substantially interested. The £1 deferred ordinary stock, at 29s. 9d., yields £5 3s. 5d. per cent.

Rubber Trust

No final dividend is to be paid on the ordinary stock of Rubber Trust for 1941, so that the 3 per cent interim remains the total for the year against 10 per cent in the four previous years. The directors are to be congratulated on making an immediate adaptation to military circumstances in the Far East, despite the fact that net profits, before tax, declined only from £178,446 to £162,310. The free surplus, which amounts only to £45,733, against £106,389, there being presumably a substantial rise in tax liability, is devoted as to £45,000 to raising dividend equalisation account to £50,000, and as to £733 to raising the carry forward to £96,744. The book value of investments at December 31, 1940, amounted to £3,171,295, when market value already indicated a depreciation of £358,897. Since then the further fall must have been very substantial. The company's general reserve stands at £500,000. The distribution of investments as shown in the previous accounts included 48.3 per cent in the Netherlands East Indies, and 28.8 per cent in British Malaya. There are also small holdings in India, Ceylon and the United Kingdom. Clearly there is nothing to be done but to wait for the eviction of the Japanese from British and Dutch possessions. The £1 ordinary stock prior to the announcement stood at 29s. 7½d.

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As at 30th June, 1941:—General Bank Balances ... £130,752,179
Savings Bank Balances ... 150,553,865
Note Issue Department ... 77,144,818
Rural Credits Department ... 2,389,454
Other Items ... 19,795,546
£380,635,862

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Tanga
Tanganyika Territory
Delhi
Kandy
Karachi
Lahore
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Mandalay
Nuwara
Eliya
Rangoon
Tuticorin
Zanzibar
Kisumu
Mombasa
Nairobi
Entebbe
Jinja
Kampala
Kenya Colony
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Uganda

SUBSCRIBED CAPITAL ... £4,000,000
PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,200,000

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AUTHORISED CAPITAL - \$50,000,000
ISSUED AND FULLY PAID-UP - \$20,000,000
RESERVE FUNDS (STERLING CURRENCY) - £6,500,000
RESERVE LIABILITY OF PROPRIETORS - \$20,000,000

Head Office, HONGKONG, temporarily transferred to LONDON OFFICE, 9, Gracechurch Street, E.C.3. Acting Chief Manager: A. MOUSSA.

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J. A. McKillop, Manager

HEAD OFFICE: MONTREAL

Agency in New York

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £74,000,000
CLAIMS PAID EXCEED - £133,000,000

(1940 Accounts)

Industry and Trade

Shipping Losses

In view of the "most serious increase in shipping losses" during the past two months, to which Mr Churchill drew attention in the House of Commons on Tuesday, the need for employing existing Allied tonnage as efficiently as possible and for speeding up their construction programmes has become more vital than ever. British, Allied and neutral merchant shipping losses have been heavy; the total gross tonnage lost through enemy action up to the end of last year, inclusive of merchant ships used as naval auxiliaries, has been estimated by the Chamber of Shipping at 8,600,000, equivalent to 48 per cent of Britain's pre-war sea-going and coastal steam and motor tonnage. True, enemy losses have also been heavy; they have been officially estimated at 5,225,000 gross tons for the same period, exclusive of 496,000 gross tons destroyed by Russia and of 128,000 tons lost by Japan. These losses have weakened the sea communications of Germany and Italy, and, in so far as they represent captures, they provided a slight net addition to Allied shipping. But they have in no sense offset the loss of Allied shipping resources. Allied shipping needs are enormous and growing, and available resources are inadequate for the rapid massing of their full striking power in all the theatres of war. Mr Roosevelt's shipbuilding programme, which was announced on January 6th, and envisages the construction of some 5,000,000 gross tons in 1942 and 7,000,000 tons in 1943, will increase Allied shipping tonnage, even if the average rate of loss of the first twenty-eight months of war continues. But as the present annual rate of output in the United States is probably still well below the 5,000,000 gross ton mark, the possibility of a serious and sustained increase in sinkings during the next few months, when the need for increasing fighting power in distant theatres of war is vital, requires drastic measures and, in particular, the utmost economy in the use of available merchant tonnage. It may be necessary, for example, to cut Britain's food imports, at least temporarily, in order to set free shipping for other purposes. The prospect for the next few months is grim.

Pooling of Allied Shipping

The pooling of shipping controlled by Great Britain and the United States was agreed between President Roosevelt and Mr Churchill on January 15th. The necessary organisation has now been set up, with Admiral Land and Sir Arthur Salter in charge of its American, and Lord Leathers and Mr Averell Harriman of its British, sections. Admiral Land has pointed out in a letter to President Roosevelt that the principal tasks of the new organisation will be to "prepare and maintain currently a full survey of the employment of all tonnage, both in the American and British pools, to make possible economies in the use of shipping by interchange and combined use of resources, and to prepare and maintain a full survey of all shipping requirements."

British Shipowners' Views

While British shipowners are determined to contribute everything in their power towards the attainment of victory, many of them are perturbed about the future of their industry after the war. For example, Mr Philip Runciman devoted a large part of his presidential address at the annual meeting of the Chamber of Shipping on February 26th to post-war problems. In particular, he was concerned with the question of the replacement of tonnage after the war, which the industry will be unable to finance out of its own resources, with the need for a large British merchant marine, and with the possible effect on passenger traffic of an expansion in civil aviation. The annual report of the Chamber of Shipping, issued this week, contains much useful information concerning the effect of the war on shipping and of the various measures taken to improve the position. It records a considerable increase in the speed of the turn-

round of ships at British ports. Like Mr Runciman's address, the annual report is concerned with post-war problems, and it emphasises that the maintenance of private enterprise in shipping "as the first essential to a prosperous and efficient mercantile marine during and after the war"—a proposition which is quite unexceptionable—is the primary objective of the General Council of British Shipping, charged with the formulation of the industry's shipping policy.

Cotton Trade Wages

The pressure for higher wage rates continues unabated in spite of all official exhortations. It is not likely to cease in the absence of the adoption of a national wages policy. All the trade unions in the cotton industry have now applied for a general increase in wage rates. Since the Ministry of Labour's cost of living index has been stabilised and, consequently, has not yielded any more dividends in recent months to cotton operatives whose wage rates are linked to the index, the new application has apparently been made on the ground that their earnings are far below that of munition workers. During a week in July last year, for which the Ministry of Labour collected data on the earnings of workers in the principal industries, the average earnings of adult male cotton operatives were £3 18s. 5d., compared with an average of £4 19s. 5d. for all industries. Women workers in the cotton trade were more than relatively better off, for their average earnings amounted to £2 4s. 7d., against an average of £2 3s. 11d. for all industries. In the metal, engineering and shipbuilding industries the average earnings of men and women were £5 11s. 5d. and £2 8s. 2d. respectively. Unfortunately, the Ministry of Labour's inquiry did not extend to the average number of hours worked, which are believed to be higher in the munitions industries than in the cotton trade. Despite the discrepancy between men's earnings in the cotton and other industries, the relative position of cotton operatives has been improved since 1938; a comparison of weekly earnings during the last pay-week in October, 1938, and the week ended July 12, 1941, shows an increase of 54.3 per cent in those of male cotton operatives, against a rise of 44.1 per cent in the average of all industries. At a meeting between representatives of the Northern Counties Textile Trades' Federation, representing the weaving section of the industry, and the wages committee of the Manufacturers' Association, the former staked a claim for an increase of 2d. per hour, or 8s. per week on the basis of a 48-hour week, in the wage rates of all adult workers. Spinners and cardroom workers have demanded an increase of 16½ per cent on current wage rates. These applications will probably be resisted by the employers' organisations, but a compromise solution seems likely. An increase in costs of production will probably involve a further rise in the prices of cotton textiles to the consumer.

The Tinplate Industry

Eight months have now elapsed since the appointment by the Minister of Supply of a representative committee, under the chairmanship of Lord Essendon, to consider the application of the policy of concentration to the tinplate industry, and four months have passed since that committee sent its report and recommendations to the President of the Board of Trade. It is reported that no steps have yet been taken to give effect to those recommendations. Manufacturers have apparently not been able to agree among themselves about the extent to which redundancy exists, or the basis of compensation for scrapped mills, and the Government Departments concerned seem to be less persuaded now than they were last July of the urgency of the need for action. The labour employed in the industry has already been automatically reduced under the pressure of economic forces and Government restrictive measures, its capacity has been adjusted to wartime tinplate requirements, and arrangements have been made governing the relations of the British and United States tinplate manufacturers in the conduct of the tinplate export trade. It is to be hoped, however, that short-term considerations will not be allowed

delay the preparation of plans for the modernisation of the industry. It can have little hope of retaining its competitive position unless it is brought up to date.

Rise in Agricultural Prices

The implications of the increase in the prices of farm products announced on January 20th in compensation of the rise in minimum agricultural wages from £2 8s. to £3 per week are discussed on page 281. The accompanying table provides a rough indication of the rise in prices since 1939. The prices to be paid to farmers for this year's cereal crop are not much higher than those paid for last year's harvest, but they are substantially above the pre-war level. The new wheat prices, for example, are three times as high as in 1939, and those of millable oats have

PRICES OF IMPORTANT COMMODITIES (b)

	1939 (Average Prices)	Current Prices	New Prices (1942 Harvest)
Wheat, millable per cwt.	s. d. 5 2	s. d. 14 6	s. d. 16 0
Oats "	7 4	13 9	14 9
" feeding "	(a)	13 6	14 6
Rye "	(a)	14 6	15 6
Barley, malting "	6 9	65s.-75s.	To be ann'ced
" feeding "	(a)	13 6	14 6
Potatoes per ton	82 6	110s.-140s.(c)	+5s. (approx.)
Sugar beet "	46/3-48/3	61s. 6d.-63s. 6d.	81s.-85s.
Wool "	105	164/-255/-	+2d.
Pigs, baconers per lb.	13 3	16s.-20s.	+1s.
" porkers "	14 7	15 0	Unchanged
" sows "	10 6	A 36 8 B 34 2	+10d.
Eggs, 1st & 2nd qual., per long 100	15 9		

(a) Not available.

(b) Comparisons are approximate.

(c) Prices vary according to grade and district.

been doubled. The new price of malting barley is yet to be announced, but this grain has already risen sky-high in price in the absence of control. The price of sugar beet for the 1942 crop, which was announced on December 12th, is also substantially higher than before the war. Cattle, sheep and lamb, and pig prices have also been raised to yield a higher average return; but in view of the many variations in grade and other adjustments it is not possible at this stage to compare the average prices likely to be received in 1942 with those obtained in 1939. The new milk prices have not yet been announced.

Substitute for Tungsten

As the Allies have lost some of their Far Eastern sources of supply of tungsten, the important steel alloy metal, and are faced with the possibility of losing others, its use must in future be confined to purposes for which no efficient substitute is available. Fortunately, there is another metal, molybdenum, which, for many purposes, can be substituted partly or wholly for tungsten, and which is available in comparatively large quantities to the United Nations. As was pointed out on page 267 of last week's *Economist*, molybdenum will in future be used to a larger extent in the production of high-speed steels. The metal has been known for more than 150 years, but its application in industry had made little progress before the exploitation of the Climax mine in Colorado, which began in 1918. It was in Germany that molybdenum was first used as a substitute for tungsten during the last war, when she was cut off from supplies, but had access to the small molybdenum output of Norway. Her success initiated a period of intensive technical research into the possibilities of using the metal in steel alloys. Among other uses, molybdenum has gained special importance in the manufacture of high-pressure boiler parts, engine blocks and parts, turbines, gun barrels, machine tools, cutting tools and armour-piercing projectiles. Some 95 per cent of the world's total supplies is produced by the United States, which itself contributes as much as 90 per cent. Two-thirds of the output in the United States is produced by the Climax Molybdenum Company from its mines in Colorado; the remainder is a by-product derived from the smelting of copper in Utah, New Mexico and Arizona. There are only three sources of supply of some importance outside the United States; these are in Mexico, whose molybdenum is produced as a by-product in the smelting of copper by the Greene Cananea Consolidated Copper Company, a sub-

sidary of the American Anaconda concern, in Norway, where it is produced by the Knaben mine in Fjotland, and in French Morocco, where a company exploits a deposit in the Azegour district. Small quantities are also produced in other countries, such as Peru, Australia, Burma, Turkey, Roumania and Greece. In recent years world production of molybdenum, in terms of metal, averaged about 16,000 metric tons to which the United States contributed 15,000 tons, Mexico and Norway some 500 tons each, and French Morocco 200 tons. World production of tungsten has been nearly twice as high as that of molybdenum, but it is believed to have fallen below the annual rate of 30,000 tons since the beginning of the war. But as the atomic weight of molybdenum is only about half that of tungsten, its output roughly equals that of the latter in volume.

The Imperial Institute

The annual report of the Imperial Institute for 1941 shows that, in spite of many difficulties, its scientific departments dealing with plant and animal products and with mineral resources continued to do useful work. In particular, they have carried out valuable investigations into the use of materials for the purposes of the war. For example, of eight samples of manganese ore submitted from the Gold Coast to the Mineral Resources Department, three were found to be representative of ores suitable for the production of good quality ferro-manganese. Again, the Department's services have been utilised for the purpose of finding substitutes for scarce materials. It has been successful in discovering an adequate substitute in South Africa for American asbestine, a fibrous talc powder used as a filler in rubber and in certain types of paint which it has been difficult to secure. It has also been able to assist a concern interested in the recovery of oil from waste products, such as oil-rags, and dependent on a now almost unobtainable filtration agent of foreign origin, to replace it by a domestic product. In view of the need for additional sources of supply of a number of essential raw materials, the experience of the technical sections of the Imperial Institute should continue to prove of material assistance to the Government and industry.

Textile Exports

Returns of the volume of exports of cotton and rayon yarn and fabrics for 1941 show that, compared with 1939, shipments of cotton yarn fell by 75 per cent and those of rayon yarn rose by 202 per cent. In piece-goods there has been the same tendency; exports of cotton piece-goods are down by 44 per cent, while those of rayon piece-goods are up by 58 per cent. Rayon exports in both yarn and piece-goods were higher in 1941 than in any previous year. There are several explanations of these divergent trends. Exports of rayon in all forms before the war was very small owing to the severe competition of the three Axis countries. The exclusion from the world markets of Germany, Italy and, more recently, Japan, has benefited rayon more than cotton. Again, a large part of the cotton export trade, particularly in yarns, was done with the Continent of Europe, whilst rayon exports went primarily to markets which for a long time were scarcely affected by the war. The supply of raw materials at the outbreak of war was probably better in the rayon than in the cotton trade. Moreover, rayon was not in demand for service requirements and for reasons both of foreign exchange and shipping space it was regarded as an ideal form of export. Finally, the general movement in favour of the newer synthetic fibres has continued, even though the war has upset all normal calculations. The prospective volume of rayon exports, however, will be conditioned, not so much by marketing possibilities, as by the supply of materials, labour and shipping space.

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

COMPANY MEETINGS

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

DISTRIBUTION OF 17½ PER CENT. (TAX FREE)

PROBLEMS OF DISTRIBUTION AND SUPPLIES

LORD DULVERTON'S STATEMENT

The annual general meeting of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held, on the 24th instant, at Bristol. Lord Dulverton (the chairman) presided.

The following is an extract from the statement of the chairman, which was circulated with the report and accounts:—

On the assets side of the balance-sheet the first variation of any moment is in stock-in-trade, at approximate cost, and advances to leaf-buying branches abroad, which is less than last year's figure by £3,253,780. Last year, however, as the wording then stated, this item included "estimated amounts recoverable under war risks insurance policies in respect of leaf damaged or destroyed." During the past year our claims have been formulated and the net amount still due comes under the heading of debtors and not stock. It would, of course, be contrary to public policy to state the sum involved, but I may say that it is substantial. As regards our stock of tobacco, there was a considerable decrease in stocks of leaf in bond, largely offset as regards sterling value by an increase in factory stocks, on which, of course, duty at the present very high rates has been paid. I shall have more to say about the company's leaf position later.

Debtors you will find are higher by £3,765,232. This is partly due to the fact that as our trade increases the balance due from our trade debtors increases, and partly to the transfer referred to above.

Government and other securities show an increase of £1,544,435, due entirely to an increase in the amount of Government securities held as compared with the position held at October 31, 1940.

LIABILITIES

Deposits by and current accounts with subsidiary and associated companies show an increase of £749,620, due mainly to the fact that some of our subsidiaries, through such causes as, for example, the holding of smaller stocks, found themselves with further surplus cash, which they deposited with the parent company.

Creditors, provision for income-tax and other taxation and bonus to customers, and other provisions as set out in the balance-sheet, amount to £30,362,592, an increase of £1,951,789. The increased provisions that we have had to make for taxation more than account for this increase. We have paid very substantial sums on account, and adequate provision for all liability under this heading to October 31, 1941, has been made.

The general reserve is increased by £500,000 transferred from the profits of the year under review, and now stands at £9,000,000.

PROFITS AND DIVIDEND

The net profit for the year shows a figure of £7,981,241, a decrease of £991,587. After providing £10,000 for directors' fees and transferring £500,000 to general reserve account, there remains a balance of profit for the year of £7,471,241.

It is now proposed, subject to your approval, to declare a final dividend of 7½ per cent. and a bonus of 2½ per cent., both free of income-tax, making a total distribution for the year of 17½ per cent., free of income-tax.

The balance remaining to be carried forward to the accounts for the current year is £1,666,436, which is about £45,000 more than the amount brought in at the commencement of the year.

The free-of-tax dividend is 2½ per cent. less than last year, but the gross dividend is substantially the same. I think you will agree that this is a satisfactory outcome of a difficult year's trading.

DISTRIBUTION

At this time last year the smoking public were going through a period in which supplies of cigarettes and tobacco were becoming

increasingly difficult to obtain. It was soon apparent that this was no temporary phase due to transport difficulties, etc., but a very genuine shortage due to the increased level of demand. In April of last year the Government decided to release more leaf tobacco from bond, and since then we, in common with other manufacturers, have been supplying a greater volume of goods than ever before in the history of the trade. There is still a limit to permitted deliveries, but the limit has been fixed by the Government at a level which nearly, if not quite, satisfies public demand. The acute shortage, to which some of you may remember I drew attention in a broadcast speech last summer, has been replaced, not by a period of plenty—but by one in which smokers generally can obtain as much to smoke as can reasonably be expected in these times of stringency.

CURRENT TRADE AND PROSPECTS

The dominant note of my remarks last year was anxiety about future supplies of leaf tobacco—in particular, that important part of it which comes from the United States of America. It would be a mistake to pretend that that anxiety no longer exists, but it has certainly been to some extent allayed by the action of the US Government in including tobacco in the commodities now sent to this country under the Lease-Lend arrangement. Shipments of US leaf are now made to HM Government, who in turn sell them to manufacturers for payment in sterling. Under this plan the question of providing dollar exchange does not arise, and so long as other urgent calls on shipping space admit of sufficient tobacco being included we can look forward to the future with greater confidence. The manufacturers and the smoking public of the country are indebted to the US Government for their generous action in initiating the Lease-Lend arrangement.

Besides USA tobacco, we use—as I have frequently told you—an important amount of tobacco grown in the Empire. The principal tobacco-growing countries of the Empire—Canada, Rhodesia, Nyasaland and India—have succeeded in spite of wartime difficulties in growing very useful crops, and here, again, provided adequate shipping is available, we may hope for a steady maintenance of supplies.

During the year the effects of the war on the tobacco trade have been noticeable in many other ways. The greater scarcity of packing materials—paper, cardboard, tin, etc.—has resulted in the simplification of the number and form of our packings and the continual search for more economical forms of packing. The problems of industry in war-time are very different from those in time of peace. In the latter it is the aim of the manufacturer to pack his goods in the most attractive form—in war-time the problem is to turn out the goods at all, and to overcome the innumerable difficulties arising out of the scarcity of some materials, the intervention of the various Controls, and the ever-growing shortage of labour.

It has been the policy of your company—and I think I may say of the tobacco trade as a whole—to give HM Government our wholehearted support in carrying out the measures that they deem necessary. Difficulties, and very serious difficulties, were bound to arise, but our task has been made easier by the wisdom and understanding of the Tobacco Controller. The tobacco trade may consider itself fortunate in having as Controller a man with a life long knowledge of the trade, and a readiness to take into account all sides of a question.

Proposed by the chairman, and seconded by Mr G. A. Fall the resolutions proposing the adoption of the report and statement of accounts and the resolutions declaring the dividends were passed unanimously.

TEMPERANCE PERMANENT BUILDING POWER SECURITIES CORPORATION, LIMITED

RESERVES STRENGTHENED

The 88th annual meeting of the Temperance Permanent Building Society was held on Wednesday, 25th inst., in London.

Mr Cyril W. Black, FSI, FAI (the chairman), in the course of his speech, said: The year which has recently closed has witnessed a continuation of the process of adjustment to new conditions brought about by the war, and it is doubtful whether, in all its long history, the society has ever faced a year more fraught with complexity. Nevertheless, we have come through it with our essential strength not only unimpaired but actually increased.

The balance on profit and loss account available for appropriation is £128,390 compared with a figure in the previous year of £146,062. It is not necessary to look far for the causes of the reduction of nearly £18,000 in this balance. The amount payable for income tax shows an increase of nearly £14,000, and we have incurred special expenditure of a non-recurring nature as a direct consequence of war conditions of over £5,000. These two items alone more than cover the reduction in the profit.

The balance sheet shows an improved position both in regard to reserves and liquidity. Our reserves consisting of general reserve fund, contingency fund and carry forward now amount to a grand total of over £1,070,000, an increase of over £13,000 on the previous year. The ratio which our reserves bear to the aggregate of our share capital and deposits has risen to approximately 21.65 per cent. This ratio is higher than ever before and much in advance of the reserve position of any other large building society.

NEW RATES OF INTEREST

During the year we have been compelled to give notice of a further reduction in the rates of interest payable to investors, the new rates taking effect from October 1st last. Shareholders who invested prior to 1931 now receive 2½ per cent interest, while subsequently issued shares earn 2½ per cent. Depositors receive 2½ per cent. All these rates are free of income tax to the recipient. These reduced rates were rendered necessary by two main causes: (1) The increased liability of the society for income tax and (2) the new liability for contributions under the War Damage Act.

I am glad to be able to repeat the assurance I have given in previous years that our borrowing members are, on the whole, continuing to honour their obligations satisfactorily. In cases of genuine difficulty brought about by war conditions we have temporarily reduced or suspended capital repayments, while in cases where properties have been rendered uninhabitable through enemy action we have been happy to grant the utmost relief pending settlement of claims.

The report was unanimously adopted.

MERLIMAU PEGOH, LIMITED

The thirty-first ordinary general meeting of Merlimau Pegoh, Limited, was held, on the 18th inst., in London, Major W. M. Sime, OBE, JP (the chairman), presiding.

The following is an extract from the chairman's review, which was circulated with the annual report and accounts:—

Recent unfortunate events in Malaya have seriously affected our company. We have been deprived, for the present, of all our estates. It was in order to lessen the inconvenience to shareholders which the late presentation of the accounts might cause, that the directors decided to declare a second interim dividend of 6 per cent, making 10 per cent for the year. We have added £2,000 to the general reserve account and transferred the £20,000 which stood at the credit of the special cultivation reserve account to the investment and contingencies reserve account, making the latter £40,000. We have provided £10,000 for deferred replanting. Before the invasion of Malaya took place your directors had decided to limit their replanting programme owing to shortage of labour in the East and because of the need to produce as much rubber as possible. To what extent it may be necessary to adopt a much more comprehensive programme after Malaya has been freed from the enemy it is, of course, impossible to say.

The report and accounts were unanimously adopted.

PROFITS MAINTAINED

The nineteenth annual general meeting of the Power Securities Corporation, Limited, was held, on the 25th instant, in London.

Mr William Shearer, the chairman, after expressing sorrow at the death of Mr George Balfour, the late chairman, said that their profits had maintained more or less the same standard as in the previous year and, while it was idle to prophesy in abnormal times like the present, they could say that, subject to no unforeseen contingencies, the business in hand should enable them to maintain a fairly level keel during the current year. The work completed by Balfour, Beatty and Co. in 1941 was of considerable volume. The work in hand at present was well up to their average standard and would keep them fully occupied for a considerable time.

Notwithstanding the troubles in Iraq during May and June, their staff had come through their ordeal safely, and by arrangement with the Government and the Consulting Engineers they had been able to recommence part of the works in July. Progress had been good and they anticipated the completion of the essential portion of the contract early in the current year. A section of the works, by arrangement with the Consulting Engineers and the Government, had been suspended.

In order to compare the profit with the 1940 figure, the income tax, amounting to £57,559, must be deducted from the year's profit of £124,679, which this year was shown gross. The result was £67,120, which compared with the previous year's figure of £69,027. Administration and general expenses amounted to £13,885 against £18,853, a reduction of approximately £5,000, accounted for by an all-round saving in expenses and bank interest. The balance carried to the balance sheet was £52,035 against last year's figure of £48,973, a net increase of £3,062.

The chairman made reference to the excellent work carried out during a difficult year by the staff at home and abroad and also to the large number of employees serving in HM Forces.

The report was unanimously adopted, and the proposed dividend of 6 per cent. was approved.

F. W. WOOLWORTH AND COMPANY, LIMITED

SATISFACTORY RESULTS

The thirty-third annual general meeting of F. W. Woolworth & Co., Ltd., was held, on the 20th instant, in London, Mr W. L. Stephenson (the chairman) presiding.

The following are extracts from the chairman's statement which was circulated with the report and accounts: The company produced a profit of £6,404,759 for the year 1941, a fall of £1,553,400 compared with the previous year. The recommended final distribution is down by 6d. per unit. I would remind stockholders that a year ago I ventured the opinion that increased war activity would bring new difficulties and further restriction. It has, and that is the reason for both reduced profits and lower dividend.

Last year was a most difficult one for the retail trader. All, large or small, faced the same limitation of supplies: all were affected by the widening of consumer rationing, further depletion of staff, contraction of selling space, etc.

In view of all this I look upon the result of the company's trading for 1941 as most satisfactory. Substantial sums have been written off profits for the year, many of them of a nature peculiar only to war conditions. For instance, War Risk Insurance on Merchandise amounts to £229,544, firewatching and ARP expenditure cost £264,742, contributions to our men in the Services run into six figures.

The figure provided for taxation on the profits of the company for 1941 at £3,557,205 is considerably lower than the provision for the previous year owing to the heavy reduction in the sum required to meet excess profits tax for the year under review.

As the war continues it is to be expected that there will be further diminution in consumer supplies, causing contraction in the business of retail distribution, and this company, in common with other retailers, will have to face up to it. Our main effort will be directed towards protecting the company's goodwill and resources, with the hope that when our people return from their service to fill their jobs again we shall have preserved the organisation so well that there will be plenty of outlet for their energies.

The report was unanimously adopted.

THE STERLING TRUST

SATISFACTORY RESULTS

The twenty-fifth ordinary general meeting of the Sterling Trust, Limited, was held, on the 24th instant, at the offices of the company, 310 Gresham House, Old Broad Street, London, E.C.

Mr Richard S. Guinness, chairman of the company, who presided, in the course of his speech said: As was anticipated at our last meeting, we have suffered varying fortunes in the past year.

Our investments in this country and the Empire which, on the basis of the valuation referred to in the report amount to over 82 per cent. of the total, have not only maintained their average value but have shown a welcome appreciation and produced 77 per cent. of our total revenue. I wish I could give an equally satisfactory account of our holdings in other parts of the globe. On present-day valuation a considerable depreciation is evident, and owing to widespread defaults the contribution to our revenues is disproportionate. We have suffered a further reduction in revenue by sales under Government requirements of USA holdings, which now represent under 2 per cent. of our invested funds.

Notwithstanding these difficulties, we are able to report that our "overall" depreciation is reduced to 7 per cent. after allowing for reserve and carry forward, as compared with 16 per cent. in 1940. Our holdings in German issues have been valued at nil. Gross revenue shows a decline of £25,949 and there remains, after income-tax provision, a balance equivalent to, say, 6 per cent. available for ordinary dividend, and your directors have recommended a total dividend of 4½ per cent. upon the ordinary stock, a reduction of 1 per cent. upon 1940, which we regret, but which the fall in revenue renders inevitable.

We have carried on our work hampered by ever-increasing difficulties in finding remunerative investments to replace realisations and adjustments forced upon us by war-time exigencies; thanks to the energies of our officials and depleted staff we are able to show an average yield of 4½ per cent. upon our invested funds, and we ask you to join the board in appreciation of their activities. I cannot promise that this yield can be maintained, as war conditions must lead us to invest an ever-increasing proportion of our available resources in British Government securities.

The report and accounts were unanimously adopted.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

MARKET sentiment, which displayed a distinct improvement on the news of the Cabinet reconstruction, derived further support from President Roosevelt's speech and the latest Russian successes. Despite the continued Japanese advance, there are indications that the recent downward trend may soon be brought to a close. The early part of the current week has witnessed a revival of enquiry, which is reflected in some substantial marking up, in particular of first-class equities. Re-investment support pending the disbursement of the Canadian and Indian moneys in the gilt-edged market, occasioned daily advances up to ½ in the irredeemable issues during the early part of the week, but purchases of tax certificates led to small declines for short-dated issues. In midweek more subdued conditions left long dated issues generally unchanged. After a general rally in South American issues on the previous Friday, there were few further changes in the foreign bond market early this week, although the 5 per cent China loan of 1912 fell two points on Tuesday. The dividend announcements gave rise to some activity in the home rail market at the end of the previous week, when GW ordinary lost 1½ and London Transport "C" stock 1½ points on the disappointing payments. Some scattered realisations were effected at the ex-dividend prices at the re-opening, but, later, junior issues displayed a steady tendency. Senior stocks remained steady until midweek, when preference issues were generally sold. Conditions were dull immediately before and after the weekend in the foreign rail market, senior Argentine issues falling sharply, but the market became steadier on Tuesday, recovering sharply in midweek.

The dull conditions of the last few weeks in the industrial market gave way to a distinctly better tone at the end of the previous week, although the volume of actual business was by no means large. Brewery shares reflected the demand for leading equities, and substantial improvements were well spread over leading issues. In the motor and aircraft group, prices were generally steady until Tuesday, when a number of improvements were recorded, Ford Motors rising 1s. among other gains. The slight advance in the heavy industrial group on the previous Friday gave way to some irregularity and later prices were depressed by the Dorman Long results. Shipping shares were depressed on Monday, but there was a modest rally the next

day, while the report of the Chamber of Shipping occasioned a further improvement in midweek. Some irregularity at the re-opening among textile issues was followed by a general recovery the next day. Tobacco shares, in particular Imps, were persistently firm. In the miscellaneous market, Murex eased ½ on Monday, when Turner & Newall advanced the same amount, while the following day, Brazil Traction and International Nickel rose ½ and ¾ respectively. In contrast to other sections, prices of leading equities continued to advance in midweek.

The earlier steadiness in the kaffir market was not maintained at the re-opening, war reports proving an unsettling factor. Cape selling was light, although Sallies and West Wit. Areas both lost ½, among other losses of ½. President Roosevelt's speech provided some encouragement the next day, but the improvement was insufficient to wipe out the previous day's losses. Later, the market was subdued by the announcement of higher Union taxation. The tin market was generally inactive, and the trend mainly was downward. Turnover in the rubber market was slight. After displaying some steadiness at the re-opening, prices resumed their downward trend, although some enquiry for cheap stock was noted in midweek. Tea shares also reflected selling in the early part of the week. A sharp rally in the oil market on bear covering purchases was witnessed at the close of the previous week, Anglo-Iranian rising ¾, Burmah ¾ and Shell ¾. Some speculative selling at the re-opening occasioned small losses for the leaders, but with the improvement in sentiment the next day, these losses were more than recovered. Burmah Oil was sold in midweek as the threat to the company's refineries became more pronounced.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Feb. 19.....	3,204	2,486	76.1
" 20.....	2,974	2,212	76.3
" 23.....	3,100	2,313	76.4
" 24.....	2,859	2,955	76.8
" 25.....	2,723	2,307	77.2

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 76.1 (Feb. 19). 20 Fixed Int., 1942; highest, 133.8 (Feb. 4); lowest, 132.2 (Jan. 5).

New York

REPORTS of the stubborn Dutch resistance off Bali assisted sentiment on Wall Street before the weekend, prices moving within narrow limits, with slight support for rail

and industrial issues. President Roosevelt's speech on Monday fully offset the later adverse news from the S.W. Pacific, and a firmer tendency was apparent when the markets resumed business after the holiday. Lack of further incentive in midweek, however, gave rise to an easier trend.

New York Prices

STANDARD STATISTICS INDICES

(1935-36=100)

WEEKLY AVERAGES

	1942	Feb. 11, 1942	Feb. 18, 1942	Feb. 25, 1942
	Low	High	Low	High
347 Industrials.....	69.5c	75.0	74.0	71.0
32 Rails.....	66.9a	71.0b	71.0	67.0
40 Utilities.....	64.0	67.4a	66.0	64.1
419 Stocks.....	68.5c	73.3	72.6	69.6
Av. yield*.....	8.00%	7.65%	7.69%	8.00%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4. (c) Feb. 18.

DAILY AVERAGE OF 50 COMMON STOCKS

	Feb. 12	Feb. 13	Feb. 14	Feb. 16	Feb. 17	Feb. 18
(a)	86.2	86.7	86.4	84.7	84.5	84.5

1942 High: 91.2, Jan. 5. Low: 84.5, Feb. 18.

Total share dealings: Feb. 19, 350,000; Feb. 20, 330,000; Feb. 21, 210,000; Feb. 23, Washington's Birthday; Feb. 24, 390,000; Feb. 25, 340,000.

* Two-hour session.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
February 28, 1942			
Particulars of Government issues appear on page 305.			
Year†	Including Conversions	Excluding Conversions	
1942.....	191,166,987	187,154,288	
1941.....	198,682,618	198,682,618	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign
1942.....	186,959,608	178,320	25,000
1941.....	196,133,515	2,549,103	25,000

Nature of Borrowing (Conv. Excl'd.)

Year†	Deb.	Pref.	Ord.
1942.....	186,071,079	82,029	1,011,800
1941.....	196,133,515	8,541	2,180,563

† Includes Government issues to Feb. 17, 1942, only. Above figures include all new capital in which permission to deal has been granted.

(Continued on page 307)

GOVERNMENT RETURNS

For the week ended Feb. 22, 1942, total ordinary revenue was £65,146,000, against ordinary expenditure of £99,200,000, and issues to sinking funds of £115,000. Thus, including sinking fund allocations of £9,096,701, the deficit accrued since April 1st is £2,412,245,000 against £2,172,528,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1, 1940, to Feb. 22, 1941	April 1, 1941, to Feb. 21, 1942	Week ended Feb. 21, 1942	Week ended Feb. 21, 1941
ORDINARY REVENUE					
Income Tax	756,000	430,467	643,398	27,098	38,585
Sur-tax	80,000	61,877	62,167	3,490	3,050
Estate, etc.	82,000	69,274	79,096	1,687	1,800
Duties	14,000	12,108	12,163	730	1,050
N.D.C.	210,000	21,005	18,956	460	370
E.P.T.	1,000	58,302	219,424	1,980	4,640
Other Ind. Rev.	1,000	689	657	10	130
Total Ind. Rev.	1143,000	653,722	1,035,861	35,515	49,625
Customs	310,700	274,024	327,780	7,474	10,096
Excise	266,660	177,800	294,100	2,290	3,400
Total Customs & Excise	577,360	451,824	621,880	9,764	13,496
Mot. Duties	39,000	37,356	37,003	...	...
P.O. (Net Receipts)	3,300	10,750	13,050	750	150
Crown Lands	1,100	980	830	...	...
Receipts from Sundry Loans	2,600	1,892	3,078	248	...
Miscell. Receipts	20,900	24,825	73,431	500	1,875
Total Ord. Rev.	1786,360	1181,349	1785,132	46,577	65,146
SELF-BALANCING P.O. & Broadcasts	99,346	79,100	90,650	2,000	2,150
Total.....	1885,706	1260,449	1875,782	48,577	67,296

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Estimate, 1941-42	April 1, 1940, to Feb. 22, 1941	April 1, 1941, to Feb. 21, 1942	Week ended Feb. 21, 1942	Week ended Feb. 21, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	219,353	240,280	...	12,481
Payments to N. Ireland	9,200	7,343	6,988	...	...
Other Cons. Fnd. Serv.	7,800	7,052	7,497	...	95
Total.....	272,000	233,748	254,765	...	12,576
Supply Services	44,957	51,122	53,551	77,350	86,624
Total Ord. Exp.	470,957	334,977	418,281	77,350	99,200
SELF-BALANCING P.O. & Broadcasts	99,346	79,100	90,650	2,000	2,150
Total.....	480,303	342,077	427,893	79,350	101,350

After decreasing Exchequer balances by £27,163 to £2,688,391, the other operations for the week (no longer shown separately) raised the gross National Debt by £35,273,311 to about £13,776 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	200
Overseas Trade Guarantees	25
War Damage Act.....	1,306
Total.....	1,531

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Feb. 21st and Feb. 27th. (Figures in brackets are par of exchange.)

United States	Canada	India	Rupee	Per cent.
1.00-03	4.863	4.021-03	17.85	17.85
1.00-03	4.863	4.43-47	17.85	17.85
1.00-03	4.863	4.43-47	17.85	17.85
1.00-03	4.863	4.43-47	17.85	17.85
1.00-03	4.863	4.43-47	17.85	17.85
1.00-03	4.863	4.43-47	17.85	17.85
1.00-03	4.863	4.43-47	17.85	17.85
1.00-03	4.863	4.43-47	17.85	17.85
1.00-03	4.863	4.43-47	17.85	17.85
1.00-03	4.863	4.43-47	17.85	17.85

Fixed Rates for Payment at Bank of England for Cheques.—Spain, Peseta (25-22) 40-50 (Official rate); Italy, 11.86 lire.

Finance

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Public Depts.	Bank of England	
1941				
Feb. 22	845.0	1369.4	165.5	355.0
Nov. 15	975.0	Not available	Not available	2734.9
" 22	975.0	1575.0	128.9	3428.1
Dec. 6	975.0	Not available	Not available	
" 13	975.0	"	"	
" 20	975.0	"	"	
" 27	2547.0	186.3	166.0	3610.8
1942				
Jan. 10	975.0	Not available	Not available	
" 17	970.0	"	"	
" 24	960.0	"	"	
" 31	945.0	1584.0	191.0	3493.7
Feb. 7	930.0	Not available	Not available	
" 14	915.0	"	"	
" 21	905.0	"	"	

TREASURY BILLS

Date of Tender	Amount	Average Rate of Allotment	Per Cent. Allotted
	Offered	Applied for	Min. Rate
1941			
Feb. 21	65.0	139.1	65.0
Nov. 28	75.0	174.6	75.0
Dec. 5	75.0	172.1	75.0
" 12	75.0	155.7	75.0
" 19	75.0	133.2	75.0
" 26	75.0	146.7	75.0
1942			
Jan. 2	75.0	157.8	75.0
" 9	75.0	161.6	75.0
" 16	75.0	143.2	75.0
" 23	65.0	142.9	65.0
" 30	65.0	144.6	65.0
Feb. 6	65.0	148.6	65.0
" 13	65.0	139.9	65.0
" 20	75.0	153.7	75.0

On February 20th applications at £99 15s. 1d. per cent for bills to be paid for on Monday, Thursday, Friday and Saturday of following week were accepted as to about 31 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 1d. for bills to be paid for on Wednesday, and at £99 15s. 2d. for bills to be paid for on Tuesday, were accepted in full. £75 millions of Treasury bills are being offered on February 27th. For the week ending February 28th the banks will be asked for Treasury deposits to a maximum amount of £20 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Jan. 13.....	4,090	2,250	7,853	7,220
" 20.....	3,757	1,777	11,835	7,742
" 27.....	4,021	2,070	8,485	10,308
Feb. 3.....	4,649	2,388	9,536	7,765
" 10.....	5,003	3,780	9,182	18,260
" 17.....	5,816	3,700	11,362	9,546
" 24.....	...	...	11,294	13,035
Totals to date.....	457,220	397,726	617,322	252,849

* 117 weeks. † 60 weeks. ‡ 20 weeks. † Including Series "A" and "B." Interest free loans received by the Treasury up to Feb. 24th amounted to a total value of £44,373,207. Up to Jan. 31st, principal of Savings Certificates to the amount of £55,322,000 has been repaid.

Market Rates.—The following rates remained unchanged between Feb. 21st and Feb. 27th.
Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-2. China. National \$ 21-3½.
Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.
Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 3 cent pm-par. Canada. 4 cent pm-par. Switzerland. 3 cent pm-par. Sweden. 3 ore pm-par. Dutch East Indies. 1½ cents pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Feb. 21st and Feb. 27th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months 1½%; 6 months, 1½%; 9 months, 1½%; 12 months, 1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%; 6 months, 1½%; 9 months, 1½%; 12 months, 1½%. Day-to-day money, 1½%; Feb. 21, 2½%. Short Loans, 1½%. Bank deposit rates 1½%. Discount deposit at call 1½% at notice 1½%.

BANK OF ENGLAND RETURNS

FEBRUARY 25, 1942

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt...
In Circulation... 749,571,795	11,015,100
In Bank, Department... 30,669,780	767,181,015
	Other Secs. ... 1,793,688
	Silver Coin ... 10,197
	Amt. of Fid. Issue ... 780,000,000
	Gold Coin & Bullion (at 168s. per oz. fine) ... 241,575
	780,241,575

BANKING DEPARTMENT

Props. Capital	Govt. Secs. ...
14,553,000	161,262,838
Rest. ... 3,449,550	Other Secs. ...
Public Depts. ... 11,486,958	Discounts & Advances ... 4,246,239
	Securities ... 21,491,827
Other Depts.:	
Bankers' ... 136,826,156	25,738,066
Other Acts ... 61,694,526	30,669,780
	Notes ... 339,506
	Gold & Silver Coin ... 218,010,190
	218,010,190

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

COMPARATIVE ANALYSIS

	(& millions)			
	1941		1942	
	Feb. 26	Feb. 11	Feb. 18	Feb. 25
<i>Issue Dept. :</i>				
Notes in circulation	603·2	749·5	748·6	749·6
Notes in banking department	27·0	30·7	31·6	30·7
Government debt and securities	627·0	778·2	778·2	778·2
Other securities	3·0	1·8	1·8	1·8
Silver Coin	0·0	0·0	0·0	0·0
Gold, valued at s. per fine oz. . . .	0·2	0·2	0·2	0·2
	168·00	168·00	168·00	168·00
<i>Deposits :</i>				
Public	14·6	10·2	10·9	11·5
Bankers	121·7	122·3	135·8	136·8
Others	53·0	58·2	51·1	51·7
Total	189·3	190·7	197·8	200·0
<i>Banking Dept. Secs. :</i>				
Government	156·4	157·9	154·9	161·3
Discounts, etc. . . .	3·7	6·7	6·6	4·2
Other	19·0	22·8	22·2	21·5
Total	179·1	177·7	183·7	187·0
Banking depart. res. . . .	28·4	31·1	32·0	31·0
%	15·8	17·5	16·1	15·5
"Proportion"	14·9	16·3	16·1	15·5

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Feb. 22, 1941	Feb. 21, 1942	Feb. 22, 1941	Feb. 21, 1942
Working days:	6	6	44	44
Birmingham	1,860	2,361	14,441	21,961
Bradford	1,740	2,087	16,426	17,822
Bristol	2,038	2,507	14,566	17,328
Hull	517	753	5,400	6,598
Leeds	854	794	8,703	10,810
Leicester	740	870	6,822	7,195
Liverpool	6,057	4,092	42,959	35,798
Manchester	11,834	12,479	92,301	99,137
Newcastle	1,054	1,631	11,103	12,635
Nottingham	399	419	4,098	4,117
Sheffield	590	863	4,601	8,476
Southampton	68	109	803	1,014
12 Towns	27,751	28,965	226,263	242,891
Dublin*	5,613	6,693	45,353	53,211

* Feb. 15, 1941, and Feb. 14, 1942.

OVERSEAS BANK RETURNS

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

	Dec. 9, 1941	Nov. 22, 1941	Dec. 8, 1941	Dec. 8, 1941
ASSETS				
Gold and stg. exch.	11.55	13.85	13.67	13.96
Advances to State	26.84	22.59	23.63	23.06
Investments	3.77	3.84	3.84	3.84
LIABILITIES				
Bank Notes	21.41	22.23	22.71	23.02
Demand liab. : State	6.56	8.04	8.35	9.36
Banks and others	12.77	9.04	9.27	7.36
Reserve to sight liab.	28.3%	35.1%	33.8%	34.5%

SWISS NATIONAL BANK
Million Swiss Frs.

	May 31, 1941	Nov. 22, 1941	Nov. 22, 1941	Feb. 2, 1942
ASSETS				
Gold	2168.3	2604.0	2605.7	3124.1
Foreign exchange	360.6	934.2	936.7	440.6
Discounts, etc.	174.3	95.7	95.7	37.9
Advances	143.8	24.5	26.1	18.7
Securities	86.9	69.9	69.8	68.1
LIABILITIES				
Notes in circulation	2245.6	2136.7	2211.8	2174.0
Other sight liabilities	565.1	251.1	250.5	237.1

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

	Feb. 20, 1941		Feb. 13, 1942	
	1941	1942	1941	1942
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treasury	19,903	20,522	20,530	20,503
Total reserves	20,251	20,883	20,885	20,869
Total cash reserves	339	350	342	352
Total U.S. Govt. sec.	2,184	2,243	2,243	2,250
Total bills and sec.	2,194	2,226	2,255	2,262
Total resources	23,399	24,268	24,195	24,417
LIABILITIES				
F.R. notes in circ.	5,943	8,352	8,422	8,438
Excess nr. bank res.	6,440	3,330	3,360	3,460
Mr. bank res. dep.	14,021	12,849	12,905	13,058
Govt. deposits	479	376	319	264
Total deposits	16,283	14,592	14,533	14,573
Total liabilities	23,399	24,268	24,195	24,417
Reserve ratio	91.1%	91.0%	91.0%	90.7%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	22,140	22,738	22,741	22,712
Treasury & bank currency	3,102	3,259	3,263	3,264
LIABILITIES				
Money in circulation	6,688	11,231	11,319	11,339
Treasury cash and dep.	2,701	2,577	2,513	2,445

BANK OF CANADA
Million Can. \$

	Jan. 22, 1941	Jan. 14, 1942	Jan. 14, 1942	Jan. 21, 1942
ASSETS				
Reserve : Gold	36.3	225.3	228.1	263.6
Other	565.5	571.1	519.8	472.7
LIABILITIES				
Note circulation	344.4	490.2	482.6	478.8
Deposits : Dom. Govt.	26.5	93.4	60.9	44.9
Chartered banks	215.0	200.4	190.7	199.3

* Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

SOUTH AFRICAN RESERVE BANK
Million £'s

	Jan. 3, 1941	Dec. 12, 1941	Dec. 19, 1941	Dec. 24, 1941
ASSETS				
Gold coin and bullion	42.81	45.34	45.08	44.43
Bills discounted	0.77	0.33	0.35	0.32
Invest. and other assets	33.11	60.76	61.41	60.82
LIABILITIES				
Notes in circulation	24.14	26.98	27.75	28.63
Deposits : Government	2.48	18.88	18.43	17.45
Banks	44.89	48.20	48.00	47.15
Others	4.92	7.75	8.18	7.14
Reserve ratio	56.3%	44.8%	44.3%	44.2%

CENTRAL BANK OF ARGENTINA
Million paper pesos

	Dec. 31, 1940	Nov. 30, 1941	Dec. 15, 1941	Dec. 31, 1941
ASSETS				
Gold at home	1,071	1,075	1,075	1,075
Other gold and for. exch.	258	456	464	464
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	395	395	394	394
LIABILITIES				
Notes in circulation	1,224	1,281	1,318	1,350
Deposits : Government	106	207	732	561
Banks	437	502	502	502
Certs. of participation	127	50	50	50
Reserve ratio	75.1%	75.6%	76.1%	75.9%

RESERVE BANK OF INDIA
Million rupees

	Feb. 14, 1941	Jan. 23, 1942	Jan. 30, 1942	Feb. 13, 1942
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	308	322	318	310
Balances abroad	1,659	425	418	452
Sterling securities	1,405	2,456	2,486	2,586
Ind. Govt. rtp. sec.	496	415	415	415
Investments	70	130	134	123
LIABILITIES				
Notes in circ. : India	2,352	3,306	3,332	3,427
Burma	168	221	232	232
Deposits : Govts.	272	149	295	425
Banks	443	380	401	425
Reserve ratio	69.7%	79.8%	80.0%	80.7%

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Dec. 23, 1940	Dec. 1, 1941	Dec. 22, 1941	Dec. 22, 1941
ASSETS				
Gold and English ster.	17.71	19.86	19.96	21.96
Other coin, bullion, etc.	6.52	6.45	6.15	5.79
Call money, London	69.11	35.11	35.79	35.79
Secerts. and Treas. bills	92.49	67.23	69.69	62.33
Discounts and advances	26.68	22.17	22.03	22.33
LIABILITIES				
Notes issued	68.12	76.11	76.61	84.61
Deposits, etc.	127.82	118.58	120.69	131.74

(Continued from page 304)
PRIVATE PLACING

Brush Electrical Engineering Co.—This company has placed privately £50,000 5 per cent cumulative £1 preference stock and £27,000 ordinary stock.

BY STOCK EXCHANGE INTRODUCTION

Howden (James) and Co.—£100,000 4 per cent debenture stock representing a new introduction.

CONVERSIONS AND REPAYMENTS

Amersham Water Company.—The £100,000 outstanding Five per Cent. Mortgage debentures of this company will be paid off at par on June 30, 1942. Holders can renew the debentures for five years on existing conditions, but with a reduction in rate of interest to 4 per cent per annum as from July 1, 1942.

Bolsover Colliery.—This company will redeem on June 30, 1942, the whole of the £40,000 6 per cent debentures outstanding.

Chinese Government 4½ per cent Gold Loan 1898.—£764,850 bonds have been drawn for redemption at par March 1, 1942.

COMMODITY AND INDUSTRY NEWS

Export Licensing.—Under a Board of Trade Order which came into force on February 24th, the control in respect of raw materials manufactured partly from waste is withdrawn and, apart from certain destinations to which the exportation of all goods is prohibited, no licences are now required to export this class of goods.

Cotton.—Although fresh business in the market is limited, there has been a little more activity amongst traders. Greater efforts are being centred on the diversion of goods bought for the Far East to other markets. Much satisfaction has been expressed at the announcement by the Cotton Board that applications may be made for the transfer of any outstanding market provided to Empire and Allied countries provided that the applicant already has a basic allocation for the market concerned. Further developments in connection with the claims of the operatives for increased wages have caused little interest, as it is settled by arbitration. Yarn supplies show a slight improvement as a result of the overtime being worked in the mills, but certain counts and qualities remain scarce. According to some reports, future supplies of raw cotton are not likely to be quite so satisfactory as was generally hoped at the beginning of the year.

Unrationed Foods and Canteens.—The Ministry of Food has announced an amendment of the priority arrangements for the supply of certain unrationed foods in industrial canteens and other priority establishments, which will come into force on March 9th. All canteens serving workers in industrial undertakings which have been classified in Category A or B of the Industrial Group for obtaining the benefit of the priority arrangements, the foods covered by the priority scheme are biscuits, cake and flour, confectionery, cocoa powder, starch food powders, sugar and priority beverages (fruit juices, non-alcoholic cordials, etc.), coffee essence and foods and sugar confectionery. The group vary according to a prescribed scale.

Trading With The Enemy.—The Chancellor of the Exchequer and the President of the Board of Trade have appointed Mr. S. Gregory, CB, to be Controller-General of the Trading With The Enemy Department. This department was formerly called the Trading With The Enemy Branch, and is a joint department of the Treasury and the Board of Trade. The Board of Trade announce an Order, containing 520 additions to the "black

Shorter Comments

British-American Tobacco.—The second interim for 1941-42 amounts to 2.08 per cent, tax free, the same as the first interim. Total payment to date at 4.16 per cent, free of tax at 9s. 1d., compares with 7.5 per cent, free of tax at 7s. 4d., for the same period last year.

Hiram Walker Gooderman and Worts (Can. \$000s).—Consolidated profit quarter ended Nov. 30th \$3,984 (\$3,012), other income \$86 (\$39). Depreciation \$243 (\$206), debenture interest \$280 (\$130), bank interest, etc. \$45 (\$9). Tax provision \$1,887 (\$1,111), net profit \$1,614 (\$1,595), equal, after pref. divs. to \$2.03 (\$2.01) per common share.

British Linen Bank.—Net profits after tax for year ended Jan. 15th, £204,283 (£231,684). Contingency res. £50,000 (£75,000), depreciation nil (£10,000), property reserve £25,000 (nil). Div. (less tax) £100,000 (£115,000), carry fwd. £99,455 (£100,172).

Peruvian Corporation, Ltd.—Gross traffic receipts for Jan., 1942, £80,429 (£67,820),

aggregate receipts since July 1st £512,971 (£461,145).

Leicester Permanent Building Society.—Total assets on Dec. 31st £16,593,245 (£16,511,014). Cash £806,086 (£730,166). Total number of mortgages 31,294 (31,966), totalling £14,089,525 (£14,829,094). Paid-up shares £12,203,466 (£12,077,563). Subscription shares £915,166 (£921,803). Deposits and loans £2,009,822 (£1,970,523). Income-tax £162,000 (£260,000). Interest to shareholders £367,328 (£422,812). Forward £28,640 (£21,284). General reserve £1,150,000.

Northampton Town and County Benefit Building Society.—Total assets on Dec. 31st £8,175,078 (£7,727,572). Shareholders' credit balances £6,009,523 (£5,719,162). Due to depositors £1,577,548 (£1,447,009). Owing by mortgagors £5,383,638 (£5,814,607). Income-tax liability £89,738 (£61,916). To reserves £35,000 (£15,000), making total reserves £560,000 (£525,000).

San Francisco Mines.—Operating profit year ended Sept. 30th £156,721 (£22,232), mining revenue £638,453 (£493,117), less costs and expenses £481,732 (£470,855). Net profit after tax, depreciation, etc., £108,612 (Dr. £15,845). Div. 7½ (nil) per cent.

mines by a National Coal Board. The Coal Board is proposed as an alternative to nationalisation, and the Government, owners and miners would be represented on it. The National Council of Labour is to discuss the plan with the Secretary for Mines and other interested persons.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)					
	Feb. 1942	Feb. 1942	Feb. 1942	Feb. 1942	Feb. 1942
Crops	116.4	116.4	116.4	116.4	116.4
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	141.8	141.8	141.8	141.8	141.8
"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)					
	Mar. 31, 1937	Aug. 31, 1937	Feb. 1941	Jan. 1942	Feb. 1942
Crops	147.9	92.2	103.1	116.6	116.4
Raw materials	207.3	122.9	171.0	172.7	172.7
Complete Index	175.1	106.4	132.7	141.9	141.8

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)					
	Mar. 31, 1937	Aug. 31, 1937	Feb. 1941	Jan. 1942	Feb. 1942
Cereals and Meat	93.0	66.9	97.3	106.2	107.2
Other food	70.4	61.1	90.8	99.0	99.0
Textiles	74.2	54.3	89.0	94.7	94.3
Minerals	113.2	95.4	130.4	130.7	130.7
Miscellaneous	87.0	77.6	111.1	114.8	118.1
Complete Index	87.2	70.3	103.2	108.9	108.9
1913=100	119.9	98.8	142.0	149.9	151.2

* Highest level reached during 1932-37 recovery.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN (1937=100)					
	Home	Export	Index	% Change from a Year ago	
1937	100	100	100	+ 1.0	
1938	94	82	93	- 7.0	
1939	105	80	103	+10.7	
1940	116	83	114	+10.7	
1940 Dec.	76	71	76	-26.9	
1941 Jan.	63	67	63	-26.2	
Dec.	67	148	70	- 7.9	
1942 Jan.	75	130	76	+17.1	

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is included; figures are therefore comparable throughout. For annual figures 1935-1940 see monthly figures Sept., 1940-Oct., 1941, see *Economist* Nov. 23, 1941. Source: *Board of Trade Journal*.

UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1940 Dec.	1941											
		1929	1932	1938	1939	1940	1941		Jan.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.				
Population mid 1939, 47,676,000; Area: 95,030 sq. miles; (244,000 sq. kms.)																				
1. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937=100	78	104	108	111	111	126	110	106	110	106	99	107	107	107	123	126	126	123	
2. " " Other merchandise		83	100	106	107	111	137	91	106	109	109	98	98	97	97	108	108	108	108	
3. " " Total		81	102	105	109	109	132	102	106	101	98	99	103	102	102	118	118	118	118	
4. Registered unemployed G.B.	Thousands	1,212	2,756	1,791	1,514	963	350	705	696	302	277	270	231	216	219	228	217	217	217	
5. " " United Kingdom (a)		1,276	2,813	1,881	1,690	1,035	392	775	765	342	316	303	260	246	240	240	240	240	240	
6. " " London		118	306	228	239	214	59	127	122	46	43	45	38	40	40	40	39	39	39	
7. " " E. and S. England (b)		129	328	242	256	232	63	138	131	56	53	54	46	47	47	47	46	46	46	
8. " " W. England (c)		69	157	84	76	33	16	37	35	14	12	13	11	9	8	10	10	10	10	
9. " " Midlands & N. Midlands (d) (e)		165	371	210	153	92	28	81	70	20	16	18	13	12	10	14	14	14	14	
10. " " N.E. England (d)		280	602	208	151	75	30	55	60	30	25	23	20	18	15	19	19	19	19	
11. " " N.W. England (e)		285	562	398	309	149	54	86	87	53	50	48	44	40	21	39	39	39	39	
12. " " Northern		156	378	253	217	125	31	75	73	30	28	27	24	23	24	23	23	23	23	
13. " " Scotland		116	228	164	127	89	41	87	77	37	36	33	28	22	22	28	28	28	28	
14. " " Wales		36	68	91	76	78	42	70	69	40	39	33	29	30	27	37	37	37	37	
15. " " Northern Ireland		676	541	110	107	78	87	50	24	89	25	44	93	96	72	72	72	72	72	
16. Industrial disputes, No. days lost.																				
17. Wholesale Prices: Economist.																				
18. Cereals and meat.	1929=100	100	70.4	82.4	76.2	93.9	102.4	100.0	100.6	98.5	97.3	102.6	103.7	105.1	106.1	108.2	108.2	108.2	108.2	
19. Other foods.		100	72.8	68.4	76.4	95.4	111.0	99.7	109.3	109.7	115.6	116.2	116.3	116.6	116.6	116.6	116.6	116.6	116.6	
20. Textiles		100	53.4	58.6	63.8	93.0	100.7	96.0	96.6	100.9	101.2	102.3	102.9	101.1	101.1	101.0	101.0	101.0	101.0	
21. Minerals		100	76.3	97.4	100.0	102.0	135.7	133.9	135.1	135.6	134.4	135.1	135.1	135.8	135.8	135.8	135.8	135.8	135.8	
22. Total, incl. miscellaneous.		100	67.8	77.8	80.3	104.3	114.4	109.1	110.9	113.2	114.4	115.6	115.6	116.2	116.2	116.2	116.2	116.2	116.2	
23. Cost of Living: Min. of Labour:																				
24. Food		100	81.8	90.1	92.4	107.2	108.7	111.1	111.6	108.4	108.4	107.8	107.1	107.1	107.1	105.9	105.9	105.9	105.9	
25. Total		100	87.8	95.6	96.4	113.1	121.4	119.5	120.1	121.3	121.3	121.3	122.0	122.0	122.0	122.0	122.0	122.0	122.0	
26. Industrial securities, Fin. News	Jul. 1, 1935=100	102.0	113.0	127.6	126.2	129.6	130.8	110.4	111.6	129.2	129.2	129.2	129.2	129.2	129.2	129.2	129.2	129.2	129.2	
27. Govt. Revenue, cumulative:	1928=100	100	114.0	116.6	116.6	122.2	129.6	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5	
28. expenditure (f)	Mill. £'s	819.0	827.0	1006.0	1132.2	1495.3	2070.7	2274.2	2095.2	1098.8	1416.6	1872.9	2284.5	2615.6	3070.9	31298.5	31298.5	31298.5	31298.5	
29. Bank of Eng.: Notes in circ.		825.9	859.3	1018.9	1408.2	2397.0	3795.3	2774.2	2095.2	1098.8	1416.6	1872.9	2284.5	2615.6	3070.9	31298.5	31298.5	31298.5	31298.5	
30. " Bankers' deposits (g)		362.3	258.4	487.4	509.9	566	651.3	608.2	602.7	637.3	650.7	668.1	669.4	685.7	685.7	708.8	708.8	708.8	708.8	
31. " Gov. Sec. B'king Dept. (h)		62.8	81.3	103.2	107.0	110	121.1	121.7	113.1	119.9	132.1	108.4	129.5	122.2	125.2	125.2	125.2	125.2	125.2	
32. Clearing Banks: (h)		55.9	64.0	103.2	107.0	143	142.8	159.3	156.1	132.5	156.7	160.2	122.6	136.6	157.5	159.4	159.4	159.4	159.4	
33. " Deposits																				
34. " Cash & bal. with B.E.		1,738	1,791	2,277	2,248	2,948	2,970	2,800	2,757	2,946	2,991	2,997	3,115	3,176	3,208	3,369	3,369	3,369	3,369	
35. " Discounts		194	187	245	244	265	311	324	279	311	306	316	330	328	332	371	371	371	371	
36. Treasury Deposit Receipts		229	308	280	255	366	495	515	269	193	275	266	315	270	246	758	758	758	758	
37. " Advances		305	305	305	305	305	305	305	305	305	305	305	305	305	305	305	305	305	305	
38. " Investments		991	844	976	991	944	849	919	771	789	880	902	935	836	829	899	899	899	899	
39. Interest Rates: Bank rate	Per cent	257	348	637	608	659	919	771	789	880	902	935	836	829	899	899	899	899	899	
40. " Three month bank bills.		5.498	3.008	2.24	1.87	1.04	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	
41. " Day to day loans.		5.26	3.008	2.24	1.87	1.04	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	
42. " Yield on 2 1/2% Consols.		4.47	1.61	0.50	0.87	0.76	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Feb. 17, 1942	Yield, Feb. 24, 1942	Prices, Year 1942		Name of Security	Price, Feb. 17, 1942	Yield, Feb. 24, 1942
High	Low	High	Low				High	Low			
British Funds											
82½	76½	83½	82½	Consols 2½%	82½	3 0 1	45/9	43/11	Iron, Coal and Steel	44½	43½
113½	110	112½	111½	Consols 4% (after 1957) ..	112	3 11 5	48/6	46/6	Babcock & Wilcox 10/-	47½	47½
100	98½	100	99½	Conv. 2% 1943-45	100	99½	2 0 6	28½	Bolton Colliery 10/-	27½	27½
100½	98½	100½	99½	Conv. 2½% 1944-49	100½	99½	2 12 5	22/9	Colvilles Ord. 10/-	20/3	20/3
103½	101½	103½	101½	Conv. 3% 1948-53	103½	101½	2 13 6	20½	Dorman Long Ord. 10/-	20/3	20/3
106½	102½	106½	102½	Conv. 3½% (after 1961) ..	106½	102½	3 5 10	22/6	Guest Keen & Co. 10/-	21/3	21/3
108½	104½	108½	104½	Conv. 5% 1944-64	108½	104½	2 1 6	27/9	Hadfields Ord. 10/-	21/3	21/3
95½	91½	95½	91½	Funding 2½% 1956-61	95½	91½	2 17 9	45/6	Staveley Coal Ord. 10/-	44½	43½
100½	97½	100	99½	Funding 3% 1952-57	99½	99	2 16 6	46/10½	Stewarts & Lloyds 10/-	45½	45½
101½	98½	101½	100½	Funding 3½% 1959-69	101½	99½	2 19 3	35½	Swan, Hunter Ord. 10/-	32/6	32/6
115½	111½	115½	114½	Funding 4% 1960-90	115½	115½	2 18 6	23½	United Steel Ord. 10/-	22/3	22/6
102½	100½	101½	99½	Nat. Def. 2½% 1944-48	100½	100	2 10 0	17/6	Vickers Ord. 10/-	16/6	16/6
100½	99½	100½	99½	Nat. Def. 3% 1954-58	100½	101	2 18 0	10/10½	Textiles		
100½	99½	100½	99½	War Bonds 2½% 1945-47 ..	99½	99½	2 10 3	8/-	Bradford Dyes Ord. 10/-	9½	8½
100½	99½	100½	99½	War Bonds 2½% 1946-48 ..	99½	99½	2 10 4	8½	British Celanese Ord. 10/-	6/9	6/6
101	100	101	100	Savings Bds. 3% 1955-65 ..	100½	100½	2 18 6	39½	Coats, J. & P. Ord. 10/-	38/6	36/-
114½	110½	114½	112½	Victory Bonds 4%	113½	113½	3 0 6	36½	Courtaulds Ord. 10/-	32/3	32/3
101½	100½	101½	100½	War Loan 3½% 1955-59 ..	101½	101½	2 18 6	26½	Lancs. Cotton Corp. 10/-	25/3	25/-
106½	102½	106½	104½	War Loan 3½% att. 1952 ..	104½	105½	3 7 0	73/9	Electrical Manufactures		
96½	89½	97½	95½	Local Loans 3%	96	97	3 1 0	73/9	Callenders Cable, &c. 10/-	72/6	72/6
99½	93½	100½	98½	Redemption 3% 1986-96 ..	100	99½	3 1 0	73/9	Grompton Park, A 5/-	22/6	22/6
102	100	101	101	Austria 3% 1933-53	101	101	2 17 10	40/3	English Electric Ord. 10/-	38/9	38/9
101½	96	101½	101½	India 3½%	101½	101½	3 8 10	83½	General Electric Ord. 10/-	82/6	82/6
Dom. & Col. Govts.											
105½	101	102	101	Australia 5% 1945-75	102	102	4 5 6	38½	County of London 10/-	37/6	37/6
106	100	102	100	New Zealand 5% 1946	101½	101½	4 11 6	29/-	Edmundsons Ord. 10/-	28/6	28/6
111	107½	109	108	Nigeria 5% 1950-60	109	108	3 15 0	14½	Gas Light & Coke Ord. 10/-	14/6	13/9
Corporation Stocks											
108½	106	108½	107½	Birmingham 5% 1946-56 ..	108	108	3 0 0	31/9	North-East Electric 10/-	30/7½	30/7½
93½	84½	96½	93½	L.C.C. 3%	95	95	3 3 2	40/3	Scottish Power Ord. 10/-	38/9	38/9
99	93	99	93	Liverpool 3% 1954-64	99	99	3 2 0	39/-	Yorkshire Electric 10/-	39/4	39/4
106	100½	106½	105	Middlesex 3½% 1957-62 ..	106	106	3 1 0	17/3	Motor and Aircraft		
99½	77	99½	97½	Argentina 4½% Stg. Bds. 1941	97½	97½	4 12 4	11½	Austin & Sons Ord. 5/-	16/10½	15/10½
48½	31	53½	46½	Brazil 5% Funding 1914	51	50	5 0 0	14/9	B.S.A. Ord. 10/-	20/6	20/6
27½	11½	28½	23½	Chile 6% (1929)	24½	24½	6 2 5	24/3	Bristol Aeroplane 10/-	10/3	10/3
84	71½	80½	83½	Egypt United 4%	86	85½	4 13 7	13½	Fairley Aviation Ord. 10/-	13/3	13/3
42	9	13	8½	Japan 5½% 1930	74½	74½	4 0 6	33/-	Hawker Siddeley 5/-	12/-	12/-
73	58	74½	70½	Portuguese 3%	74½	74½	4 0 6	33/-	Lucas (Joseph) Ord. 10/-	68/9	68/9
45	27	36	33½	Spanish 4%	33½	33½	5 19 5	90½	Morris Motors 5/- Ord. 10/-	30/7½	30/7½
Shipping											
10½	8	10½	8	B.A. Gt. Stn. Ord. Stk. 1941	9	8½	7/3	4/9	Cunard Ord. 10/-	14/3	14/3
12½	10½	12½	10½	Can. Pacific Com. 2½%	11½	11½	15/6	7/6	Furness, Withy Ord. 10/-	22/6	22/6
46½	40½	46½	40½	Great Western Ord. Stk. 1941	44½	44½	9 15 2	36/-	P. & O. Def. 10/-	27/-	26/-
111	108½	111	108½	G.W. 5% Cons. Pref. Stk. 1941	110½	109½	4 11 9	21½	Royal Mail Lines Ord. 10/-	23/6	23/6
52½	49½	52½	49½	L.N.E.R. 4% 1st Pref. 1941	51	51½	7 16 10	20/6	Union Castle Ord. 10/-	18/-	17/6
20	17½	20	17½	L.M.S. 4% 1st Pref. 1941	18½	17½	11 8 10	1/8	Tea and Rubber		
53½	50½	53½	50½	L.M.S. 4% Pref. 1923	52	52½	7 13 10	53/9	Allied Sumatra Rbr. 10/-	4/4½	4/4½
41	38	41	38	London Transport 'C' Stk. 1941	40	39½	7 7 5	53/9	Anglo-Dutch of Java 10/-	8/9	8/9
17½	15	17½	15	Southern Def. Stk. 1941	15½	15½	11 5 10	54/8½	Joki (Assam) Tea 10/-	26/3	26/3
65	62½	65	62½	Southern 5% Pref. Ord. 1941	63½	63½	7 17 3	71/8½	London Asiatic Rbr. 2/-	1/-	10/4
Banks and Discount											
70/3	67/6	71/4	68/6	Alexanders (2, 1) paid	70/-	70/-	5 0 0	54/0½	Rubber Plums, Trust 10/-	11/3	10/-
4½	4½	4½	4½	Bank of Australasia 5%	5	4½	8 17 9	46/3	United Serdang Rbr. 2/-	11/3	10/4
379½	365	379½	365	Bank of England Stock	377½	378½	3 3 4	43/9	Oil		
446½	431	446½	431	Bank of Montreal 1000	444	444	4 0 6	36/10	Anglo-Iranian Ord. 10/-	37/6	37/6
27½	22½	27½	22½	Bank of New Zealand 1000	23½	23½	4 11 0	37/6	Burmah Oil Ord. 10/-	35/-	35/-
76½	72½	76½	72½	Barclays Bank 1000	74½	74½	3 15 6	68/6	Shell Transport Ord. 10/-	36/3	36/3
7½	4½	7½	4½	Chartered of India 5%	5½	5½	10 0 0	64/9	Trinidad Leaseholds 10/-	63/9	67/6
168	149	168	149	Hongkong and S. 125	162	162	9 12 4	22/9	Miscellaneous		
53½	50½	53½	50½	Lloyds 'A' 5% 1000	50½	51/6	4 13 0	69½	Assoc. P. Cement Ord. 10/-	47/6	47/6
87/6	81/6	87/6	81/6	Midland 1000, fully paid ..	86½	86½	3 14 0	33/11	Barker (John) Ord. 10/-	41/4	41/4
6½	5½	6½	5½	Nat. Dis. 2½% 1000, fully paid	66½	66½	4 1 9	13/5½	Boots Pure Drug Ord. 5/-	31/10½	32/6
67½	64½	67½	64½	Nat. Prov. 5% 1000, fully paid	66½	66½	4 1 9	13/5½	Brit-Am. Tobacco 10/-	42/4	42/4
465	443	465	443	Royal Bank of Scotland	450	450	3 15 7	25/-	British Oxygen Ord. 10/-	66/3	66/3
50½	47½	50½	47½	Union Discount 1000	48/9	48/9	4 2 0	63/6	British Plaster Board 5/-	21/3	21/3
82½	78/9	82½	78/9	Westminster 1000, fully paid	80½	80½	4 9 3	33/6	Cable & Wir. Hdg. Stk. 10/-	105/-	105/-
Insurance											
24½	23½	24½	23½	Alliance 1000, fully paid ..	24½	24½	3 14 0	31/3	Carreras 'A' Ord. 10/-	27/6	25/6
12½	11½	12½	11½	Atlas 1000, fully paid	12½	12½	4 7 6	50/6	Dunlop Rubber Ord. 10/-	13/6	13/6
86½	79½	86½	79½	Gen. Accdt. 1000, 5/- pd. ..	81/3	81/3	4 10 0	59/14	Elec. & Mus. Ind. 10/-	23/9	23/9
26½	24½	26½	24½	Lon. & Lancs. 1000, 2½ pd.	25½	24½	4 15 0	57/3	Gestetner (D.) 5/-	50/-	50/-
15½	14	15½	14	Pearl 1000, fully paid	15	14½	2 15 0	22/-	Harrissons & Cros. Def. 10/-	50/-	50/-
14½	13½	14½	13½	Phoenix 1000, fully paid	14½	13½	4 7 3	65/3	Imperial Chemical Ord. 10/-	32/6	32/6
23½	20½	23½	20½	Prudential 1000, fully paid ..	22	20½	2 15 0	33/-	Imperial Tobacco Ord. 10/-	44½	44½
8½	7½	8½	7½	Royal Ex. 1000, 12½ pd.	8½	8½	3 15 0	33/-	International Nickel n. 1000	44½	44½
62	58	62	58	Royal 1000, 12½ pd.	62	62	4 2 0	33/-	Lever & Unilever Ord. 10/-	27/6	27/6
8½	5½	8½	5½	Sun Life 1000, fully paid	6	5½	4 0 0	33/-	London Brick Ord. 10/-	50/-	50/-
Investment Trusts											
170	165½	170	165½	Debtenture Cp. Ord. Stock ..	167½	167½	5 19 5	46/3	Marks & Spencer 'A' 5/-	31/3	31/3
182½	176	182½	176	Investment Trst. Def. Stk. 1000	177½	178	6 11 2	50/6	Murex 1000	95/-	95/-
155	152½	155	152½	Trustees Corp. Ord. Stk. 1000	152½	152½	6 11 2	50/6	Pinchin Johnson Ord. 10/-	63/6	63/6
200	197	200	197	U.S. Deb. Cp. Ord. Stock 1000	197½	197½	5 1 3	42/6	Spillers Ord. 1000	62/9	62/9
Breweries, &c.											
150/6	138/-	150/6	138/-	Bass Ratcliff Ord. 1000	141/3	140/-	2 17 0	40/-	Tate and Lyle Ord. 1000 ..	60/-	60/-
59/-	55/-	59/-	55/-	Courage & Co. Ord. 1000	56/-	55/-	5 0 0	8½	Triplex Safety Glass 10/-	31/3	31/3
76/6	72/4½	76/6	72/4½	Distillers Co. Ord. 1000	74/3	74/3	4 8 0	15/6	Tube Investments Ord. 10/-	85/-	85/-
94/9	80/6	94/9	80/6	Guinness (Arthur) Ord. 1000	84/6	82/6	6 6 0	7½	Turner & Newall Ord. 10/-	68/9	68/9
92/6	79/7½	92/6	79/7½	Ind Coope & Co. Ord. 1000 ..	82/6	82/-	5 8 9	7½	United Molasses Ord. 6/8	29/4½	29/4½
80/9	50/7½	80/9	50/7½	Watney Combe Def. 1000	55/-xd	53/-	5 12 0	4½	Woolworth Ord. 5/-	48/9	48/9

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Allowance for exchange. (e) Annas per share. (f) Flat yield. (g) Yield worked to average redemption - end 1960. (h) Based on redemption at par in 1946. (i) Yield on 1.55% basis. (j) Yield worked on a 2½ per cent. basis. (k) Free of Income Tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week	Aggregate Gross Receipts
		1941	1941
B.A. and Pacific	33	Feb. 14	\$1,799,000
B.A. Gt. Southern	34	" 21	12,860,000
B.A. Western	34	" 21	1844,000
Canadian Pacific	8	" 21	\$4,349,000
Central Argentine	34	" 21	\$1,717,500
Sao Paulo (Brazil)	7	" 15	440,750

* Receipts in Argentine pesos.

NEW YORK PRICES

disregard surface formulas and bring out the fundamental unity. How many people are there in this country to-day who seriously deny that the State must plan and supervise all those activities that are essential to ensure to the citizen the basic necessities of a decent life and to secure to the community the essential needs of its existence? How many people are there who seriously deny that, in any foreseeable time, a vast range of activity both must and should be managed by individuals free to follow their genius and enterprise? Perhaps, in each category, there are a handful of fanatics; but barely enough, put together, to fill a college debating society. The overwhelming majority, behind the politicians' slogans, are really at one. Any one who is in the habit of talking with business men knows that they concede with alacrity the necessity for planning and direction, on a far wider scale than hitherto, to meet the basic necessities of the State and its citizens. And no Socialist who has seen the workings of the State can overlook the importance of leaving the fullest possible room, in the economic field as in the political, for the enterprise of the man with a vision and for the freedom of the man who is right when the majority are wrong. Here is the opportunity for the Prophet. It will not be enough for him to secure "agreement." Agreement by itself is stale, flat and unprofitable. Any two men can agree if they can sufficiently dilute their beliefs until they reach the agreed consistency of water, until there is nothing left from either belief that could possibly offend the other. This is how Coalition cabinets are built. But the task of the Prophet is to fuse agreement into faith. He must take from each side not what is most inoffensive, but what is most effective and dynamic, and from the marriage of principles as opposite as male and female breed a new birth with life of its own. The task of the Prophet to-day is to make the Right enthusiastic about planning the abolition of poverty and injustice, to make the Left the most fervent advocates of the safeguard against tyranny and oppression that is to be found in individual enterprise and independence from the State. This reconciliation of the faiths should be Britain's particular service to the twentieth century, just as her very similar reconciliation of the political faiths of Order and Freedom was her gift to the nineteenth. We, here in Britain, standing between the two worlds of Disciplined Order and Disordered Freedom, are the only people who can seize this historic opportunity. We need not be a spiritual buffer State. We can charge the Spokesman to

Scatter, as from an unextinguished hearth
Ashes and sparks, my words among mankind!
Be through my lips to unawakened earth
The trumpet of a Prophecy!

If any such message is good for peace, it is good for war also. Indeed, one of the basic mistakes we have made is to concentrate myopically on the differences between the

expedients of war and the expedients of peace, and to overlook the obvious fact that the spirit and the energy and the faith that make a sound community in peace are also necessary to make a victorious nation in war. If the principles are sound, they have their wartime and their peacetime applications. If there are no principles, the community will flounder alike in war and peace. The tasks to which the Prophet would call the nation should therefore be imagined as a double summons; peace must learn the lessons of war, and war those of peace.

The single principle and the double application can easily be illustrated. Thus, one of the most obvious necessities for peacetime regeneration is an attempt to cut through the social inequalities into which its peculiar educational system has led the British nation and to open the field of selection for leaders, *de facto* as well as *de jure*, to the whole of the youth of the nation. Precisely the same principle needs to be applied at once to the armed forces. When the generals are selected entirely from a narrow professional caste and the officers from a small social class, when the citizens in the ranks are treated only as the subject-matter of discipline, is it surprising that the resulting army is less effective than those in which rank reflects merit only, not social aloofness?

Or again, in peacetime, when the economic aim of the State is the welfare of its citizens, the most direct way of securing it would be to establish a national minimum below which no citizen would be allowed to fall. Similarly, in wartime, when the object of policy is to reduce consumption as much as possible, there should be a national maximum of consumption above which no one should be allowed to rise. Again, if monopoly is a danger to the productive efficiency of the community in peacetime, it is no less dangerous to allow industries to "control" themselves in war. If the first call on the energies of the State in peacetime must be to prevent individuals from being flung into destitution by the accidents of the trade cycle, then an equal effort is necessary to prevent the economic burdens of wartime remaining on the shopkeepers, the hotel keepers, the garage proprietors on whom they chance to light. The Nazis have a creed for peace and war; if the democracies are to triumph they, too, must have a faith for war and peace.

This is the need for the Prophet. But where is he to be found? Some men are born prophets, some achieve prophecy, and some have prophecy thrust upon them. The present state of public affairs, with its party bankruptcy and political vacuum, is thrusting the rôle, if not of Prophet, then certainly of Spokesman, on two men. One is Sir Stafford Cripps, who can prophesy to the Left. The other is Mr Anthony Eden, who can prophesy to the Right. If they will explore in common the areas of their faiths and begin, in unity, to proclaim to the world, not a dilute compromise, but a bold amalgam, they will be the means of dedicating the British people to a new birth of greatness.

Palestine was, before the war, universally recognised as Britain's colonial failure; yet there appears to have been no attempt by either Arab or Jew to use the war as a weapon for forcing Britain's hand. What is far more disquieting is the apparent inability of Britain to make full use of the goodwill that undoubtedly exists among the more advanced colonial peoples, rather than the apathy of the much larger number of primitive people, who can hardly be blamed if their instinct is to disappear into the jungle or bush at the approach of the bomber and tank. It is not the apathy of the Malays or the Hausa of North Nigeria which should cause surprise and concern—they are apathetic by nature. It is the unwillingness of the Malayan authorities to enlist the co-operation of the Chinese and Indians, who were prepared to give it; the dislike of the Nigerian authorities for the politically minded Ibos, whose transport work in the Abyssinian campaign has nowhere received the recognition it deserves; and the attempts of the Jamaican authorities to damp down the activities of the People's National Party, which, apart from its proposals for constitutional reform, has drawn up a remarkably sound programme for Jamaica's war effort.

It is quite true that the apparent reluctance to associate the colonies more fully in Britain's war effort rests on something more than mere obstructiveness and the colour bar, though both these factors are formidable indeed. Great Britain has, rightly, acted on the thesis that as the colonies had no say in this war, they must not be allowed to suffer by it any more than can be helped. Voluntary enlistment in local defence regiments is welcomed and encouraged, but there must be no question of conscription. In war or peace, forced levies of native troops have always been distasteful to British colonial rule. This principle still holds good today. On the other hand, whether we like it or not, the war is touching the colonies more nearly every day, not only through actual fighting, for paramilitary factors, such as the building of United States naval bases in the West Indies, but also through economic factors, such as the heavy demand for some colonial products and the loss of markets for others, and the need to cut down shipments to the colonies to the minimum. And, above all, there is the conviction, which in spite of Malaya is still adhered to, that it is British colonial rule, not the German new order, which offers the best future for colonial peoples.

If, then, this is after all the colonies' war, can Great Britain reverse its attitude and ask for a greater military participation from them? The answer surely is that first of all there must be a clear definition of British colonial policy, so that those in the colonies who are politically conscious will know exactly what they stand to gain by a British victory. It was a great disappointment to these people when Mr Churchill specifically excluded the colonies from the 'sovereignty clause' of the Atlantic Charter. But the statement of policy need not, in fact,

should not, be entirely political. It should also include schemes for economic development and welfare; it should give an assurance that the whole colony, and not only the foreign-owned company or the settler, will receive compensation after the war for damage suffered or livelihoods lost; it should make even the primitive native feel that he has something to gain if Britain wins but that he will lose everything if she is defeated. There is a good precedent to hand in the Ethiopian Agreement, under which Great Britain, while restoring the full sovereignty of the Emperor, is still providing advice and, what is more important, financial assistance.

Obviously, it will not be possible to frame a Colonial Charter in any but the most general terms, because of the very different stages of development which each colony has achieved, both politically and economically. Nor should the political difficulties be minimised. The Government has the lesson of the Balfour Declaration to prevent it from promising something that cannot be fulfilled. But, in addition to the general framework of the Charter, more specific proposals for the individual colonies could be drawn up with the help of the local governments and the most advanced and enthusiastic of the inhabitants, of whatever colour or tribe they may be. And, having been drawn up, the programme should be publicised in the 'colony concerned by the most effective method, which in Africa at least would be by films. Intensive propaganda of this sort might stir the apathy of the Hausa and fire the enthusiasm of the Ibo to an extent which would make compulsory service unnecessary.

If, however, the help of the colonial peoples is to be actively enlisted, it can only be on a condition which is just as important as giving them a stake in a British victory. There must be no question of sending them into modern battle untrained and unequipped—in fact, if compulsion is used, it should preferably be for service for which natives are well fitted, such as transport and repairs. Still less must there be any question of obtaining their co-operation and then walking out on them. There must be no repetition of a Malayan retreat while the natives are left to the mercies of the invader. Instead, the example of Java, where the Government has declared that there will be no evacuation of white civilians because they feel at one with the native inhabitants, should be taken to heart. If British dependencies are to be asked to fight for their protecting power, the protectors must fight as well.

It is now, too, when so many colonial precepts are in the melting pot, that the Colonial Office should re-examine its attitude towards indirect rule. In Malaya, there was no indirect rule properly so called, but there was a similar principle in the States of governing through the Sultans with British advisers, and it was the Malays who enjoyed priority in appointments in the civil service over the far more enterprising and energetic Chinese. The trouble is that indirect rule has become so much ingrained in British colonial policy that it is now

The Colonial Melting Pot

THE loss of Singapore was primarily a military defeat. There may have been, and probably was, inefficiency on the part of the civil administration, culpable negligence in the European community and apathy in the Malays, but the fact remains that the defence of Malaya and Singapore was Britain's responsibility and it is Britain that has failed.

Nevertheless, the military defeat has provoked justifiable misgivings about British colonial administration. The British people have been proud of their treatment of subject races and have honestly believed that no other colonial power has offered or given so much. They read of the stream of war gifts pouring in from the colonial empire—from Malaya, most of all—and assumed, too lightly as it turned out, that when the war reached their lands the colonial peoples would leap to arms in support

of Britain, whose defeat would mean their slavery. Instead of this, it is learned that the Malays were at the very best bewildered spectators, and for the most part completely apathetic; that "the Government had no roots in the life of the people of the country"; that the bulk of the native labour force melted away. It is not surprising, therefore, that with bombs near Fort Lamy on the frontier of Nigeria and the shelling of the Dutch West Indies, it is being asked whether the story of Malaya will be repeated elsewhere.

It would be a mistake to draw from the reports of apathetic Malays the conclusion that there is little sympathy among the colonial peoples for Great Britain and a complete lack of practical co-operation. Malta has been one of the most frequently bombed places of the war; yet the resolution of the Maltese is undiminished.



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frequently regarded as an end in itself instead of as a means to an end—that the people should be well governed until they can govern themselves. In Nigeria this has too often meant bolstering up inefficient, and sometimes corrupt, Emirs and chiefs for the sake of a formula, with the result that the original purpose of indirect rule, slow but steady progress on a sound basis, is defeated.

But there is a possibly greater danger even than bad government in the misuse of indirect rule, and that is the sense of frustration it instils in the more politically conscious natives who, under another system, might rise to be the natural leaders of their countrymen. It is worth recalling the resolution, passed at a conference of the West African Students' Union last year, that the object of indirect rule should be the establishment of a United Nigeria with a Federal Constitution, and that, whenever during the operation of indirect rule "there is any conflict between the old and the new order, democratic considerations should always prevail."

Frustration, in fact, is probably the keynote of the dissatisfaction that is felt in the colonies today. Not only is there the frustration felt by the advanced minorities who see the progress of self-government held up because the great majority are not ready. There is also the frustration felt by the British colonial servant. Charges of inefficiency have been levelled at the administration in Malaya, and there have been calls for new blood and new ideas in the whole of the colonial service. That recruitment does not take place from the widest possible field is certainly as true of the colonial service as it is of the home civil service, but it is a fault which can only be remedied by domestic reconstruction. So far as the colonies alone are concerned, what is disheartening is that the recruits who go out are generally both able and energetic and frequently idealists as well, but by the end of ten years their spirits are broken and all they look forward to is promotion, an early retirement and a pension.

Partly, this breakdown in morale is due to over-centralisation inside the colony which sometimes goes so

far that not even a Resident, much less a District Officer, can grant a native dispensary assistant an increase in salary of 5s. a month without higher approval. It is significant that in the last days of Malaya the Governor declared that "every officer must accept responsibility to the full in taking decisions. . . . Officers who cannot take responsibility should be replaced by those who can. Seniority is of no account." But besides losing his sense of initiative and responsibility, the colonial servant feels frustrated. He is frustrated because he sees that there is such a lot to be done; yet every time he suggests a reform or a development scheme it is quashed, frequently by a dead hand at the top, but even more often through lack of funds—while at the same time he sees large sums of money leaving the colony to benefit taxpayers or shareholders in the United Kingdom. There was room for hope that with the passing of the Colonial Development and Welfare Act this cause of frustration would disappear, but as a Note on page 319 points out, the amount of financial assistance so far given under the Act has been very small; in any case, financial assistance alone will not solve the problem of raising colonial standards of living.

Finally, there is frustration because of the lack of interest taken in colonial affairs. The British people may wonder now at the apathy shown by the Malays, but it is nothing compared with their own apathy towards their colonial possessions—until, of course, they are about to lose them. Schoolchildren in this country are taught nothing about the colonies except, perhaps, when and how they were acquired. If a tithe of the industry that is put by adults into amassing information about the countries of Europe were transferred to the colonies, there would be fewer colonial black spots, fewer examples of loose living and self-indulgence in the European communities, fewer stories of cultured Chinese gentlemen being excluded from the white man's clubs, and a more progressive colonial policy might be achieved. It is high time that the British people learned that they are trustees, and that for the colonial failure, no less than for the military defeat, the responsibility is theirs.

Manpower Policy

ON Thursday, the use of womanpower was debated in the Commons. There have been complaints that, although all the women between 20 and 35 years of age have been registered for war employment in the past year, there has been a lag in their "direction" into industry. Similarly, there is a feeling that the delay in calling-up the first instalment of women aged 20 and 21 for service with the armed forces under the National Service Act of last December, which made women aged 20 to 30 liable to conscription, has been needlessly long. In each case, it is alleged, the causes are the same: official reluctance to use compulsory powers; local prejudice against the employment of women; and the absence of adequate provisions for training, accommodation and welfare. These complaints are neither new nor wholly true. The inhibitions cited are those which have impeded the full use of manpower and womanpower ever since the war began. In actual fact, an unprecedentedly high degree of mobilisation for war work and war service has now been attained. In no other country are women conscripted for the armed forces; and the difference between conscription for the forces and direction into war work is largely one of terminology.

Nevertheless, in this grave emergency, the question must still be frankly asked: how many more men and women can be brought into effective war employment, and how quickly? It remains imperative to get rid of every trace of the inhibitions and obstacles which have made each stage in the development of manpower policy since September, 1939, too slow, too late and too small.

When the war started, it was said that the mistakes of 1914, when the men needed indispensably in war industry were swallowed up as volunteers in the Army,

were being avoided. Under the first National Service (Armed Forces) Act, all men between the ages of 18 and 41 were liable to be conscripted. In the Schedule of Reserved Occupations, a compendious list was made of the occupations and occupational qualifications which would debar men from being called up. The appearance of this machinery was more impressive than the reality. The needs of the forces for men, and still more for weapons and machines, were set astonishingly low. The Schedule of Reserved Occupations was a vast hotch-potch of essential and non-essential jobs and qualifications. All the men who remained in industry, because of their age, their occupation or the slowness of the call-up, could engage themselves in work that aided or impeded the war effort as they pleased. It was the period of Business as Usual. There was some rationing of food, and raw materials and shipping space were controlled. But the object was still to maintain employment in civilian trade and industry as high as possible. It was a period of haphazard and uncontrolled competition for labour in which the war factories, still too few in number, competed against each other and against civilian industry for their personnel. The small war industry could not be expanded suddenly; but the opportunity was not even taken to compile a complete National Register of the skill, experience and occupation of every individual, so that when mobilisation was carried further, there could have been in existence, for the use of the armed forces as well as for industry, a precise statement of every individual's capacity. Nor was any serious attempt made to train men, and still less women, in anticipation of the certain demand for war workers to replace those called-up or to man the new factories as they come into production.

The immediate cause of these, and many other, failures was the blindness of the Government, the trade unions, employers and the general public to the dimensions of their task. The fundamental flaw was under-programming, the basic fallacy a belief that, with a few controls here and there run by the industrialists, traders or trade unionists whose interests were affected, the war could be run, and won, by the voluntary methods of peacetime.

In May, 1940, Mr Churchill replaced Mr Chamberlain; and, at the Ministry of Labour and National Service, Mr Bevin, the trade unions' strongest leader, replaced Mr Brown. In general terms, a Labour-Capital compact was made. The Emergency Powers (Defence) Act conferred power upon the Government to require all persons to place themselves and their property at its disposal. In May, an Order in Council gave powers to control war production undertakings, and permission to the Minister of Labour to direct any person to perform any services. In June, an Order required engagements in building, civil engineering contracting and general engineering to be made through labour exchanges, and laid down that miners and agricultural workers could be employed only in their own industries. In July, an Order forbade strikes without notice, set up the National Arbitration Tribunal, defined the recognised terms and conditions under which workers could be required to work and provided for the listing of all departures from trade factories to facilitate their restoration after the war.

Actually, in this second period, from May, 1940, to March, 1941, little use was made of the Government's new powers—though appreciably more progress was made, by agreement, in mobilisation, in transfer, training and dilution. This was largely due to the fact that, in its industrial, as distinct from its labour, policy, the Government now abandoned Business as Usual—under the pressure of the Battle of the Atlantic, which seriously curtailed the import of materials for industry. This is the period of Limitation, in which labour was squeezed out of non-essential industry by restrictions on supplies. From June, 1940, a series of Limitation of Supplies Orders reduced employment appreciably in civilian trades; and a proportion of the men and women released passed into war work; but there was still no compulsion upon them to do so, and many of them were in fact "lost," preferring to move from job to job, regardless of their importance for the war effort, in search of the best pay, which had no necessary relation to "essentiality." The need for additional workers in war factories steadily grew in the post-Dunkirk months as production programmes were speeded-up and new factories came into use. The call-up for the armed forces was also accelerated; and successive amendments in the Schedule of Reserved Occupations released more men for service. By the winter of 1940, it was plain that the mobilisation of manpower for war work—to produce the weapons and equipment of the fighting Services—was once more behindhand. The combination of industrial restriction and voluntary methods of recruitment had failed to produce a sufficient flow of recruits; and by the concentration of civilian manufacture in a few, efficient plants, the organisation of which was begun by the Board of Trade in the early spring of 1941, it was hoped to squeeze out many thousands more men and women for more essential work.

But three facts were now obvious. First, full mobilisation would not be possible until the rough-and-ready and indiscriminating Schedule of Reserved Occupations, which immobilised many men in unimportant work and allowed other essential workers, such as the heavy labour of agriculture and coalmining, to be swallowed by the forces, was replaced by a test of every individual's actual job, to discover if the job itself was indispensable and its occupant irreplaceable in it—so that, broadly, every man would have the choice between war work and war service, with no third alternative. Secondly, mobilisation could not be complete, and the gaps in the war factories filled, until millions, rather than thousands, of women could be recruited. The manpower problem was fast becoming a womanpower problem. Finally, it was clear that the required apportionment of the nation's labour

force could not be achieved, on a sufficient scale and at a sufficient speed, without positive directions from the Government. Voluntary mobilisation had not succeeded. Above all, perhaps, the reserve of labour, especially of women, in non-industrial work, in shops and offices, had not been effectively tapped.

The third period of manpower policy, from March, 1941, until now, has been a period of, first, Registration and, then, Direction, in which the compulsory powers assumed in May, 1940, have been increasingly used. In January, 1941, the Minister of Labour admitted the serious state into which mobilisation had again fallen; in the same month, a Royal Proclamation made men aged 18-19 and 37-41, the last classes covered by the Act of 1939, liable for military service. Mr Bevin announced that a register of all available labour would be made; that non-essential occupations would be combed out; and that compulsion would be used. It was also made known that a distinction was to be drawn, within the Schedule of Reserved Occupations, between "protected" and other work, with higher ages of reservation for those, whatever their occupational qualifications, not actually engaged in employment scheduled as vital for the war effort. In March, 1941, eighteen months after the war began and barely twelve months ago, the Registration for Employment Order gave the Minister of Labour power to register the industrial particulars of any person of any sex; women of 20 and 21 and men of 41 and 42 were required to register forthwith—to be "directed," where necessary, into war work. The Essential Work (General Provisions) Order empowered the Minister of Labour to draw up a schedule of essential undertakings from which no employee could resign or be dismissed without official permission.

These powers were still not applied with any eagerness. The reluctance of the Government to use compulsion in industry, and of the workers to accept it, is political. In industry, the argument runs, the "conscript" is publicly compelled to take service with a private employer. In the spring and summer, though registration proceeded from age-group to age-group, voluntary means, persuasion, exhortation and advice, were still mainly relied upon. The compulsion that was used was mainly negative; Essential Work Orders were applied to various industries, with the odd result that workers in certain vital occupations were immobilised under strict orders, while men and women in all sorts of dispensable work were free to move about and bargain for better pay. But, in March, 1941, the Government had also embarked on a scaled-up war production programme. After June, the needs of Russia set the target higher. In August, Mr Bevin admitted, in effect, that the voluntary recruitment of women had not been successful. In October, the Restriction of Employment Order, dating back to June, 1940, requiring engagements to be made through local employment exchanges, was applied to all women between the ages of 20 and 30; and it was announced that shopgirls between 20 and 25 would be transferred to that shopgirls or more essential work. More and more, the emphasis at the interviews with those who registered was on direction and less and less on advice.

This more positive policy was brought to a new stage last December. A new National Service Act made women aged 20 to 30, liable to conscription for the armed forces, certain industrial tasks or civil defence, and raised the age of military service for men to 51. A new Schedule of Reserved Occupations, by the provision that reservation ages were to be raised by a year a month in 1942, virtually abolished the principle of group reservation, and, with special arrangements for agriculture, building, civil engineering contracting and coal-mining, substituted instead the principle of individual scrutiny. Direction is now a policy and no longer simply a threat.

This does not mean that criticism and complaints are now out of place. The process is still slower than it might, and should, be, and it is still reluctant. There are still technical impediments. The inadequacy of training facilities, in factories now and not in official centres, remains chronic; and the frequent absence of satisfactory billeting, travelling and welfare provisions

especially for women, is probably the greatest single obstacle now to mobilisation. The policy has hitherto been to remedy bottlenecks as they have arisen and not to avoid them beforehand. But it is now a fact which ought to be admitted, that mobilisation has gone a very long way; and the only way of increasing the labour force of war industry to any great extent is deliberately to

cut down the standard of living further—which cannot be escaped. But it is also a fact that no efforts will be wasted which urge the Government to use its powers fully and promptly to compel all persons to do war work and all employers to provide training facilities and the conditions of work that the required recruits, as well as the existing hard-pressed workers, must have.

The Debatable Land

THE Ukraine is one of the great debatable lands in world history. Few regions have been exposed as persistently to the pressure and counter-pressure of rival conquest. And it is very appropriate, now that the unhappy country is once more in the thrall of an invader, that M. Hrushevsky's massive study of the Ukraine* should appear in an English translation. The struggle that is being fought out in the winter snow between Kiev and the shores of the Black Sea is yet another phase in the long agony of Southern Russia. Is it the final phase? With which side will mastery remain?

The tragic history of the Ukraine is rooted in geopolitics. The country lies in the endless Eurasian plain on the cultural frontiers between Western and Eastern civilisation. There are no geographical frontiers—to east or west. The great rivers—Dniestr, Bug, Dniepr, Donets—divide but do not protect it. On the contrary, they draw down yet another pressure—from north to south, down the waterways to the Black Sea. Add to this the fact that the vast open region is rich in soil and minerals and its unchanging history of war and exploitation explains itself. It has been at the mercy of every movement of peoples across Eurasia. It has been the battleground of Slav and Tartar, of Pole and Muscovite, of German and Russian. It is still a battleground to-day.

The Ukraine emerges as a recognisable cultural unit in the ninth and tenth centuries, when Kiev was the centre of a flourishing river civilisation which stretched from "the Varangians to the Greeks"—from the Baltic to the Crimea. In the thirteenth century, this land of promise was wiped out by the Tartar invasion. Christian Kievan civilisation held on precariously in the north to emerge later as Muscovy. The south was submerged. Kiev was sacked, the land stripped. For hundreds of years the Ukraine proper was little better than desert. Direct access to the Black Sea was not recovered until the time of Catherine the Great.

With the gradual decay of the Tartar power, the pressure from the east relaxed. Its place was taken by a counter-pressure from the west. The Ukraine was recolonised, not from the north, but from the Slav lands of Poland and Lithuania, the *Rzecz Pospolita*. The Poles tried to follow the colonists, including the lands they opened up within the political and social structure of the Polish state. The attempt ended in the bloody disaster of Khmelnytsky's revolt in 1648. The Ukrainian peasants appealed from the Poles to the rising power of Muscovy and since the Agreement of Pereyaslay in 1654 the Ukraine has been part of the great Russian Empire. The pressure from the north had apparently conquered.

The Czarist empire's more or less peaceful colonisation of the whole of the Asiatic hinterland during the eighteenth and nineteenth centuries abolished, probably for ever, the pressure of the nomads from the east. The pressure from the west remained, but it was no longer Polish. The old *Rzecz Pospolita* was a dream behind a dream. Poland itself was partitioned and the new power centre in Europe was Germany—as it has remained to this day. The first direct German assault on the Ukraine was one of the final phases of the first world war. Now in the third year of the second world war, almost the whole of the Ukraine is under German control. It is still the debatable land of Eurasia. Even to-day its frontiers are still in doubt.

* "A History of the Ukraine." By M. Hrushevsky. Cambridge University Press. 629 pages. 24s.

Yet there is good reason to suppose that the world is witnessing the final phase in the long struggle for mastery. It is most improbable—short of a complete collapse of the Russian state—that the Nazis will be able to maintain their hold. They have nothing to offer, nationally or socially. The Ukrainians are Slavs, and it is even a matter of dispute whether they can be accounted a separate nation from the Great Russians. Separatist Ukrainian nationalism was the creation of poets and dreamers—of whom Hrushevsky was a warm disciple—and on the two occasions in which it could have become a force—during the German occupation of 1918 and again in the invasion of 1941—it failed. The truth is that the mainspring underlying the Ukrainians' sense of separateness is not national or racial but socio-economic. And here again the Germans have nothing to give.

The urge behind the recolonisation of the Ukraine in the fifteenth and sixteenth centuries was the desire of the peasants of Poland and Lithuania to get away from the crippling obligations of serfdom under the Polish and Lithuanian gentry. The epitome of the Ukrainian spirit was the Zaporogian Sech, the camp of the free Cossacks on the Dniepr rapids, which began as a frontier post against the Tartars. Later, the turbulent and freedom-loving men from all over the Ukraine enlisted under its colonel or Hetman, and finally the Hetman became the national leader of the free peasants. When, in the seventeenth century, the Poles sought to extend serfdom to the Ukraine, the Zaporogian Cossacks led the 1648 revolt and their Hetman Khmelnytsky negotiated a union with Muscovy, on condition that the free landowning peasantry with all its rights should be maintained.

Muscovy broke its pledge. By the nineteenth century, serfdom was everywhere the rule—but at the cost of frightful bloodshed. The Ukrainians toyed with an alliance with the Turks and with the Swedes, before the steam-roller of Great Russia finally passed over them. In the eighteenth and nineteenth centuries, there was no rival power to the west of Russia to which they could appeal. The great question when, in the twentieth century, Germany emerged as the new centre of expansive power, was whether the Germans could retrieve the mistake of the Poles—and of the Russians—and offer the Ukraine national autonomy and social freedom, or, in other words, offer the peasants the land.

This in simplified terms was the issue behind the German occupation in 1918. The Germans were supporting the independent Ukrainian *Rada* (Council). Their only hope of rallying the people to the independent régime was to offer them what the Soviets in the north—the successors to Muscovy—would offer them, peace and the land. But the Germans were still at war and their able general Groener, who was charged with securing the riches of the Ukraine to feed the German armies, discovered that to divide the land would end the supplies. Peasant ownership was incompatible with mass production. The Germans had willy-nilly to turn to the great landowners, form a Union of Cornraisers (*Khliboroby*), suppress peasant agitation and finally remove the *Rada* itself.

Has the position altered radically to-day? In one respect, certainly. The twenty years of the Soviet system have knit the Ukraine more and more closely into the great Russian economy. Industrialisation has brought new workers into the south and broken down the sense of independence. It has changed the predominantly peasant basis of the community. Soviet education has tended to

produce the mass citizen whose sense of local particularity is far less strong than his loyalty to the great Soviet experiment. In one respect, however, the problem is somewhat the same. After the brief spell of free peasant ownership under the NEP, the Ukrainian masses were forced back into a collective framework, and in the early 'thirties the unhappy land was once again devastated by fruitless resistance, ruthless reprisals and starvation. Collectivisation was established, but the Soviet authorities have given evidence of some uneasiness over the extent to which the peasants have become reconciled to it; they have made concessions to the principle of private ownership, the latest not long before the outbreak of war.

It can thus be argued that if the Germans can restore the principle of a free peasantry in the Ukraine, they can still hope to rally some support—it is significant that they have made absolutely no attempt to play their nationalist card. Skoropadsky, the "last of the Hetmans," has been left in Berlin. But there is evidence that they cannot offer

any socio-economic advantages either. If they are to secure supplies, the new large-scale system of agriculture, which corresponds to the old large estates of the landowners, must be maintained. And if the choice before the Ukraine is collectivisation run from Berlin or collectivisation run from Moscow, there can be absolutely no doubt where their choice lies.

The Nazis in the 1940's are committed to the same fatal policy as were the Germans in 1918 or the Poles before 1648—that of maintaining a very unpopular economic framework and of aggravating it by alien domination. Thus the evidence suggests that this latest German invasion represents the last thrust of expansion from the west. After the victory of the United Nations the process of knitting the Ukraine ever more closely into the Russian economy will be accelerated. The struggle will have forged an unbreakable bond of solidarity between north and south. The oldest debatable land in Eurasia is within sight of stability.

NOTES OF THE WEEK

New Model

The new Government has at last been completed, and there are two important questions outstanding. First, it is not yet known whether the new Minister in charge of Production, Mr. Lyttelton, will, in fact, be the Minister of Production that is needed—and, in fact, was promised before Lord Beaverbrook slipped away. Secondly, there is the surprising relegation of reconstruction, formerly the province of the discarded Mr Greenwood, from War Cabinet to merely Cabinet status, with Sir William Jowitt, who was Solicitor-General, and is of what might have been called in the old days a "Lib-Lab" persuasion, in charge as Paymaster-General. It may be that Sir William's Bar colleague, Sir Stafford Cripps, will speak in the inner circle for reconstruction. But the Ministerial "spheres of superintendence," which can make the War Cabinet into a more workable, competent and individually self-confident team than its forerunner, should be made plain in terms of responsibility. Surveying the scene, now that the entire administration has been reconditioned, the observer can hardly avoid one of two comments. In mere numbers, the changes are very slight, for Sir Stafford Cripps is the only new member of the War Cabinet, and Sir James Grigg and Sir William Jowitt the only important incoming Ministers. But, in their effect, the changes can be considerable. Colonel Llewellyn has earned his promotion to a vital job at the Ministry of Aircraft Production and Dr Dalton has gone to the Board of Trade, taking with him the Leith-Ross department for dealing with world surplus commodities, just when the Ministry of Economic Warfare is declining for lack of neutrals to treat with. Lord Moynie has been unlucky to lose office in giving way to Lord Cranborne, who had to make room for Mr Attlee as Dominion link in the War Cabinet. Instead of being Minister for Raw Materials, detached from the Ministry of Supply, as at one time suggested, Lord Portal has become Minister of Works and Buildings, in place of Lord Reith, who, for no clear reason, has departed. In the shuffle of junior Ministers, seven back-benchers have entered office for the first time. The changes may even prove to be very remarkable; the way is open for great success or resounding failure—that is all. Apart from a strong point still occupied by Sir Kingsley Wood at the Treasury, the old illogical, compromising basis of the Government has gone. It can now be what the courage and resolution of its individual members can make it. An example at the top in the destruction of delays and indecisions could be made to run like a fire through the departments and Services, so that the war-machine might at least be manned from top to bottom with men with willingness, power and competence to act. There, at home, will be the first test of the new Cabinet and Ministers. Sir James Grigg has made a start at the War Office by ordering a smelling-out of all ineffective officers over 45. It may be asked why officers under 45 are not to be similarly scrutinised; and the test will obviously depend for its success on the ruthlessness and impartiality of the testers—who should not be aged local commanders. But this is a welcome beginning. In India, there is a vast urgent problem still unsolved; and in the whole field of strategy, material and moral, there is a void which can only be filled by a New Model Government.

The Defence of Java

The situation in Java is obviously critical. In spite of the smashing losses inflicted on the Japanese invasion fleet, the enemy was able to establish three bridgeheads—at Serang, Indramaya and Rembang—and from them to push rapidly inland. The most serious penetration followed on the landings at Indramaya. The Japanese, using cyclists, light motorised units, and even some tanks, advanced rapidly to Soebang, only forty miles from the Dutch headquarters at Bandoeng. However, at this point their penetration has been halted, significantly at the edge of the Javanese plain, and there is now a brief time during which the situation can still be restored provided the invaders are firmly attacked and cut off from reinforcement. Dutch, Empire and American troops are all fighting in the island, and the Commander-in-Chief, General ter Poorten, is an able and unorthodox soldier. There are no signs of cleavage between the Dutch and native populations—the relationship is Philippine rather than Malayan. Another resemblance with the American stand at Bataan is the nature of Java's mountainous terrain. But the United Nations face the usual handicap—shortage of ships, shortage of aircraft. The Japanese have been able to raid Java repeatedly in formation flights, and the gallantry of the fighter pilots has not so far been sufficient to make up for their shortage of machines. On sea, too, heavy as were the losses inflicted on the Japanese, their navy took a smashing toll of the defending warships, and it is uncertain how many remain to go into action from heavily bombed bases to meet the new invasion fleet which is certain to arrive in the next few days. The situation is very serious.

India Prepares

Now that Malaya has fallen and the United Nations are making their last Far Eastern stand in Java, it is obvious that the South-Western Pacific defence zone commanded by General Wavell has ceased to be a reality. The central factor in the picture is the Dutch defence of their own soil, and the only person fully competent to direct operations in Java is General ter Poorten. General Wavell has returned to India to take up again the task of Commander-in-Chief, and a formidable task it is likely to be. It is impossible to say how effective the defences of India are at this moment. As in all British overseas possessions, no very large army has been maintained in India, and at the present moment some of its most skilled troops are serving on other fronts. The degree of mechanisation is probably still small and the Five-Year Defence Plan introduced in September, 1939, must still be far from completion; it would be particularly useful to know the extent to which the project of modernising the coastal defences of which the main ports has advanced. The Japanese attack, if it comes, is most unlikely to come by land from Burma. There is no rail communication between Burma and India, and very little communication of any other kind. The position on the sea is not so happy—with Singapore and Rangoon as bases, the Japanese have a definite advantage, and their campaigns in Malaya and the Dutch islands show to what good effect they can use the technique of landing on almost any kind of coastline—and following up the initial attack

by a quick and efficient penetration. It is a technique that was probably acquired and perfected in the myriad Japanese coastal raids carried out in recent years on Kwantung Province and South China generally, when every outlet for China's coastal trade was being stopped up. Clearly it is a technique that can be adapted against India, just as the use of islands as stepping stones can easily be extended to the Andaman Islands, Reunion and Madagascar. However, the Chinese analogy has certain hopeful aspects. China's resistance has been successful in some measure because of the distance the Chinese could retreat, whereas nowhere in the South Seas has it been possible to develop defences in depth. India is large enough to swallow an invader—particularly an invader thousands of miles from his main base. Another aspect, of course, is not so hopeful—the Indian people do not feel for the British *raj* what the Chinese feel for Free China.

The Plain Truth

There has been a welcome increase in public frankness, and the latest communiqués and bulletins have been commendably stark and factual. In his first speech as Leader of the Commons, Sir Stafford Cripps asked for "seriousness and austerity" in this grave situation; and nothing that has been recently said in Parliament has won a wider welcome. It is perhaps a pity that the sentiment did not more deeply affect the Ministerial speeches on later days, which introduced the Admiralty Estimates and the Food Vote. There is a tendency for speeches of this kind, which are in effect annual reports on policy, to be departmental apologies. The successes of the Admiralty and the Ministry of Food last year were striking enough. It is right that they should be stated and acclaimed—but not in order to put the present dangers in a "proper perspective." In fact, they put these dangers in an entirely false perspective, because nothing that was achieved in 1941 can alter the fact that there are desperate perils in 1942. These chronological balance-sheets, whatever lip service may be paid in their course to the current dangers, blunt the sense of urgency by fallaciously weighing the smooth of yesterday against the rough of to-day and to-morrow. What was required of the speeches of Mr Alexander and Major Lloyd George in the public interest was the clear, unmistakable impression that, relative to the strategic and economic needs of the United Nations, the shipping position was likely to be as serious for several months as it has been at any stage in the war, and might well be appreciably worse until American shipbuilding and an Allied counter-offensive, itself needing great numbers of ships, can redress the balance. These points may possibly be found embedded briefly in the text of the speeches; but they are not underlined. Mr Alexander's conclusion was that vast shipbuilding programmes would restore Allied seapower and offset shipping losses. Major Lloyd George's was, cautiously, that "it might even be necessary to reduce to some extent the existing rations." These are surely not the calls to sacrifice that are needed. It is not a question of creating "an atmosphere of undiluted depression when events are temporarily against us" (as Sir Stafford Cripps put it). It is a question of fact, a practical question of economic policy. It is imperative, for an interim period of uncertain length, that still more shipping space, manpower and materials—the maximum possible, in fact—should be saved by the people of this country. The first requisite for this is a much sterner statement of the short-term position than these Ministers apparently dare to make, the second a much more drastic policy of restriction and curtailment than has yet been hinted at.

Half Measures?

Major Lloyd George's statement in the Commons on the food position was appreciated for what it was, a technical masterpiece; but the majority of speakers were not blind to the fact that it was, among other things, a masterpiece of understatement. It has not yet been brought home to the public that the aim of food policy is to provide not the fullest, but the most meagre, diet consistent with winning the war—because the war will be won more quickly and more certainly that way. Major Lloyd George promised that cuts will be made, if necessary, and that the scope of points rationing will be extended. It is to be hoped that the changes will be drastic. From the psychological standpoint it is better to go the whole length at once and to let the future hold the hope of better times, than to plan a gradual downward trend. While food policy is governed

by such real considerations as shipping and agricultural requirements, the whole matter is complicated by the vital, but less tangible, question of morale. In this respect, much harm has been done by stupid propaganda which represented the restricted nature of the German diet and standard of living in the early stages of the war as a weakness instead of as an aid to victory. It is perhaps not very easy to persuade the average consumer that lower and less varied rations are not only necessary, but should be pushed ahead of actual need, though this is the real point. Consumption must be narrowed down to basic requirements. And it is important to recognise that more harm is done to morale by the persistence of inequality, as exemplified by luxury restaurants and the black market, than could be done by any conceivable extension of rationing. The direction of a stricter régime is plain enough. Technically, it is stated, it is difficult suddenly to require customers to give up coupons for restaurant meals; but, morally and economically, it is necessary that they should do so, as they did in the last war; and the alternatives of meatless days in restaurants or even restricted restaurant prices are just tinkering. Profiteering in early fruit and spring vegetables must be prevented this year. The prices of wines and spirits should be recognised as a scandal due to parasitic manipulation. Beer and tobacco are probably placing too high a drain on the nation's resources, and should be restricted or rationed. The new penalties against black market racketeers should be used to the hilt. The public will not mind deprivations, if they are needed, if no one is allowed to make unfair gains.

Bread

Last year the country was officially urged to eat wholemeal bread and save shipping; but it was very difficult indeed to buy any wholemeal bread. Now the Government is not so certain where duty lies. To substitute wholemeal for white bread generally, that is, to increase the extraction of flour from wheat from 75 to 85 per cent, would save some quite remarkable tonnage of shipping in a year—a figure of 700,000 tons was given in the Commons on Tuesday. But this argument is not final. The residue of the wheat, the offal, is used to feed animals, and is thus a factor in the supply of milk, meat or eggs—though by no means so important a factor as the more choleric or disingenuous opponents of wholemeal bread suggest. The decision as to which is needed most at any point of time, shipping space or feeding stuffs, must be based upon a complicated balance of advantages and disadvantages which probably only the Government, having the facts at its disposal, is able to strike. Nevertheless, the position is not satisfactory, for the presumption must be in favour of shipping and the wholemeal loaf. Last year the Government, or at any rate the Ministry of Food, did decide that the shipping position made the wholemeal loaf necessary. But nothing happened; the loaf did not appear. One reason was given in the House on Tuesday; it is "a bread which, frankly, is not what the people of this country prefer." Popular taste must, of course, carry weight in matters of diet, so long as it does not interfere with economic necessity; but it may be suspected that another reason, not without influence on policy, is that it is also a bread which the millers and the meat interests do not prefer. If shipping considerations required wholemeal a year ago, it would appear that they do again now, when the gravest strain at sea has returned. It may indeed be that the Government is waiting to act "the moment the balance tips down on the side of 85 per cent extraction"; but it is to be hoped that all narrowly interested voices are being left sternly unheard.

More Economy

The latest steps to provide the public with utility clothing at reasonably low prices are discussed on page 338. These measures are accompanied by certain limitations on the design of garments to save material; but, apart from the stated aim of supplying all sections of the population with cheap essential clothing, the objective is to save labour. It is a new stage in war economy, which was actually set on foot last year, though it might usefully have been begun even earlier, for many more goods than clothing. In 1940, supplies of materials to civilian manufacturers were restricted for shipping reasons. In 1941, civilian industry was called upon to concentrate production in a few efficient factories to release manpower. This year is the third stage, when manufacturers will be pressed increasingly to produce utility

goods which use less labour in their manufacture than higher quality goods. The policy is based on inducements rather than commands. Special quotas of material are given to manufacturers who turn over to utility production; some priority is given to labour substantially engaged in this work; and an attempt has been made in fixing maximum margins under the second and more stringent Prices of Goods Act "to allow a ceiling high enough to secure that an ample proportion of productive capacity participates in the production of utility clothing." The scale and speed of this programme are vitally important in the present emergency, when the only substantial reserve of manpower for war work is still engaged in maintaining the quantity and quality of the civilian standard of living. Variety is one of the elements in the standard of living that can be most easily dispensed with—and least easily defended. There are still too many official apologies and excuses for the very cautious approach that has so far been made towards standardisation. Why it should still be felt necessary to proclaim that there is no intention to impose a standard design on clothing, and to claim proudly that "even the most fastidious" will still be able to satisfy their individual tastes, passes comprehension. The Member of Parliament who demanded last week that we should all be clad in overalls was not talking nonsense. He was carrying the present policy to its logical, and possibly inevitable, economic conclusion.

Shape of Things to Come?

Like the raid on Vaagso—which was by all accounts a model of efficiency—the combined British attack on the German radiolocation station at Bruneval showed how successful can be an offensive operation when it is carefully planned and conducted with the full co-ordination of all three Services. Parachutists were dropped from two-engined Whitley bombers. Their task, to wreck the station, was performed speedily and very thoroughly while fighter aircraft created diversions in the neighbourhood. The parachute troops then withdrew to the beach, where the defences had been stormed from the rear by a landing party, and then, taking with them a few prisoners, all the British forces were safely evacuated in light craft of the Royal Navy. Clearly, the operation was only on a very small scale and, high though praise must be for the skill of the operation—the only obvious criticism is the use of expensive bombers for parachute landing operations; the Germans use very jerry-built craft—it would be false to boost up the attack to the scale of a major action. The real problem now is whether, like Stavanger and Vaagso, it is to remain a successful but isolated and therefore insignificant episode; or whether it is the first of an expanding onslaught on the French coast in which both the scope and the frequency of the attacks develop on a large scale. M. Litvinov has called for a second front, and certainly the Russians will need all the diversions that can conceivably be provided in the course of the next three months. Raids such as the one on Bruneval can serve an admirable purpose if they are designed to do what the Germans invariably do before launching an offensive—test out a defence line for weak or vulnerable points from which a powerful infiltration movement can be launched. The coasts of France are becoming Germany's Maginot Line. It must be turned, and it is to be hoped that Bruneval is not an isolated action but part of a larger and more boldly conceived strategy towards this end.

The Ways of Admiralty

The Admiralty survived the reconstruction of the Government unscathed. The Navy stands firmly first in the trust and affections of the British people. But some of the most serious questions at the present time concern the Navy, and one after another they came up last week in the debate on the Navy Estimates. The "sinkability" of heavy British warships is already being investigated by the Admiralty; the pounding that many of them have taken without sinking will be set on the other side. The escape of the German battleships in the Channel is accepted by few laymen and none of the naval Members of the House of Commons as a strategical gain—in spite of the comfortable words of the Prime Minister and Mr Alexander. There is widespread uneasiness—and exasperation—that the plainly vital question of air and naval co-operation remains a shuttlecock in heated arguments between personalities and interests. There is not a little concern about the minor role which the First Lord seems to play in the affairs of the Admiralty by contrast to the major part of

the First Sea Lord. All this does not indicate any lack of recognition of the unceasing, arduous labours by which the Navy has held, and still holds, the war effort itself together, or of its skill and courage. It arises rather from the knowledge that this country, at home and abroad, stands or falls by sea power; and, in to-day's crisis, no body or institution can be sacrosanct. The core of the present disquiet was stated last week by Sir Percy Harris, who described the Admiralty, from his contact as a member of the Select Committee on National Expenditure, as "efficient, but slow and cumbersome." He expressed disquiet about the inferior status allotted to technical officers—engineers, scientists and experts—in the naval hierarchy; about the outmoded practices of His Majesty's dockyards, where engineer officers must always be under executive officers; and about the fact that

when engineering is so vital in the organisation of the Navy, the Board of Admiralty should hold firmly to the line that on no account can an engineer admiral, however capable he may be, be admitted into the sacred circle.

There is very clearly a view among sober and responsible people with close experience of the Admiralty that enterprise, initiative and inventiveness are hobbled by hide-bound ways; and the First Lord—who, admittedly, has not often been permitted to speak for his department on important matters—might have devoted more of his Estimates speech (and might devote more of his current time) to constructive self-searching on the lines of these questionings. The Navy less than any other Service can afford to fall short in these dangerous days.

Air Apologia

On Tuesday night, in bright moonlight and against light defences, RAF bombers made a heavy and successful attack on Paris factories working for Germany. The loss of life was large, and the effect on output no doubt considerable. The raid served as a prelude and an example for Sir Archibald Sinclair's speech in the Commons on Wednesday, in which he defended the British bombing policy. Again, he promised an all-out air offensive against the enemy with the biggest aircraft and the biggest bombs. Last year's promised offensive had not happened, except sporadically in a few localities, because of Russia's need for aircraft, the Navy's need for raids on special targets and, above all, the weather. This time, it seems, it will happen; and the distraction of enemy fighter squadrons from Russia to France since last summer, Sir Archibald said, must be set against the missing Blitz. To the layman, the position, after two and a half years' experience, seems clear; the war will not be won by bombing or without it. Air attack is artillery at long or short range, and the success of the RAF's offensive will depend upon the ability of the other arms to follow it up—and the RAF's ability to aid them directly. Inevitably, the Minister's story was one of high courage and determination; and he made a stupid—and disingenuous?—mistake when he treated criticism of air strategy and tactics as criticism of RAF personnel. This sort of partisan pleading is too frequent and confuses the issue. The Minister knows very well how high the men of the RAF stand in everyone's estimation. He also knows that co-operation

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between the RAF and other arms, through no fault of the flyers, has been gravely and, sometimes, fatally lacking; and for him to treat criticisms based on this fact simply as pleas for the "dismemberment" of a deserving Service is unhelpful—and less than his duty. There may be good answers to the critics, but "righteous indignation" is not one.

Battling for the Strong Points

The great issue in Russia in the next six weeks is whether the Red Army can destroy Hitler's advance line, a series of strong points—Staraya Russa, Rzhev, Vyasma, Orel, Kursk, Kharkov, Gorlovka—stretching from Leningrad to Taganrog and the Sea of Azov. A glance at the position of the armies shows that the Russians have swarmed across the line in the north, central and southern sectors—at Velikiye Lugi, Dorogobuzh and Krasnograd. It also shows that the German strong points are all holding out, although Staraya Russa is virtually surrounded and Rzhev and Vyasma are in obvious danger. In the south, the German positions in Taganrog are threatened on both flanks, southwards from the Donetz front and across the ice of the Sea of Azov, where a considerable battle is developing, the Russians attempting to storm Taganrog, the Germans trying to get some reinforcements to the Kerch peninsula. The present Russian offensive must demolish the various strong points if any substantial distance is to be put between Hitler and the objectives of his much-heralded spring cam-



paign. If the strongholds are not reduced, then they will become the springboards of the new German attack—just as Germany's failure to capture Leningrad, Moscow and Rostov last autumn made possible the launching of the Red Army's winter counter-offensive. There is not much time left, for once the heavy thaw sets in, both armies will be immobilised, and by the time the fine weather begins, the Russians may have to face all over again the ordeal of June, 1941. It is true that they will face a German army that is far less *frisch und fröhlich* than it was after the unchecked victories of 1940; but there is some evidence to show that the Germans have surmounted both easy optimism and almost equally easy defeatism and are settling down in grim earnest to make the new spring offensive a death blow—whatever the direction in which it is to fall. The Russians have largely made good their industrial losses in the Ukraine, they have won battles, they have earned self-confidence by checking the unchecked and defeating the

undefeated. Yet it should not be forgotten that one of the chief differences between June, 1941, and spring, 1942, is that Hitler's armies are now four-fifths of the way to Moscow.

The Risk of Appeasement

It is difficult to see why Washington should be any the wiser for the recent interchange of letters between President Roosevelt and Marshal Pétain. It appears that on February 10th the President sent a personal letter to Marshal Pétain, reminding him that if Vichy France went further in giving aid to Germany than was warranted under the armistice agreements, then it would be necessary to include Vichy "in the category of governments which are directly assisting the declared enemies of the people of the United States." To this letter the President received the reply that the Vichy Government was not transgressing the terms of the armistice, and there for the moment the matter rests. The Marshal's communication makes it clear, perhaps, that he personally has no wish to go further than he must, but the events in North Africa and the behaviour of Admiral Decoux in Indo-China—both of which point to a definite willingness for closer collaboration among men on the spot—are not covered by Marshal Pétain's assurances. It should not be forgotten how many of the new men in authority are the creatures of Admiral Darlan and have actually gone to their action stations in the course of this winter's lull. The real problem is whether the continued complaisance of the United States strengthens Marshal Pétain's position against his own wild men. If it does, then the policy can be justified on grounds of expediency. Appeasement can sometimes pay—but only if the relative strength of the appeasers is growing during the period of conciliation. It would obviously be fatal to maintain Vichy's neutrality if all the time it was only a cloak for the elaboration of a strong policy of joint action with the Germans. It would be folly to appease Pétain in order to immobilise the French Fleet if the appeasement period were being used to recondition and reassemble the fleet for action.

The Status of the Free French

The policy of appeasing Vichy has a subsidiary inconvenience in that it destroys all possibility of logic in the United States' attitude towards the Free French National Committee. The United States is pledged to support all peoples who are resisting aggression. General de Gaulle's movement exists for no other purpose and has, in fact, been recognised as "essential to the defence of the United States" for Lend-Lease Act purposes; yet the necessity, supposed or real, of conciliating Pétain entails a generally cold and at times—as, for example, over the incident of St. Pierre and Miquelon—hostile attitude towards the Free French. This attitude is becoming more and more difficult to maintain with the spread of the war to territories where the Free French exercise full sovereignty. Even if the exigencies of its Vichy policy compel the State Department to ignore such contributions to the resistance of the United Nations as the ceaseless activity of the Free French Navy and of the Free French squadrons fighting with the RAF, it is impossible not to recognise the actual government of territories which are likely at any moment to enter the war zone. The United States has therefore adopted the compromise policy of recognising Free French authority in areas in which defence talks have to be undertaken. The Pacific islands—New Caledonia, the New Hebrides, Marquesas and Tahiti—guard a possible southern supply route across the Pacific and are an outer ring of defences for Australia. If the Japanese ability to mop up islands were to spread to this periphery, the defence of Australia and effective communications between Australia and the United States would be in obvious jeopardy. The islands thus occupy a high priority in the allocation of defence materials for the Pacific. Talks have had to be initiated and the Free French have very properly insisted that their status should be recognised. Accordingly, the United States has given limited recognition for the Pacific area. The matter cannot rest there. What of Free France's African possessions? Strategically, they too are growing in importance as the direct air link with the Middle East and an important base for the defence of the Southern Atlantic. At present, the United States has consular representation there, and an American Observer Mission under Colonel Cunningham has visited the territory. But this is not enough. Even if the United

States policy *vis à vis* Vichy still impedes general recognition, local recognition should be given wherever the Free French are established—including St. Pierre and Miquelon; it should be given generously and it should be given at once.

Civil Defenders

The lot of the civil defence service at the present time is very unhappy. Its members feel as unwanted and unnecessary as they did in the twelve months before September 7, 1940, with the added cause of unrest that now they are very much wanted and necessary elsewhere. Civil defence, they have been told, is an honourable service, equal in status to service in the armed forces or in industry; yet it can neither fire the imagination of its members nor line their pockets. It is significant that very few, in fact not enough, men who have been given the option of the National Fire Service when called up have taken it. The recent measures for employing civil defence workers on constructional and similar tasks near their own depots and allowing part-time members to enlist in the Home Guard were only a beginning. Last week, Mr Morrison announced that arrangements are being made to release civil defence workers to take up industrial employment. They will still be under an obligation to do part-time civil defence duty and will be liable for recall in case of emergency, so that their place of employment must usually be local. Nevertheless, it is an important step in preventing the extraordinary waste of manpower which adequate defence against air attack causes; and one of Mr Morrison's remarks suggests that it will not solely depend on the initiative of the civil defence workers, but that the appropriate authorities will find work for them. The question of remuneration, whether they will rank as ordinary employed—as they probably should—or continue to receive their civil defence pay, has not yet been settled. But it has also been announced that the latter is to be increased. The basic pay for whole-time women members will be raised from £2 7s. a week to £2 12s., and for men from £3 10s. to £3 14s.—this must perhaps be heralded as the first occasion on which women have been given a higher rate of increase than men, but it hardly affects the substantial difference between their rates of pay. In addition, whole-time members are to be given post-war credits on the same lines as those to be given to members of the armed forces. Both announcements should help to make the civil defence service more conscious of its worth, but an obvious corollary is that all civilians not engaged in direct war work should be effectively obliged to do part-time civil defence duties.

Helping the Colonies

It is just over two years since the Government formally abandoned the principle that the colonies should be self-supporting and announced that financial assistance for development and welfare schemes would be granted from the Imperial Exchequer up to a maximum of £5 millions a year. Before the necessary legislation could be put into effect, France had fallen, and it was not until last June that a start was made with the new policy, and colonial governments were asked to submit applications for assistance. In a Parliamentary reply given on January 28, Mr George Hall revealed that up to then 180 applications had been received—101 from the West Indies, 20 from East Africa, 16 from West Africa and 43 from the rest of the Empire. In another reply, however, on another day, Mr Hall stated that to date 40 schemes from the West Indies had been approved involving a total expenditure of £476,805, while another 5 are awaiting "final approval." The total financial assistance given to the colonies under the Act, as revealed in yet another Parliamentary answer, was £827,357 up to the end of last year. Thus, instead of five millions, less than one million has been granted; the West Indies, to which one out of the five millions was to have been allotted, received less than half a million; and more than half of their applications have not been accepted. It may very well be that these schemes would have involved machinery and materials which are unobtainable or scarce, and in any case a warning was given from the outset that the £5 million maximum would not be reached in wartime. Nevertheless, the suspicion is growing that the Colonial Office is only half-hearted about the whole business, and it is not dispelled by the revelation that the Marquess of

Dufferin and Ava, who has a full-time job at the Ministry of Information, spares one hour of his time a week to be chairman of the Colonial Development and Welfare Advisory Committee whose task is to examine the 'colonies' applications and give recommendations. If only one hour a week is necessary, the formality might well be dispensed with altogether. It is to be hoped that Lord Cranborne, the new Colonial Secretary, and Mr Harold Macmillan, the new Under-Secretary, will infuse new life and energy into this, and every other aspect, of colonial administration.

Not Enough Coal

The issue of a direction by the Secretary for Mines restricting deliveries of house coal in the London Civil Defence Region coincides with the publication of a report of the Select Committee on National Expenditure on coal production. The report is timely and forthright. Its examination of the present incipient coal shortage is, however, concentrated on output; as far as consumption is concerned, the members of the Committee restrict themselves to recommending economy, in the hope that the solution of output problems will obviate the necessity for a national rationing scheme. But it should be clear by now that the problem must be tackled from both sides—more production and less consumption—at once. The London restrictions allow deliveries only to consumers with less than half a ton in stock on March 2nd and limit deliveries to six hundredweight in the next six weeks; the scheme does not affect boiler fuel and is said to have been necessitated only by the length of the cold spell. In fact, a full-scale rationing scheme for all classes of consumers is probably overdue, irrespective of whether deliveries to London retailers have fallen behind schedule. The elimination of all unnecessary use of coal should be the prerequisite of any sound policy; it is not rationing, but industrial shortage for the war effort, that is the danger to be avoided. The Select Committee itself rightly points out that the industrial use of all fuel must increase as the war effort expands, while the loss of miners to the forces and to munitions industries after the fall of France virtually prohibits a corresponding rise in output. Of 70,000 miners, mainly coal face workers, who left the industry for the forces or for occupations to which the Essential Work Order is applied, there has been a net return, as the result of exhortation and compulsory registration, of only about 17,000. Moreover, absenteeism, following the removal of the penalty clauses attached to the attendance bonus, has become a major problem; and the difficulty of adequately feeding miners for whom there is no canteen and whose wives are working in factories is a very real deterrent to all-out working. There is an urgent need to introduce some effective sanction against unjustifiable absenteeism; to secure at least the temporary release of many thousands of miners from the forces and industry; to improve feeding facilities; and to reserve more transport space for coal deliveries. But it would be short-sighted and wasteful to imagine that rationing, where it is feasible, is or ought to be regarded as unnecessary or avoidable.

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Collective Action

The resignation of the Bishop of Oslo, Dr Eivind Berggrav, which has been accepted by the Quisling administration, has been followed by the resignation of the entire Norwegian episcopate. Since some nine-tenths of the Norwegian teachers have resigned from their professional association and are threatened, in consequence, with dismissal, the newly appointed Minister-President is faced with an acute church and educational crisis. The former springs from the refusal of the Dean of Trondheim to abandon his arrangements for the service on February 1st, the day on which Quisling was appointed Premier, in favour of a quisling clergyman; the latter from the decision of the Government compulsorily to enrol all children over ten years of age in the Quisling youth movement. All Norwegian schools have in consequence been closed for a month. In the religious sphere, the Norwegian bishops are supported by their deans and by the vast majority of the clergy. The resignations are embarrassing for Quisling and his followers, who can now hardly hope to continue to bluff Hitler or Terboven that Norway is an active participant in the New Order, or that his own competence can be relied on. It is also embarrassing for Hitler who for various reasons would prefer conversion to repression for Norway. Yet, when the country provides proof that it is so solidly "unreliable," it is difficult to avoid making martyrs, always a dangerous policy. Nor, from the Nazi standpoint, can the repercussions in Sweden be satisfactory, and recent intensified pressure on this obdurate neutral may well have been offset.

The Civil Estimates

There is nothing unexpected in the Civil Estimates for the coming financial year. Their total, excluding the revenue departments, is £425,655,803, against £428,860,519 in the current year. The biggest drop is, naturally, in the Assistance Board, whose requirements are estimated at only £8,670,000, compared with £19,680,000 for 1941-42. This fall must be mainly due to the steady decline in unemployment, but it may also be due to the fact that it is now nearly a year since the Board had to cope with the needs of the bombed. In the same class of estimates, pensions are allotted altogether £104,635,000, against £103,241,000, £1 million of this increase being the statutory addition to widows', orphans' and old age contributory pensions. The estimate for the Ministry of Labour and National Service is up from £31,610,000 to £34,930,000, which is presumably the result of the continued expansion in the work of that department in registering and mobilising manpower. The Ministry of Health's estimate is also higher, at £25,902,771, compared with £24,646,200. In other classes, the biggest increase is shown by broadcasting, which is up from £6,900,000 to £10,000,000. The estimate for colonial development and welfare is nearly double at £1,407,000, against £773,010; even so, the total is very small. The continued expansion in the activities of the Board of Trade is reflected in the rise in its estimates from £660,790 to £1,484,583; and the same factor presumably accounts for the rise in the estimates for the Ministry of Works and Buildings, which is up from £909,470 to £3,477,000. In the revenue departments, the estimates for both the Post Office and the Inland Revenue are considerably higher. For the former, the increase is £8,777,000 at £102,523,000, while the rise for the Inland Revenue, which must be the result of the application of income-tax to small incomes, is from £9,705,560 to £12,147,170. These two departments, with Customs and Excise, bring the total sum wanted for purely civil expenditure to £546,697,773, against £538,826,779 in the current financial year.

Accident Hospital

Birmingham possesses the first accident hospital in this country, and has thereby brought a little nearer to a solution the urgent problem of rehabilitating persons injured by accident. The problem has an added importance in war-time; and Birmingham deserves all credit. It was recently stated in the first annual report of the Birmingham Accident Hospital and Rehabilitation Centre that, during the past two years, the number of industrial injuries in Birmingham area requiring treatment at hospitals has increased by at least 40 per cent—the total being well over 100,000. The new Birmingham venture furnishes not only the ordinary requisites of treatment (it has 322 fully equipped beds, of which 50 are now reserved for air-raid casualties), but it also provides a specialised medical staff, industrial nursing and a mobile surgical unit. In addition,

a rehabilitation service has been fully developed, rehabilitation being widely defined to cover both the psychological and the physical treatment of patients during the "ambulant" stage of their recovery as well as while they are in bed. The hospital, moreover, is intended to become a training centre for industrial nurses and first-aid workers; and it is linked with the local University as a teaching centre for undergraduate and postgraduate medical students. It has not been entirely in vain that the Delavigne Committee on Rehabilitation urged the need for institutions like those on the model of the famous fracture clinic of Dr Boehler in Vienna. It is a triumph for industrial medicine; but the economic aspect of the matter is not quite so satisfactory. Apart from capital requirements, the budgeted expenditure for 1942 amounts to £60,000. The Board expects £40,000 of this to be met by contributions from the Birmingham Hospitals' Contributory Association, the Ministry of Health and the City of Birmingham; for the balance of £20,000 the Board must "look mainly to industry," as the hospital has no other source of income. This precarious position is disturbing; and it is characteristic of such institutions in this country, where a prime need is that all medical services should be placed on a broad national statutory footing. It should be recognised that it is, at bottom, the imperfection of Workmen's Compensation, which does not provide any medical treatment at all, and of National Health Insurance, which only provides a scanty amount and no specialised treatment whatsoever that leaves this Birmingham venture in need of funds. Such developments as the Birmingham Accident Hospital should not be allowed to remain isolated and struggling examples for lack of financial security and an integrated national policy.

The Revenue

With exactly a month of the financial year to go, the yield of revenue has exceeded the Budget estimate. The total collected to February 28th was £1,848 millions, against an estimate of £1,786 millions. In part, but only in part, this is explainable on accounting grounds. Receipts under the War Damage Act are entered, in the first place, "below the line." When any expenditure is made under this Act, however, an amount sufficient to meet it is brought in under the head of "Miscellaneous Receipts." This item, which was expected to amount to £20 millions over the year, accordingly stands at £77 millions. But this is not the only explanation of the heavy collections. Customs and Excise, which was expected to yield £577 millions, has already brought in £641 millions. The satisfactory financial result is thus a direct reflection of the economic failure to keep consumption down. The same comment possibly also applies to the fact that EPT and NDC, in combination, have already produced £34 millions more than was expected for the full year. Income tax looks like exceeding the estimate by a small margin, but surtax is lagging. Expenditure is also high and rising, and the appearance of a further Vote of Credit of £250 millions for 1941-42 raises the total estimate for the year to £4,957 millions.

Shorter Notes

The Ministry of Information is to be commended for producing an Income Tax Quiz for Wage Earners (H.M. Stationery Office, 2d.). In view of the large number of new taxpayers without previous experience with income tax returns, the issue of a simple explanatory official booklet was necessary. The preparation of a simple guide for the new taxpayers was no easy task, for the problem is complicated; and if the booklet does not provide a simple answer to all the questions and problems the publishers can scarcely be blamed. The methods used for the distribution of the booklet have been as unorthodox as its phrasing, for Woolworth's have been selected as one of the distributing agencies. And its success is measured by sales which are reported to have reached some 500,000 copies.

The most extraordinary feature of the waste paper campaign has been the long delay before what seem quite elementary measures are taken. Appeals to the public to save paper preceded effective steps to prevent the misuse of paper, and only now, after the campaign has been in full swing for over four months, is it being made an offence to burn or destroy paper or cardboard, except for lighting fires, or to mix it with refuse. The Ministry of Supply estimates that since the beginning of the war half a million tons of paper has been lost in this way. Why, then, was the Order not made sooner?

AMERICAN SURVEY

Food for Freedom

INTEREST in the vast American armaments programme should not be allowed to obscure the crucial importance of developments on another front—the American farm. The Secretary of Agriculture said recently, "Food is a whole arsenal of weapons in this struggle . . . Our national self-interest and our humanitarian instincts challenge us to do this job of producing food and do it on a scale that will write history . . . In the day of victory when the nations sit down at the peace table our food stock piles, ready to be drawn on by the famished peoples of the Old World, will give great force to our views." In the nearer future American food products will have to satisfy an unprecedentedly large demand from the American armed forces, the civilian population, some of which is being withdrawn from agriculture to the munition factories, and from the Allied Powers which are being supplied through Lend-Lease. Last September the production goal for 1942 was set at 2 per cent above 1941, itself 2 per cent over 1940, and 12 per cent above 1924-29. Since the entry of the United States into the war it has been announced that 1943 should show a 6 per cent increase over 1941. Figures of over-all production, however, minimise the effort. Vastly expanded quantities of certain foodstuffs, notably milk, cheese, poultry, eggs, meats, some fruits and vegetables, are called for, while other crops, particularly wheat, cotton, and tobacco, will be cut. Conversion is the order of the day in agriculture as well as in industry, but the farmer is fortunate in that the changes now urgently demanded are to a large extent in line with long-term changes in consumption and have been actively encouraged by the government since the early days of the New Deal.

"Parity" Attained

It seems likely that with hard work and careful planning, American agriculture will be able to deliver the goods. The growing predominance of industry during the present century has made it easy to underestimate the weight of American agricultural capacity. Even to-day there are 6,000,000 individual farmers and during the 1941 harvest about 10,000,000 workers were employed. Conditions on the farm are better than they have been for more than ten years. Farm plant and livestock numbers have made a notable recovery from depression lows. There are adequate stocks of feeding-stuffs, although there will have to be transfers from surplus to deficit areas, and calls on the "ever-normal granary" (i.e., Government stocks) amounting to about 200,000 bushels. Farming as a whole was more prosperous in 1941 than for many years. Farmers found themselves in the happy—and unusual—position of being able to sell larger quantities at higher prices. The average level of prices for all farm commodities was higher in October, 1941, than it had been since 1929; it was 22 per cent above 1940. Prices for truck crops, meat, dairy products, chickens and eggs, and cotton rose even more sharply than this average, with grain prices lagging. The prices paid by farmers for the commodities they buy did not rise nearly so sharply; with farm labour excluded, the index rose by only 4 per cent between 1940 and 1941. The famous "parity," which has featured so prominently in the farmers' objectives of recent years, is defined as the relationship between these two price indices—those of what farmers sell and of what they buy—that existed in the period August, 1909-July, 1914. In 1941, for the first time in over fifteen years, the ratio went above "parity." On the other hand, wages for farm labour have reflected the growing movement from the land into the defence industries. In the middle of 1941 they had almost reached the average of 1930 and altogether, during 1941, rose 30 per cent. Taxes have also been rising from the 1934 low; the federal motor vehicle tax of 1941 alone will cost farmers about \$25 million a year. Higher prices for farm products are mainly responsible for pushing the total of cash farm income in 1941 up to \$11.2 billions; and the figure for 1942 is expected to be about \$13 billions, which approaches the record of \$14.6

billions in 1919. The highest income reached in the twenties was about \$11.3 billions in 1929, but the average for 1924-29 was only \$10.8 billions. Farm income is higher than it has been since 1930, and over twice what it was in 1932. Farm-mortgage debt has been declining since 1925, aided by widespread foreclosures in the bad years. In 1936 there were 23.3 foreclosures per 1,000 mortgaged farms; this rate has steadily declined, and in 1940 reached 8.9. During 1941 there was a further decline. Under the New Deal some progress has been made in agricultural conservation and in encouraging the shift from products like cotton, which faced declining markets, into diversified farming and into new products such as soya beans.

The expansion planned for the next two or three years is being carefully watched to see that it does not bring about any destruction of agricultural resources or entail an increase in equipment and livestock which would prove burdensome after the war. For instance, dairy farmers are being advised not to increase their herds but to raise output by more use of concentrates. Subject to these considerations, national, state, and regional goals have been set as high as possible. The amount of planning called for on the part of the Government and of the individual operator is unprecedented in American agricultural history. National goals have been set up for all major products; these are then broken down into the amounts that can be contributed by the various regions and finally into goals for the individual farmer. Outstanding increases are expected in milk, which is to rise from 117 billion pounds to 125 billions, an increase of 7 per cent; in the production of cheese, up by one-third in 1942; condensed and evaporated milk, up by one-fourth, and in the manufacture of dried, skimmed milk for human consumption, which is likely to be double what it was in 1941. The goal for eggs is 4,000 million dozen for 1942 as against 3,700 in 1941. Chickens for slaughter will rise from 680 to 750 millions. Slaughter of beef cattle is estimated at 28 millions as against 25 millions in 1941, but this will involve no increase in the cattle population, which has nearly reached the record high of 1934. Nearly 80 million hogs will be slaughtered in 1942, an increase of about one-seventh. The marketing of sheep and lambs will show only a very slight increase, while wheat acreage will decline about 13 per cent and cotton acreage will remain about the same at 23 millions.

"Profits and Patriotism"

The Government has at hand the powers necessary to direct and aid the expansion of production, in control of prices, the machinery of crop quotas, crop loans, and agricultural advice, and in the fact that the Federal land banks and the Federal Farm Mortgage Corporation hold approximately 40 per cent of the farm mortgage debt of the United States. During September, Mr Wickard, the Secretary of Agriculture, attended regional conferences all over the country; individual farmers are being approached by county officials of the Department of Agriculture and by Agricultural Adjustment Committeemen. The policy of the Government is based on the appeal of "profits and patriotism" rather than penalties. A high price programme is likely to be followed where additional production is necessary, in dairy and poultry products, truck farm produce, vegetable oils, and livestock. The intention of the Administration is to stabilise cotton, wheat and other basic crops at or near parity, and hold corn and feed stuffs below parity in order to encourage the feeding of concentrates to dairy cattle. Whether the government will be able to carry out this policy depends on its ability to outmanoeuvre the farm bloc, which is bent on raising prices all round. This would not only increase the danger of inflation but would destroy the Administration's carefully worked out programme of price incentives to producers. Expanded production is made safe for the farmer by the establishment of floors for the principal products at 85 per cent of parity. This is effected

by the granting of government crop loans up to this figure. In order to avoid high production costs prices of articles needed by farmers will be held down.

Two widespread difficulties are the shortages of labour and agricultural machinery. Government action to retain essential labour on the farms is a possibility, and the drying up of seasonal labour supplies may be offset by community harvesting, and by the use of the Civilian Conservation Corps, the WPA, and perhaps even the Army. Scarcity of materials and the conversion of machinery plants to war production are responsible for the shortage of machinery. Manufacturers of agricultural machinery have been given a high priority rating—A-3, and will produce about 83 per cent of their 1940 production. The production of certain types such as dairy equipment and peanut pickers has been increased, with the result that other machines, such as harvesters, will be produced in only small quantities. This discriminating production policy follows the lines of the proposed farm price policy. More short-term credit will be needed by farmers, but ample funds are easily obtainable in most cases from the Commodity Credit Corporation, the Farm Credit Administration, and the Farm Security Administration. Lack of equipment, labour, and experience in new types of farming are the main obstacles. The need for Government aid and education is particularly acute among the small farmers, who amount to about half the farm operators, and as far as regions are concerned, in the South, where the reduced outlets for cotton, wheat, and tobacco make a shift to diversified farming most urgent. Backwardness in methods and equipment below the Mason-Dixon line offers a challenge to the Government; an improved diet there would show great results in better health. Co-operative ownership of machinery is being developed, and the FSA is establishing co-operatives as demonstration projects in more efficient farming.

American food production is a great and essential asset of the United Nations. The drive to expand output is one of the biggest enterprises undertaken by the United States, and it is almost revolutionary in method. The most chaotic and depressed industry of recent years is undergoing a reformation which will have enormous consequences after the war. The perfection of planning technique and machinery, the improvement of methods and equipment, and the shift from staple crops all suggest that in meeting the wartime emergency American agriculture is greatly improving its ability to contribute to the "economy of abundance" and to hold its own after the war in relation both to industry at home and to agricultural competition abroad.

American Notes

Conversion Gets Under Way

The methods adopted in the conversion of the automobile industry are of particular interest because the industry is both the first and the largest to be converted *en bloc* to war production. If the methods are successful, they are sure to be a model for many other industries scheduled for conversion. Full utilisation of the industry's resources is assured by the fact that civilian production has come to an end; if the companies are to continue to exist they must secure war contracts. Mr Kanzler, head of the automotive branch of WPB, is responsible for reporting idle machine tools and other facilities to the War Production Board and for expediting the assignment of orders, if current contracts for the Army and Navy do not entirely absorb the industry's resources. As contracts will be granted to the company which can complete the job in the shortest possible time, and competitive bidding has been abandoned, the industry is laying stress on the adaptation of mass-production machinery, whatever the cost, in preference to the use of slower general-purpose machine tools. Comprehensive lists of the armaments demanded are already available, and are designed to help the individual producer in applying for contracts by showing the general categories of work, the specific articles needed, and the type of equipment needed to produce them. The facilities and machine tools of the entire industry will be made available to industrial companies through purchase, lease or use for a single job. Reports on idle machine tools are already being made by 1,500 companies to a central committee, and it is estimated that eventually about 150,000 of the industry's 350,000 machine tools will be reported. This information will be made available to all members of the industry, other defence contractors, the armed forces and the WPB in order to ensure that they are fully employed. The reports are so designed that an experienced engineer will be able to tell

immediately whether the tools are suited to his needs. Sub-committees of the Automotive Council for War will provide contractors with information on improved methods of production, and patents and industrial processes will be pooled. The industry is richly supplied with the tools, the technical talent and the administrative ability to make it a true arsenal; the only doubt which exists is whether companies habituated to the fiercest competition and jealous of their individuality will be able to throw off peacetime habits and collaborate wholeheartedly in production.

The Tax Proposals

The Administration's tax proposals for the fiscal year 1942-43, which were made public on Tuesday, are intended to raise an additional revenue of rather over \$9 billions; bringing the total for the year to some \$27 billions; Federal expenditure out of the general Budget is estimated to be about \$56 billions. The tax proposals rely in the main on sharp increases in income and corporation taxes and on higher duties on such articles as petrol, tobacco, liquor and on transport, telegraph and telephone services. The present Federal income tax is levied on all incomes in excess of the personal allowances, which are \$750 for a single man, \$1,500 for a married couple and \$400 for each dependant. It consists of a flat rate "normal" tax of 4 per cent and surtaxes ranging from 6 per cent to 77 per cent. Mr Morgenthau's proposal appears to be (though the cabled reports are far from explicit) that these surtax rates shall be increased by 10 per cent and that a proportion of the tax payable should be withheld at the source. This will, of course, impose a sharper increase on the smaller incomes, but this is not unjust, since it is in these ranges, rather than on the higher incomes, that American income taxation bears most lightly. Any direct comparison of American with British income taxes is difficult because of the existence of State taxes. But these are usually light. In New York the highest rate is 7 per cent and in California 15 per cent, and even these rates affect only the very largest incomes. Federal and State income taxes, with Mr Morgenthau's additions, will still be substantially lower on all small and middle incomes than British income tax. The tax proposals are of interest as a reflection of the Administration's policy and viewpoint, but it should be remembered that Congress need not accept them, either as a whole or in detail; it is jealous of its power to tax, and a long period of haggling, compromise, conference and revision is an essential preliminary to the enactment of American tax legislation. Two points at issue are the "withholding" tax, favoured by the Administration and opposed by Congress, and the imposition of a general sales tax, said to be popular with Congress and disapproved by the Administration.

Manpower and Labour

While the unions and the public are still concerned with such problems as the union shop, labour disputes, wages policy and the forty-hour week, there are signs that a broader view of the mobilisation and distribution of manpower is emerging. The creation within the Labour Department of a new division for the mobilisation of industrial manpower is being considered. The establishment of the US Employment Service and the move towards economy of manpower in Government offices point in the same direction. Mr Hillman remains in charge of labour supply at WPB for the present, though the scope of his authority may shortly be reviewed in relation to the functions of the War Labour Board and the Department of Labour. Meanwhile the demand for a national labour policy continues to be voiced by Congressmen and the newspapers. Congressional opinion is said to be increasingly in favour of legislation against all labour disputes, longer working hours without overtime pay and a final decision on the question of the closed shop and check-off, but has shown little willingness to accept other equally urgent restraints, notably on excess profits and on farm prices. The defeat of the Smith amendment, which would have suspended all maximum-hour legislation and overtime pay for the duration, was partly due to the opposition of the Administration, but also to its sweeping nature, rather than to any softening in the general anti-labour attitude of Congress. Mr Green and Mr Murray have asked President Roosevelt not to bar wage increases in view of the rising cost of living, and have insisted that if wages are to be frozen there must first be more effective

price controls, strict rationing and an increase in the excess profits tax. The forthcoming decisions of the Labour Board on demands for increased wages and the closed shop in "Little Steel" and double Sunday pay in the automobile industry are eagerly awaited as an indication of the policy to be adopted. An increase in maximum hours seems inevitable, but wages policy is a part of the entire price programme of the Administration. The necessity of comprehensive control and equality of sacrifice is appreciated, but whether it is practical politics remains doubtful.

War Secrets

The leakage of military secrets to the enemy, particularly of aircraft drawings and army codes, has alarmed the Department of Justice, but the press appears to be even more alarmed at the Bill drawn up by the Department, which provides fines and gaol sentences for persons "wilfully and knowingly" revealing confidential plans and documents. The problem is evidently one of steering a way between penalising legitimate criticism and allowing information to reach the enemy. The Department is concerned because of its inability to secure convictions in more than one case of a number which it has handled. The press is unanimous in its disapproval of the Bill as drawn, and in its concern lest the rights of free discussion be endangered. The freedom enjoyed—and exercised—by the American press has been exceptional, and in the period of pre-belligerency there were a number of outstanding cases of irresponsible publication of information of interest to the Axis. Attorney-General Biddle, testifying before a Senate Sub-Committee, pointed out that the press has never been free to disclose Government secrets. This argument seems somewhat ingenuous, as up to the present penalties and procedure were not established which would permit action to be taken. It seems likely that the "threat of a political censorship" is being exaggerated and exploited by the press, which has always been overwhelmingly anti-Roosevelt. The aims of the Bill are irreproachable, and Attorney-General Biddle has agreed to its revision in order to protect the rights of both public and press. The beginning of a "statistical blackout" shows that the Administration is becoming increasingly aware of the necessity of withholding information from the enemy. Positive control of the dissemination of military secrets is a wartime necessity, and, provided the Bill is carefully drawn, there should not be much difficulty in discriminating between legitimate comment and violation of trust. The American press is so jealous of its freedom that it may be depended upon to see that the restrictions go no further than is essential.

Defence Housing

The consolidation of the sixteen government housing agencies into one organisation to be known as National Housing Agency is long overdue. The stream of workers into munitions towns has already created a serious shortage of accommodation and services, and the multiplicity of federal agencies has made an effective policy impossible. In one only—the Defence Housing Administration—the Truman Committee found "many mistakes, gross waste, extravagance, inefficiency and petty jealousy on the part of the administrative heads." The conflicts of policy and personalities between the other agencies have been notorious; in his Press Conference, President Roosevelt referred to "duplication, conflict, disputes and overlapping both among themselves and with private contractors." The new agency, under John W. Blandford, will contain three units: the Federal Housing Administration, the Federal Home Loan Banking Administration, and the Federal Public Housing Authority. Housing units formerly part of the Federal Loan Agency have been transferred to the Commerce Department under Mr Jesse Jones, who will supervise the new agency. Important decisions on housing policy which will have to be made include the division of authority between federal and local governments, the scope allotted to private builders as opposed to Government housing and the standards set up both for private and public building. Until these are made public, it will be impossible to tell whether the housing programme is likely to succeed or fail, but the establishment of a single authority is an indispensable step toward securing a unified policy and effective action.

The Oil Position

Oil shortages reported along both the East and West Coasts are due largely to transport difficulties, but it is also true that during 1941 production did not keep pace with demand. Crude oil production increased by less than 4 per cent, from 1,353 to 1,404 million barrels, while demand for the principal liquid products is estimated to have risen about 10 per cent, from 1,184 to 1,314 million barrels. Consumption of domestic motor fuel increased by 12 per cent, as did the demand for residual fuel oil, used mainly for industrial purposes. Lubricating oils used increased by 30 per cent. Larger imports and a draft on inventories have been necessary. The decline in exports and the restrictive influence of tyre rationing and the embargo on automobile production seem unlikely to offset more than slightly the greatly increased consumption by industry and the armed forces in 1942. Steps are being taken to increase production, particularly of aviation petrol; a goal of 150,000 barrels a day of 100-octane spirit has been set. To achieve this a considerable deterioration in the quality of motor gasolines will be necessary to supply the requisite high-grade blending agents. Other action being taken by the Petroleum Co-ordinator, Mr. Ickes, includes pooling of supplies and facilities where necessary, and regulations governing the sales of fuel oil to East Coast consumers. To prevent hoarding, fuel oil supplies are to be permitted only up to 75 per cent of tank capacity, and purchases are forbidden unless tanks are 20 per cent or less full. It is estimated that this will make available three million additional barrels between now and April 1, the period of peak demand. Mr. Ickes' recommendation that production quotas for March be reduced by 105,000 barrels from the February level is a direct result of the tanker diversions and recent sinkings. Mr. Ickes has recommended that the industry prepare a programme for the sharing of all available tanker tonnage, regardless of the ownership of the tankers, and the increased use of the railways and tank cars is being pressed. The construction of an east-west pipe-line has been proposed, but this would take time, would require steel, and is opposed by the railroads. The necessity of rationing gasoline has been predicted by the industry's war council, and it has been suggested in the press that a 15 per cent cut in consumption will be ordered in seventeen eastern states and some in the north-west.

Shorter Notes

In spite of intervention by the President, the Senate has passed the Bankhead Bill which forbids the Government to sell its stocks of agricultural commodities below parity prices. There are rumours that the farm bloc may go further, and attach a rider to the war appropriations Bill forbidding sales below 110 per cent of parity. In this eventuality the President might have to veto the bill despite the urgent need for the appropriations.

Mr Nelson, head of the WPB, has announced a national drive to increase production by (1) accelerating the conversion of peace-time industrial plants to war production; (2) increasing use of plant already engaged on war orders toward a theoretical maximum of 168 hours a week for each machine; (3) granting recognition and awards for outstanding achievements both by management and labour; (4) establishing joint labour-management committees in war plants to consider suggestions for increasing production.

The Supreme Court has ruled that labour unions and workers are exempt from the provisions of the Federal anti-racketeering act, reversing the opinion of the New York Court of Appeals, which had sustained the conviction of the Teamsters' Union for allegedly extracting about \$1,000,000 annually from out-of-state truck drivers, often by the use of violence.

Admiral Land, War Shipping Administrator, has announced that owners of ocean-going freight vessels over 1,000 tons will be required to file "information required for preparation and execution of charter agreements."

The Census Bureau has reported that employees of Federal, state and local governments number 6,861,000, or about 13 per cent of the nation's labour force.

THE WORLD OVERSEAS

Russia and Europe

(By a Central European Correspondent)

AXIS propaganda has once again been using the bogey of Europe falling a prey to Bolshevism with the connivance of the British. Sir Stafford Cripps' speeches have been especially exploited for this purpose; and, over the innumerable German-controlled wireless stations, broadcasting in all European languages, the prospect of the Bolsheviks "sitting in Berlin" has been presented as the avowed war aim of Great Britain. The effectiveness of this scaremongering should not be under-rated; though, on the other hand, there have been some signs of a highly sober reaction—the Finnish Social Democratic newspapers, for instance, have commented upon Sir Stafford's speech as showing that "Britain has no intention of leaving the European nations to the mercy of Bolshevism."

If the Allies win the war Soviet Russia, it is said, is bound to gain a decisive say in European affairs. The question, for Europeans, is: What will Russia do? And what matters most is not the short-term diplomatic zig-zags, which merely reflect the pressure of changing events, but rather the long-term trend of Soviet foreign policy, viewed against its economic, social and ideological background.

The first problem concerns the Soviet attitude to expansion. During 1939-40, there were two powers in Europe expanding by the conquest of new territories and the subjugation of independent nations—Germany and Russia. Now, Russia itself has become the object of German aggression. But the short-lived period of Soviet expansion has given rise to the question: Will Russia resume her expansion after the war? Was there any tendency to European domination inherent in the Russian policy of 1939-40? Were the Baltic States, Eastern Poland and Bessarabia to Russia what the Saarland and Austria and Czechoslovakia were to Germany, that is, the local and "peaceful" preludes to a wider struggle for supremacy? The reply to these questions will determine the attitude of very many people on the Continent towards current developments.

Economic Factors

The analogy with Germany itself provides part of the answer. The dynamic character of German expansion was to a large extent "explained" on economic grounds. Germany was impelled to acquire a *Grossraumwirtschaft* by the pressure of a tremendous industrial machine; and this industrial machine provided Germany with a most potent engine for world war. Now Soviet Russia, on the other hand, is a *Grossraumwirtschaft* in itself. However great its achievements in industrialisation, Russia is still very far from reaching the industrial saturation point. Its resources of fertile soil, raw materials and labour power, actual and potential, provide for its industrial growth a basis which is, in proportion to its existing industrial apparatus, too broad rather than too narrow. In pre-revolutionary days,

liberal Russian economists propounded a programme of so-called internal colonisation. So far, the possibilities of internal colonisation have only been opened up; in the exploitation of raw materials and in industrialisation, Siberia and the Asiatic republics have just made their first start. Economic planning and monopoly state control over industry enable Russia to proceed with the undertaking of large-scale works and thus to widen its internal "market" almost indefinitely. All this leads to the hypothesis that Russia's recent expansion had no serious economic motive behind it. In fact, the quantitative addition of the adjacent western territories to Russia's wealth was insignificant.

Moreover, Russia has for more than a decade been accumulating enormous masses of arms and equipment at the expense of its population's standard of living, which is still very far below other European standards. Home propaganda pointed to the threat of war or intervention, in order to induce the people to accept the heaviest material and moral sacrifices. After this war, Russia will have to face the task of raising the standard of living. The population has had no respite for three decades from war, revolution, civil war, preparation for war and another war. Whereas the strength of the German war machine corresponds to the general level of German industrial resources, skill and efficiency, the Russian war machine stands in all these respects much above the average level of Russia's industry. It has been set up by a unique, almost inhuman, productive effort.

Frontiers and Strategy

These economic considerations suggest that Soviet "expansionist" ambitions have been local only. In fact, this was the character of Russian expansion in 1939-40; its strategically defensive meaning has been demonstrated by the subsequent course of the war. Eastern Poland, the Baltic States and Bessarabia were no more than the defensive barriers to lock up the approaches to the Russian fortress—whereas Austria and Czechoslovakia furnished Hitler with jumping-off grounds for continent-wide campaigns. Historically, Russia's expansion westwards has always been actuated by considerations of a broadly strategic nature. At the end of the eighteenth century, it was Russia's uneasiness in the face of the growing military power of the Prussian state that led Catherine the Second to take part in Poland's partition; a similar Russian fear in a similar situation caused the fourth partition of Poland. It need hardly be added that to the nations directly concerned, that is, to Russia's western neighbours, subjugation means subjugation whatever its motives; the loss of national independence or of a considerable part of national territory can hardly be sweetened by the consciousness that it was due only to the strategic necessity of straightening out the frontiers of a powerful neighbour.

There has been a distinct tendency on the part of the Soviets to regard the acquisitions of 1939-40 as essential for their future military security. Sir Stafford Cripps alluded in his Bristol speech to the Russian desire to maintain "strategically sound boundaries." Simultaneously, Soviet broadcasts in Polish made significantly unfriendly comments on the Polish-Czechoslovak federation-agreement. It seems that there is a disposition in Moscow to interpret the concept of "strategically sound boundaries" in a somewhat rigid manner. One might ask what land frontier on earth is strategically "sound" enough in an era of deep armoured sweeps and unrestricted air warfare; and it may be, perhaps, that, even from the Russian standpoint, co-operation with federated small neighbours with no grievances against Russia might be of a higher military value than a "sound" strategic boundary with injured national feelings and fresh resentment aroused all along it.

Non-Intervention?

Finally, there are the ideological aspects of the Russian problem. Much as Axis propaganda has dwelt upon this point, nothing can obliterate the fact that ideological scruples were no obstacle to the Soviet-German agreements of 1939-40. The dream of revolutionising Europe has in fact faded from the minds of the present generation of Russian statesmen. There is no reason to doubt M. Stalin's sincerity in his assertion that Russia fights for Russia and for nothing else. Russian home propaganda is based on a sort of ideological compromise; it appeals to the revolutionary reminiscences of the recent past, but it also evokes the age-long national Russian tradition. It calls upon the people to defend their achievements in socialist economy, but it also taps the inexhaustible resources of purely patriotic sentiments. This ideological compromise seems to have been able to bridge over the conflicting tendencies of Russia's social life, and to bring about the consolidation of the regime unanimously reported by visitors to Russia, and evidenced by the course of the war. Propaganda for foreign, and especially for German, consumption, has not gone beyond the Popular Front pattern, perhaps in a more moderate version, strongly tinged with Russian patriotism.

Yet, however little Soviet Russia is concerned with world revolution, it remains a fact that, in 1939-40, social upheavals followed in the wake of every advance of the Red Army. Eastern Poland, the Baltic states and Bessarabia underwent totalitarian sovietisation. This was the inevitable outcome of their incorporation into the Soviet Union; two different social and political structures could not co-exist within the framework of one state. Against this, the experience of Soviet policy in the Spanish and French Popular Fronts should be set; in those countries, the Soviets opposed any attempts at a Soviet revolution by unorthodox left-wing extremists. This may be taken of the way in which the general ideological trend appears to coincide with the economic and strategic tendencies of Russia's expansion: it assumes a local or regional character.

It would, however, be futile to say that there was no risk involved in the present situation. Whatever the extent to which Russia has given up expansionist ambitions, and whatever the political line taken by its Government, other factors, independent of the conscious will and the political aims of Soviet statesmen, may count. The Red Army carries with it the legend of an international Soviet revolution. It may be out-moded; but it still influences the imagination of considerable sections of the European proletariat. It is impossible to foresee all the possible implications of the impact of that legend upon a Europe hollowed out of its old traditions and turned by the Nazis into an amorphous social and political chaos. Many of the old ways of European life are likely to have gone for ever. But all that can be said now is that whatever risk there may be is a matter of the future: it may or it may not materialise. It is the risk that has sprung from Nazi totalitarianism, spelling the doom of European civilisation, that is the hard reality of today.

Allied Labour in Britain

[BY A POLISH CORRESPONDENT]

February 18th

THE number of Allied civilians in Great Britain is comparatively small, and there is consequently no possibility of employing foreign labour on the scale that Germany has. Including Russians, Americans and Chinese, the total number of Allied civilians is under 100,000, of whom 40,500 have registered under the International Labour Force Registration Order. Over 86 per cent of the registered Allied civilians have already been absorbed into different industries, and they are making a useful contribution to the war effort. They include highly skilled technicians, and have brought with them some important processes and new trades.

At the outbreak of war, the position of Allied foreigners living in this country was not clear. The pre-war regulations, protecting British workers against foreign labour and forbidding any foreigner to take on employment without a special permit, were still in force. Until July, 1940, the Labour Exchanges were very reluctant to issue labour permits to foreigners, especially as in the first few months the country had not reached the stage of full employment and the Exchanges had still to cope with great numbers of British unemployed. After Dunkirk the position radically changed. The new influx of refugees from France, Belgium, Holland, Denmark and Norway, the feverish expansion of



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production, and the establishment of the headquarters of nearly all the Allied Governments in London, together with the care and guarantee they could give to their nationals, enabled the Ministry of Labour to reconsider its policy towards the employment of foreign labour and to regulate the matter on a national basis, instead of leaving it to the local exchanges.

Co-operation with the Unions

The reason behind the restrictions on foreign labour was the wish to safeguard British workers against undercutting wages and outside competition. Mr Bevin was well acquainted with the problem and found a solution without endangering the position of British labour. In August, 1940, he announced the organisation of the International Labour Branch to ensure that the best use was made of the skill and experience of all refugees in the common cause. The International Labour Branch was organised in co-operation with the Allied Governments and similar national authorities in Britain, and the manpower of Allied nations, and also enemy aliens friendly disposed to the Allied cause, came under its scope. Arrangements were made, under the auspices of the TUC, acting in conjunction with the International Federation of Trade Unions, for foreign workers to become members of the appropriate British trade unions and also of their national trade union groups. The exiled trade union leaders in this country had, therefore, the opportunity of reorganising their refugee workers in similar trade union organisations to those in their own countries. There are now Belgian, Czechoslovak, French, Norwegian and Polish trade union groups in this country. Foreign workers are assured of the same conditions of employment and the same benefits under social services, such as workmen's compensation, the national health insurance, unemployment insurances and evacuation of their families from danger zones, as British workers.

When practicable, the International Labour Branch has encouraged the placing of foreigners in national groups: for instance, Belgian, Norwegian and Czechoslovak groups are employed in forestry; Norwegians in rope manufacture; Belgians, French, Poles and others in aircraft works and engineering; Belgians, Dutch and Poles in diamond polishing and cutting; Belgians and fishermen of other nationalities for the naval auxiliary service, and so on.

There is also a central Allied Register for foreigners with professions and skilled trades. Over 700 Allied doctors have been admitted to registration after selection by the Central Medical Committee. These doctors are allowed to serve with British and Allied civil defence organisations, in hospitals and public health services, but not in private practice, except as assistants.

Exchanges for Foreigners

As a result of the registration of male foreign Allies from 16-65, and of women aged 16-50, a full record is now available of the distribution and employment of Allied labour. To facilitate and supplement the machinery for placing foreign workers, special employment exchanges were opened in the London area for certain nationalities. These exchanges are working hand-in-hand with the Allied authorities and are staffed partly by British and partly by Allied officials. Foreign workers are thus enabled to speak in their own language and to explain their problems to their fellow-countrymen, who act as officials of the Ministry of Labour.

The number of Allied foreigners in this country is as follows:—

Belgians	13,000
Czechoslovaks	10,000
French	11,500
Dutch	5,600
Greeks	1,700
Norwegians	2,200
Poles	9,000*

* In 1939. The current estimated figure is about 15,000.

The Allied Governments have recently also tried to release from military service highly skilled men serving with the forces. In some cases, for instance, doctors have been transferred from the Allied services to the British forces. The Government training centres also accept Allied foreigners whenever there are vacancies, and from the reports of the managers it is clear that the foreign workers are very keen to pick up the required skill in as short a time as possible.

Spanish Labour for Germany

[BY A SPANISH CORRESPONDENT]

February 23rd

THE Nazis have met their labour shortage by importing workers from all over Europe, and Spain has not been excepted as a source of supply. On May 31st last year, a meeting of the Spanish Cabinet approved an agreement with Germany for the exchange of workers and technicians. The Spanish Government promised to send the Germans 100,000 "producers" (to use the new Falangist term). The agreement was not put into effect until last October, when a recruiting campaign was launched in Spain.

The elaborate machinery by which the agreement is carried out illustrates the German methods of enlisting foreign labour for their fields and factories. In Spain, the recruiting is being dealt with by a commission made up of representatives of the various government departments, assisted by the CNS (*Central Nacional Sindicalista*), the Falangist labour organisation.

Spanish volunteers must not be involved in any legal proceedings—a guarantee, at least officially, of immunity from anti-Nazi sympathies. They must also have completed their military service or be between the ages of 16 and 19, and they must not be in a reserved occupation. Candidates are medically examined by commissions of German doctors stationed at all the recruiting centres in Spain. Some Spanish specialists have volunteered to assist in this work. Those who pass the examination can make contracts individually with the representatives of German firms, who are in Spain for the purpose. Candidates must accept the discipline of the Labour Front from the moment they join the expeditions sent to Germany. They must also undertake to send home at least half of what is left of their salaries after paying for food and lodging.

In the recruiting propaganda, special emphasis is laid upon the fact that every worker on leaving the country will be presented by the Spanish authorities with new clothing and shoes—a piece of generosity enforced by the clothes shortage in Germany. No mention is made of any issue of clothing ration cards for them in Germany; an influx of over two million foreign workers might prove a heavy tax upon the German stocks.

From the German side, the whole business is run by a delegation in Spain of the German Ministry of Labour, presided over by Herr Fritz von Eberspacher. German and Spanish officials met in Hendaye and arranged the timetable for the trains to take the workers to Germany. There is to be an interpreter for each group of 500 workers, and many of the innumerable members of the Hitler Youth now in Spain have volunteered for the job.

The Spanish workers are housed in labour camps in Germany, where they are promised Spanish food, the workers' rations, which are larger than those of the "normal" German consumer, and an amenity described as "workers' gardens." Life in a labour camp in winter does not sound very inviting, but the Nazis are astute enough to make it as comfortable as possible, realising its propaganda value among the Spaniards. Even if there are complaints, the censor will deal with them, and little will leak out to Spain.

The workers come automatically under the authority of the German Labour Front, which provides them (according to the propaganda in Spain) with "social tutelage (guardianship in labour matters) and moral and material assistance," but which is their absolute master in all labour questions. They will enjoy the advantages of the Strength through Joy movement. They are given the benefits of national insurances and free medical service. Other foreign workers have, in fact, been given promises similar to those made to the Spaniards, and these have been broken on any pretext, so that the worker tried to get a job other than that mentioned in his contract.

Reward for Services

From authoritative sources it is learned that foreign workers in Germany have been made to work 10, 12 and even 14 hours a day. Nevertheless, German recruiting propaganda promises the Spanish workers an eight-hour day. As for wages, they are promised an average of 0.60-0.90

Portugal's Economic Relations with Spain

[FROM OUR LISBON CORRESPONDENT]

February 16th

HISTORICALLY and politically, the unheralded journey of Dr Salazar to meet General Franco and Señor Serrano Suñer at Seville, on February 12th, is an event of importance in Latin Europe. Viewed from a strictly economic standpoint, there is as yet nothing to warrant great optimism, unless the public announcement of an economic Iberian "bloc" is followed by acts which will allow supplies of essential goods, proportionate to its needs, to be granted by Great Britain and the United States. These needs are in the main made up of fuels, lubricants, certain metals, raw cotton, and grain; the value of the freshly enunciated policy of economic collaboration—incidentally, already provided for by the Treaty of Amity and Non-Aggression of March 17, 1939—hangs entirely upon the ability of the two parties to work together for their own advantage, and not for the benefit of veiled third parties whose interests are directly opposed to those of Great Britain and the United States. Portugal, to take one small instance, needs copper scrap for the making of sulphates with which to protect her vines; Spain produces copper in quantity. Is it not, therefore, natural to suppose that the copper needed by Portugal should come from Spain and not from the United Kingdom? Her requirements in iron and steel are modest, and could also be supplied, having regard to present world conditions, from her neighbour. And if one turns to Spanish requirements, which are chiefly foodstuffs, oils and sub-tropical produce, one finds Portugal particularly well fitted to carry out a trade profitable to herself and beneficial to her neighbour.

Of Portugal's *bona fides* there can be no doubt; the question to which nobody seems able to find an answer is whether Spain can and will be able to limit her dealings to actual requirements or be forced to keep up the flow that is believed to leak away via the French frontiers. As in so many other shady situations in this world war, Vichy France appears to be the go-between, the pipe through which passes the steady leakage of essential supplies, so urgently needed by Spain, but so profitably saleable elsewhere. If the recent meeting results in the stopping of that leak, both Spain and Portugal will have cause to rejoice; if nothing comes of it, then the only course left seems as obvious as it would be unprofitable to all parties concerned.

German Europe

Agricultural Prospects

THE agricultural season 1940-41 in German Europe ended with the second poor harvest since the beginning of the war. In 1940, the continent harvested 37 million tons of wheat against an average of 42.8 million tons in 1930-39. The few figures available for the harvest in 1941 suggest an increase of some 7 per cent compared with 1940. Root crops, which partly made up for the fall in cereals in 1940, were smaller in 1941. Germany's potato crop, for example, yielded only 65 million tons in 1941 against 70 million tons in 1940. Neither Germany nor any other continental country was able to maintain the livestock population, because of lack of feeding-stuffs; and only Germany succeeded in extending the cultivation of oilseeds. During 1941, rationing of bread, flour, meat and fats was introduced in the Danubian countries which normally export agricultural products.

Germany and Italy probably consumed during 1941 the greater part of the emergency stocks which had been accumulated before the war. The food supplies of the continent thus depend for the duration of the war on current production. Agriculture in the occupied provinces of the Soviet Union will hardly yield surpluses. The greater part of the occupied provinces are now in the fighting zone; and the territories under effective occupation lack labour and machinery.

Before the war, current production covered roughly 80 per

cent of the consumption of foodstuffs in Germany, France and Greece; 90 per cent in Sweden; 43 per cent in Norway; 67 per cent in Holland; and 95 per cent in Italy. Poland and the Danubian countries exported foodstuffs; and Denmark produced considerable export surpluses on the basis of imported feeding stuffs. Germany lacked feeding stuffs and fats. Germany's wartime supply of foodstuffs depended on normal exports from the Danubian countries. In 1940, additional imports from the Soviet Union enabled Germany, moreover, to maintain her livestock population.

The 1941 harvest in German Europe was not only poor because of bad weather conditions. The Balkan campaign disrupted agriculture in Yugoslavia and Bulgaria; and the mobilisation of Slovakia, Hungary and Roumania against the Soviet Union reduced agricultural production in Germany's main supply countries. At the beginning of the 1941-42 agricultural season, Germany was forced to keep her entire army in the field, with the inevitable result of a greater consumption of foodstuffs. At home, the agricultural industry again lost workers; and the influx of foreign workers increased the population by several millions. According to German figures, prisoners of war and foreign civilian workers in Germany number at least five millions—more than the whole population of Switzerland.

The agricultural situation in German Europe in the third year of the war presents a dilemma. Production in France, Belgium, Holland, Norway, Finland, Greece, Poland and Yugoslavia is far below the reduced wartime rations, and the surplus production of the Danubian coun-

The table brings out three investment points very clearly, and none of them is wholly reassuring. First, the majority of the companies have an unfavourable EPT standard. Secondly, although wartime profits in general have been up to, and in some instances have exceeded, the level of 1937 (which was one of the industry's best pre-war years) there is a tendency for earnings in the latest war year to fall off in proportion to the lateness of the date to which the accounts are made up. The companies whose 1941 figures are compiled up to March 31st show, in most cases, an increase in profits as compared with 1940. Concerns with accounting dates to June 30th or later, however, generally reveal a decrease in earnings, the most noteworthy exception being the Lancashire Cotton Corporation. It is common knowledge that the earnings position has deteriorated further in the period since many of these companies issued their last accounts, which has included "concentration," a decline in exports, and the permeation of price control through the structure of the industry. Thirdly, many of the companies—with Lancashire Cotton Corporation again a prominent exception—are already distributing profits up to, or near, the hilt. This tendency is important in view of the fact, brought out by the next table, that, at present market prices, the dividend yield on some shares—based on the

last complete year's payment—is not particularly generous:—

SHARE PRICES AND YIELDS

	1935-39 Prices†		Present Price	Yield on Last Div.
	Highest	Lowest		
Amalgamated Cotton (Is.).....	s. d. 1 10	s. d. 7	s. d. 2 0	% 4.167†
J. & P. Coats (£1 Stk.).....	68 7	23 1	36 0	5.555
English Sewing (£1 Stk.).....	49 3	23 1	28 3	5.309
Fine Spinners (£1).....	13 3	1 9	5 6	Nil
Joshua Hoyle (2s.).....	2 10	1 0	2 11	7.059
Lancashire Cotton (£1 Stk.).....	23 9	5 7	25 11	5.970
Porrits & Spencer (£1).....	81 3	26 3	38 9	6.451
Tootal, Broadhurst (£1).....	56 9	37 6	47 6	5.263
Bleachers (£1 Stk.).....	12 4	2 0	4 3	Nil
British Cotton & W. Dyers (5s.).....	7 10	2 7	4 0	6.250
Calico, Printers (£1 Stk.).....	15 6	3 0	6 0	Nil

Or longest period available before 1939, where new shares issued under capital reorganisation schemes.
† Tax free.

The conclusion suggested by the present article seems indubitably to be that investors should be chary in following up the recent rise in cotton textile shares, if it should happen to be renewed in the near future. And, even where the most promising shares are concerned, a decidedly selective policy seems to be indicated. Even relatively profitable branches of the industry, like thread-making, are vulnerable, e.g., on the export side, while well-run and hitherto prosperous concerns like Tootal Broadhurst, which have built up a wide market for their branded goods, may be unfavourably affected by wartime emphasis on standard qualities. The finishers, who before the war had generally

followed a policy of levying increased charges on a decreasing volume of work, have now to cope with the general problem of reduced wartime yardage, plus the shutting down of certain of their factories under the concentration scheme and, in some instances, a capital structure which still has too many prior obligations—including preference dividends in arrear.

Once the industry has overcome its present labour difficulties, its status as a "war industry" should ensure shareholders in its larger units of moderate dividends—though not necessarily at the rates recently paid—so long as the war lasts. When hostilities are over, there may well be a release of pent-up consumption and re-stocking demand. But when that honeymoon is over, the industry will have to face the somewhat grim realities of a world in which the achievement of prosperity will depend, apart from the supplying of a limited home market, mainly upon ability to export the higher quality ranges of textiles to overseas countries which, for the last thirty years, have been evincing an increasing determination to manufacture the "bread and butter" lines for themselves. When that time comes, the work of the wartime axe, in mercilessly cutting away the dead wood in the industry, will have been valuable. But concentration for wartime objectives is not necessarily the same thing as concentration to ensure maximum international competitive ability in peacetime. Undoubtedly, Britain's cotton textile industry will have a permanent part to play in the post-war trading world. But in choosing shares for investment now, investors might be well advised to restrict themselves to those companies which are relatively well assured, not only of reasonable earning power during the war itself, but of opportunities for post-war profits commensurate with their existing capital.

Finance and Banking

Treasury Deposits Discounted

The movements of funds affecting the money market position have been particularly heavy over the past week. Preparations for the Indian Government payments on the £70,000,000 of vested sterling securities immobilised funds at the end of last week, while a total of about £50,000,000 was then released last Monday. Revenue payments have continued high, and Warships Weeks in some of the big provincial cities have further disturbed the cash position of the banks primarily affected. The money position became suddenly difficult towards the end of last week, and the agent of the Bank of England had to come to the help of the discount market with special purchases of bills, while some of the non-clearing banks found it necessary to discount Treasury deposit receipts at 2 per cent at the Bank of England. This last move is evidence of the extent to which the banks have allowed their bills and money market assets to run down—a trend of which the February clearing bank returns already published provide startling confirmation. By Wednesday, the effect of the India loan disbursements had made themselves felt and the credit position turned comfortable, with the clearing banks again ready buyers of bills from the market. The latest Bank return, however, reflects no overabundance of credit, bankers' deposits having fallen by £7,978,000 to £128,848,000. The circulation is still climbing, and at £751,478,000 is £1,906,000 up on the week and within £300,000 of the high record set up on December 31st last.

Treasury Deposits and Tax Certificates

The national debt return for February reveals the issue of a further £51,020,000 of Tax Reserve Certificates in the four weeks to February 28th, and the redemption of such certificates—the first yet to be made—of £10,400 over the same period. The encroachment of these subscriptions on bank deposits has occurred at a period when deposits would in any case have been falling as a result of the seasonal spurt in revenue payments, and of comparatively large subscriptions to other Government loans in connection with the Warships Weeks campaign. In consequence, the banks have been hard put to it to maintain their cash basis at a normal level. Their efforts to achieve this are reflected in the monthly debt return, which shows that during February, Treasury deposit receipts were reduced by a net amount of £87,000,000. The amount raised from this source during the month was £20,000,000, and the redemptions

totalled £107,000,000. The nominal maturities for the month were £30,000,000, but it may be assumed that about a third of these had been encashed prior to maturity. Therefore, some £90,000,000 of Treasury deposits repaid during the month represented encashments prior to maturity.

The floating debt return shows a further increase of £24,435,000 in ways and means advances from public departments, which by the end of the month had reached the high total of £215,400,000, having risen from £128,870,000 on November 29th last. This may reflect the accumulation of funds by the Indian Government in anticipation of the sterling debt payments which took place at the beginning of this week. Ways and means advances from the Bank were outstanding to the amount of £21,750,000 at the end of February, an increase of £12,500,000 on the month. While Treasury bills issued through the tender fell by £40,000,000 over the month, those issued through the tap were up by £28,735,000. The usual summary of Exchequer returns, for the financial year to February 28th, showing the respective shares of revenue and borrowing in meeting expenditure, is given below:—

£000		£000	
Total ordinary expenditure.....	4,296,984	Total ordinary revenue.....	1,848,035
New Sinking Funds.....	9,307	Loans raised:—	
Loans repaid:—		3% Funding 1959-69.....	120,825
4½% Conversion Loan.....	45	3% Def. Loan 1954-58.....	45,731
Nat. Sav. Bonds.....	106	3% Def. Bonds (net).....	148,349
		3% Savings Bonds.....	434,612
		2½% Nat. War Bds. 1945-47.....	705
		2½% Nat. War Bds. 1946-48.....	344,898
		2½% Nat. War Bds. 1949-51.....	260,335
		Nat. Savings Certs. (net).....	189,850
		Tax Reserve Certs.....	151,010
		"Other debt" (net).....	110,441
		Floating debt (net):—	
		Treasury Bills:—	
		Tap.....	306,074
		Tender.....	21,750
		Bank of England Adv.....	83,140
		Public Dept. Adv.....	248,000
		Treasury deposits.....	32,545
		Miscellaneous receipts (net).....	142
		Decrease in balances.....	
			£4,306,442

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

The Circulation

The monthly estimates of the true currency circulation in this country, which appear in the Bank of England's Statistical Summary, have been amended in two important respects. In the first place, the figures relating to the currency in Eire have been excluded, and the statistics now published are those for the United Kingdom. Secondly, the

index of estimated circulation is no longer adjusted for seasonal variations. It has been found since the beginning of the war that the seasonal fluctuations in the demand for currency have lost much of their importance—both absolutely and relatively. The shortening and "staggering" of the holidays has tended to smooth the seasonal impact of the holiday demands for currency while more fundamental secular trends in the circulation have largely swamped the seasonal variations. The series of statistics, amended in these two ways, has been carried back to the base year, 1935. The revised index of estimated circulation in the United Kingdom, which stood at 129.4 on the outbreak of the war, had risen to 194.3 by January last, an increase of 50.4 per cent. Over the last twelve months of this period the expansion in the circulation amounted to 25.8 per cent. The only important factor for which no allowance is made in the Bank of England estimates is the amount of currency held outside the United Kingdom. There can be no doubt that this has been considerably reduced since the outbreak of the war, and, in particular, during the weeks that followed the announcement that an embargo on the reimport of Bank notes would be applied. When this return of notes is allowed for it may be assumed that the true expansion in the circulation has been somewhat greater than the official estimates suggest.

A Central Bank for Eire

A bill providing for the establishment of a central bank in Eire was introduced in the Dail by the Finance Minister this week. The bill proposes to establish a bank to be the principal currency authority in the State, to dissolve the Currency Commission and transfer its powers and duties to the new bank, and to confer other powers on the bank. The Government of Eire have thus accepted the recommendations of the Banking and Currency Commission, which reported in 1938 and recommended that the Currency Commission be converted into a central banking organisation and given the required additional powers—especially to discount, make loans and keep the cash reserves of the commercial banks. The new legislation, of which full details are not available at the time of writing, may well create interesting problems for banks whose sphere of activities extends to the United Kingdom as well as Eire.

Switzerland's Gold and Dollar Reserves

The last two returns of the Swiss National Bank to reach this country, spanning the period November 29, 1941, to February 7, 1942, indicate a substantial conversion of foreign exchange holdings into gold. The gold reserve has risen over this period by Frs. 518,400,000, and the foreign exchange assets have fallen by Frs. 496,100,000. These two large, compensating movements are obviously related. The operations they reflect are a conversion of part of the US dollar assets of the Swiss National Bank into gold, which remains earmarked for that institution in New York. Until May, 1940, the foreign exchange reserve of the National Bank had remained fairly stable around Frs. 360,000,000. Then began a steep ascent which by the end of June, 1941, had carried the total to Frs. 1,311,000,000. In the main this increase was due to sales of dollars by Swiss nationals, who anticipated—and with some measure of prescience—restrictions on their freedom to dispose of dollar assets. These dollars had in large measure to be purchased by the National Bank. This institution has, in its turn, followed the policy of gradually converting its excessive holding of dollars into gold, and by the conversion indicated by the last two returns, it had brought its foreign exchange reserve back to the comparatively normal level of Frs. 440,600,000, and raised its gold holding to Frs. 3,124,100,000, or Frs. 955,800,000 higher than it was at the end of May, 1940. It should be noted that these considerable fluctuations in the National Bank's foreign exchange reserve take no cognisance whatever of the clearing balance between Switzerland and Germany. The Swiss authorities have been wise enough to isolate their currency and credit structure from the substantial Reichsmark claims which they are accumulating in the course of their trade with Germany. The Swiss clearing is, in fact, being financed directly by the Federal Government, which at the end of 1941 was called upon to advance Frs. 400,000,000 in order to restore the balance of the account.

Bombay Silver Goes Higher

The hoarding demand for silver in India is still keen, and, with the Reserve Bank continuing to hold its hand, the price has been climbing. A quotation of Rs. 73.1a per

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100 tolas was reached on Wednesday and the demand was reported to be still unsatisfied. (In last week's note on the rise in Bombay silver the rupee quotations were erroneously given as "per ounce"; this should, of course, have read as "per 100 tolas".) At the rupee price touched this week, silver in Bombay has given a straight London parity of about 32d. per standard ounce or nearly 36 per cent higher than the ceiling of 23½d. to which the London price is now fixed. This disparity would, in normal times, disappear at once; but, as things are, it remains, since there is no means of arbitrating silver between the two centres. It is interesting to note, however, that while the Government of India has suspended sales at the higher price in Bombay it has even this week been a seller of small amounts in the London market at 23½d. In justification of this policy it can be argued that the sales in London satisfy a genuine industrial demand for the metal while in India they would feed a speculative and hoarding demand which the authorities naturally desire to keep in check.

The Trend of Fire Losses

A welcome reduction in fire waste is revealed by the estimates of losses from ordinary fires—as distinct from fires due to enemy action—amounting in 1941 to £10,254,000; this total is £2,386,000 (nearly 20 per cent) below the very high 1940 total of £12,640,000, but remains substantially in advance of the 1939 figure of £9,088,000. Moreover, losses in January, 1942, at £1,419,000, were higher

than in any single month of last year, with the exception of July. Estimates are prepared on the basis of known large outbreaks in Great Britain and Ireland, an arbitrary 60 per cent being added for fires in which the damage does not exceed £1,000; they relate to direct damage without inclusion of consequential loss. The causes of high losses persist in the continuous but imperfect adaptation of factories and plant to the war effort, in the employment of unskilled operatives working for long hours and in the obstacles presented by the blackout to the prompt detection of fires. Some improvement has no doubt resulted from the presence of fire-watchers on factory premises, but this precaution has not brought so great a reduction in ordinary fires as had been hoped for. The long overdue creation of a National Fire Service has hardly had time to bear fruit. How far the experience of insurers, whose results in the home field were in 1940 very poor, will react to the lower losses must depend on the corresponding premiums. In this connection the damage caused by enemy action must have caused some diminution in insurable goods and property. Values, it is true, have risen, and this feature is emphasised by the purchase tax; but few householders, and not all business firms, have yet brought their insurances into line. The whole system of rating is built up on the basis of insurance for full value, and as insurers have the right, in the event of under-insurance, to apply pro-rata average in calculating the amount of any loss payment, however small, policyholders should take steps to ensure that sums assured are adequate, apart from the need for full protection against total loss.

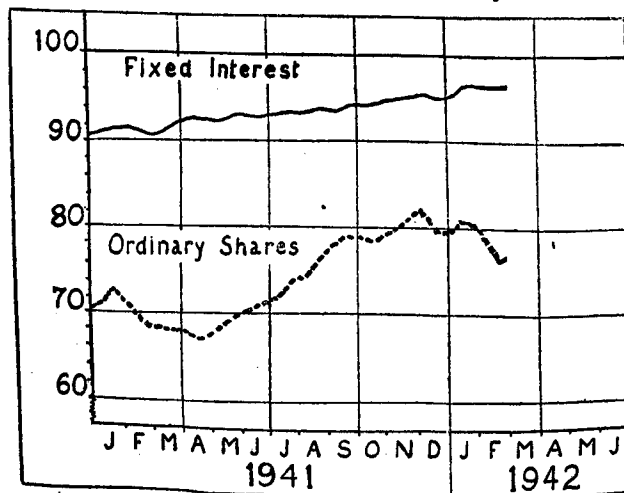
Investment

Funds Take the Lead

As was indicated last week would probably be the case, the actual disbursement of the money for the vested India stocks has brought a renewed wave of buying. But it is also the case that demand has been very largely concentrated

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

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



upon fixed interest stocks, and among those on the irredeemable Government securities. So far the effect upon industrial equities has been little more than to counteract the minor recession which followed the recovery at the beginning of last week. It is quite definitely the Funds which have benefited, and for the first time for months there may have

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been a net demand for them from outside London, instead of the steady trickle of provincial selling. This latest recovery finds little reflection in the accompanying chart, compiled from the indices of *The Financial News*, which includes only the average for the last week of February. The concentration on the Funds is in part a natural consequence of the type of security which is being paid off, for the yield on India stocks is closer to that on British Government securities than is that on any other class. At the same time, the general course of prices shows that, in the changed circumstances, the reaction in equities had not fully adjusted the yield position as between them and first line investments, the need for which has been repeatedly stressed in *The Economist*. The indications are that the relative improvement in the senior issues may go further. The payments for Canadian securities, due in rather over a fortnight, may perhaps go into slightly more speculative holdings. The stocks being paid off are, however, very high grade, as they carry at least the guarantee of the Canadian Government, and although many of the holders are probably trusts, it is doubtful whether much of the new money will find its way into anything junior to "gilt-edged" equities.

An All Round Setback

February saw a generalisation of the tendency to unload, which in January was concentrated on tin, rubber and Australian investments. Leading equities did not escape the depression which followed the fall of Singapore and the Japanese progress in Burma, although in the last week of the month they participated in a substantial recovery. The following figures, selected from the *Actuaries' Investment Index*, show a moderate rise in the price index of 24 per cent Consols and an increase of over two points in gas stocks and electrical manufacturing. It is noticeable that the failure of certain gas companies to declare ordinary dividends has produced no corresponding reduction in yield. Outside these groups, prices were generally lower. Cotton shares, with a fall of nearly five points, now yield over three per cent, while building materials have dropped over three points to yield over 4 per cent. Among productive equities, the most severe fall is that of eleven points for oil shares, a slump due wholly to the course of the war. In this market, a slump due wholly to the course of the war. In this market, the reverse was to some extent corrected in the last days of the month on an assumption that the contraction in supplies in might spell higher profits for those concerns remaining in Allied hands. The brewery and stores groups were also among the major casualties of last month's selling, although

in the latter case, too, the favourable dividend announcements of the last week aroused new hope. The fall in home rails was in part sympathetic, in part due to profit-taking after the dividend announcements. The yield is now the highest provided by any group of domestic equities, a

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices				Average Yields		
	Aug. 29, 1939	Feb. 25, 1941	Jan. 27, 1942	Feb. 24, 1942	Feb. 25, 1941	Jan. 27, 1942	Feb. 24, 1942
24% Consols (10)	113.9	137.4	147.8	148.1	3.25	3.02	3.01
Home Corps. (4)	114.4	129.3	140.9	140.5	3.60	3.31	3.32
Total Ind. Dets. (43)	104.5	108.5	115.4	115.9	4.38	4.12	4.10
Total Ind. Pref. (101)	87.7	91.2	102.0	101.9	4.93	4.51	4.54
Insurance Cos. (10)	100.0	85.9	100.3	95.0	4.77	4.00	4.23
Building Mats. (6)	58.9	60.3	70.4	67.3	4.68	3.86	4.02
Cotton (5)	19.3	20.5	33.2	28.3	3.44	2.90	3.04
Electrical Mfg. (13)	111.6	112.4	130.1	132.3	5.71	4.78	4.70
Gas (8)	93.1	55.9	66.7	69.1	7.25	3.40	3.41
Oil (4)	70.0	46.0	56.2	45.2	4.98	4.31	5.50
Home Rails (4)	38.4	31.5	47.8	44.7	9.36	6.14	8.12
Stores & Catering (18)	51.1	33.7	49.0	44.0	5.61	4.03	4.38
Stores & Dists. (20)	110.6	86.6	116.2	109.9	6.86	5.05	5.31
Miscellaneous (20)	59.4	53.7	61.8	59.1	5.77	4.65	4.89
Industrials—all classes (159)	57.9	49.1	62.0	59.3	6.40	4.93	5.17

reflection of acute post-war uncertainty. The important miscellaneous group fell back by only 2.7 points, as did the total of all industrial equities included in the index, providing a yield of 5.17 per cent compared with 4.93 per cent at the end of January last and 6.40 per cent a year ago.

Railway Reports

Reports of the four main line companies add little to the information in the preliminary statements. For the most part, the slightly more detailed figures tell the same story as the earlier ones. There is, however, a substantial discrepancy in the case of the LMS, the result of which is that instead of a fall in non-controlled revenue, as was

clearly indicated by the preliminary statement, there is, as was expected, a substantial rise. This is due mainly to an increase of almost £172,000 in receipts from the Northern Counties Railway, although three road transport concerns—the North Western Road Car, Scottish Motor Traction and West Yorkshire Road Car—made appreciable contributions. These three companies, and still more United Automobile Services, explain the appreciable expansion in the outside revenue of the "Berwick" company. The Great Western actually suffered a decrease in similar sources, as did the Southern on its carrier company holdings, but for this line a rise in interest receipts more than offset these declines. The discrepancy in the LMS figures is similar to one which occurred a year ago, with regard to which the late Lord Stamp gave a partial explanation. This was not very revealing, but it suggested that the renewal provisions made were heavier than those allowed under the pooling scheme then in force. The lack of clarity in the very curtailed figures submitted by the railways is disgraceful, but scarcely more so than that which has always surrounded their published accounts. As usual, the statutory minimum of information has become in practice the maximum. It can only be hoped that the chairmen will be more explicit in their remarks to stockholders. The balance sheets show expansion in renewals funds, which is relatively large in the case of the LMS, but in the absence of further figures this has little meaning. There is no further light whatever on the matter of War Damage.

Higher Rand Taxation

The additional taxation imposed in last week's Union of South Africa budget on the gold-mining companies of the Rand is, in the circumstances, very moderate. Further, it is in a form which is calculated to raise the least opposition, per pound of revenue produced, since it is imposed on profits and does not tend to prevent the extraction of low-grade ore. The increase is almost identical with that imposed a year ago, but is smaller in that the rate of tax on gross profits is raised by four points to 20 per cent, whereas, at that time, it was expanded by 5 points, from

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GENERAL OFFICE:
TORONTO, CANADA

Capital
\$12,000,000
Reserve
\$24,000,000

CONDENSED GENERAL STATEMENT AS AT DECEMBER 31st, 1941

ASSETS.		LIABILITIES.	
Cash on hand and in Bank of Canada	\$ 35,784,427.79	Notes in Circulation	\$ 6,188,967.58
Notes of and cheques on other Banks	22,547,191.82	Deposits (other than Banks)	297,571,331.83
Due from other Banks	22,110,874.56	Deposits from other Banks	6,306,647.64
Government and other public securities, not exceeding market value	122,391,967.92	Acceptances and Letters of Credit outstanding (as per contra)	31,482,114.04
Other bonds, and stocks, not exceeding market value	9,724,247.20	Other Liabilities	1,214,593.40
Call loans (secured)	3,970,255.80	Dividends payable	363,135.12
Total quick assets	216,528,965.09	Total liabilities to the public	343,126,789.61
Other loans and discounts (after full provision for bad and doubtful debts)	123,694,054.34	Capital	12,000,000.00
Liabilities of customers under Acceptances and Letters of Credit (as per contra)	31,482,114.04	Reserve Fund	24,000,000.00
Bank Premises	5,872,854.01	Undivided Profits	1,266,493.24
Shares of and Loans to Controlled Companies	2,200,000.00		
Other assets	615,295.37		
	\$380,393,282.85		\$380,393,282.85

J. A. MCLEOD, President.

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E. C. MACLEOD, Manager.

(The Bank of Nova Scotia is incorporated in Canada with limited liability.)

H. D. BURNS, General Manager.

R. A. ELDER, Assistant Manager.

11 to 16 per cent. Further, to add to the satisfaction of the British holder of gold-mining shares, there is no increase in the non-resident's tax, whose imposition a year ago caused some heart burning. This is very pleasant indeed for the investor. On the whole, the shares have fallen on the news, but that is presumably due to the bull speculator selling now there is nothing more to go for, and, when that is over, there may be a recovery. It is, however, a little odd that, at a time when everybody is being urged to expand the war effort, the premier industry of the Union—whose contribution is, at best, indirect—should be given almost an encouragement to expand. The Government will get a slightly larger share of the total proceeds, and that total is likely to be increased by mining higher-grade ore, but not to a sufficient extent to maintain dividends in every case. Last year, there was a fall of rather over £1,000,000 in the total distributed. This year the shrinkage might well be less, but for the fact that the rise in costs is probably a factor of growing importance.

Company Notes

Austin Motor Earnings

Preliminary figures of the results of the Austin Motor Company for the two separate years ended July 31, 1940 and 1941, show a modest decline in gross profit in the earlier period and a recovery to a new high record of just over £1,750,000 in the second. General charges, of which the details are not so far revealed, but which seem to consist mainly of maintenance and normal depreciation, reduce, but do not change, the direction of these movements, but there is a special depreciation charge in each year, which alone means that the net amount available was lower in 1940-41 than two years before. In the later year, it was necessary to provide for war damage contribution, and, although it is possible to make an allocation to contingencies which received nothing from 1939-40 profits, almost half the total added is taken from the carry forward. The actual equity earnings, although up on the year, at 27.1 against 21.8 per cent, compared with 43.1 per cent for the last pre-war year. The following table gives such details as are available for the past three years:

	Years ended July 31st		
	1939	1940	1941
Gross profit	1,609,580	1,530,787	1,760,993
General charges	893,360	776,807	924,658
Deb. interest and S.F.	71,500	71,500	71,500
Preference dividends, net ...	144,187	65,250	57,719
Special depreciation	...	50,000	50,000
Taxation	300,000	400,000	425,000
War Damage Contribution ..	...	...	69,200
Preferred ordinary dividend ..	97,500	86,250	75,000
Ordinary Shares:			
Earnings	174,533	80,980	87,916
Paid	60,690	37,223	32,368
Earnings %	43.1	21.8	27.1
Paid %	15	10	10
Contingencies	105,000	...	100,000
Carry forward	312,290	356,047	311,595

† Gross.

It will be necessary to await the full accounts for any further details of the appropriations from gross profits and for such light as the balance-sheet may throw on current trading. The general picture presented is, however, a familiar one. The change over from peace to war-time production, or rather the completion of it, caused a reverse in the earlier year, although a smaller one than might have been expected. The second period shows the improvement associated with fuller production, which, rather unexpectedly, is reflected in higher equity earnings; but this is possibly due to the method of providing for taxation. The provision of 1938-39 contained £240,000 not payable until January, 1941. If the provision for the subsequent year was on the same basis, but at the new rate of 10s., and that for the third year still at the same rate, it would explain the very modest rise in this provision. Possibly, the full accounts will throw light on this point. Meanwhile, on any reading, the figures are satisfactory. The 5s. "A" ordinary, at about 15s. 6d. ex dividend, yield only some 3.225 per cent, which clearly discounts a marked improvement in post-war years.

The Courtauld Payment

The announcement of a second dividend by Courtaulds, in respect of the year 1941, and the statement which accompanied it, although welcome, do not greatly enlighten the shareholder as to the real value of his investment. The payment, which is in substance a final of 5 per cent, making 7½ against 8 per cent for 1940, is as good as could be expected. For more than three-quarters of the period, the company has been deprived of its American Viscose holding and there is no means of assessing to what extent the board has allowed for any income which may be derived from the compensation payment, still to be fixed. Nor does it seem possible to deduce from the decision to postpone the preparation of accounts and the holding of the annual meeting that a settlement of the arbitration on the amount to be paid for the Viscose holding is imminent. It is possible to hope that it is reasonably near, but other accounts have been held up for many months for no better reason than negotiations with the authorities as to terms of contracts. There is, of course, no indication as to what the result of the arbitration is likely to be, but it is reasonable to read the company's statement as a pointer that whatever is received is likely to be conserved in its entirety, at least for the time being. On the face of it, the payment of 7½ per cent suggests that there has been no marked fall in earnings, which for 1940 amounted to some 9.4 per cent. If this is so, the result must be fully up to the most optimistic expectations, for it indicates that the company has done almost as well, despite the loss of the American interest, the disappearance of more export markets, and the substitution for these, and for a material section of the internal demand, of Government orders. The switch-over is likely to go farther this year with, probably, a further modest fall in earnings, ignoring the Viscose compensation. The £1 stock units, at 32s. 6d. ex dividend, give a yield of approximately £4 12s. 3d. per cent, so that the price discounts eventual recovery rather than an early recession in profits.

Higher Retail Profits

The substantial nature of the recovery in earnings which was generally enjoyed by the London department stores last year is emphasised by the publication of two further preliminary statements, those of *John Barker* and *Garage*. Payments on ordinary capital for the year to January 31st last are being maintained at 10 and 7½ per cent, respectively, but in both cases net profits are higher. The increase in the net figure of *John Barker* from £196,897 to £253,748 is after tax, other than tax on dividends, and is probably a fair indication of the change in the total amount available. Pensions fund receives £10,000 as usual; £25,000 is written off both properties and fittings, and the transfer to general reserve is £5,000 higher at £35,000. For the fourth year in succession, there is a small increase in the carry forward, which amounts to £207,264 against £205,323, and it is possible to estimate that the rate of equity earnings is up from 14.7 to 16.7 per cent. The improvement in the results of *A. W. Garage* is less substantial, and the net profit figure of £97,066 against £93,343 is struck before taxation. Since tax liability rose by some £8,500 in the previous year, it is clear that the amount of equity earnings is below the 1940-41 level of £50,087, although it is possible that the earnings percentage is above last year's rate of 11.9 per cent. The improved results should not be regarded as the reversal of a trend, since it is clear that further restriction in consumption cannot be long delayed, but as the direct result of the cessation of bombing. The £1 ordinary shares of *John Barker* at 41s. 3d. yield £4 19s. 4d. per cent. The *Garage* 10s. ordinary shares offer £6 14s. 10d. per cent at the current price of 11s. 10½d.

Further Boot and Shoe Results

The latest accounts of boot and shoe companies reporting to end-December last suggest that trading conditions became increasingly difficult during the latter half of the year. The results of five concerns, all of which are interested in both manufacture and distribution, are analysed below. In each case, the results of the first six months trading, prior to clothes rationing, were sufficiently satisfactory to ensure approximate stability of gross earnings. In the case of *Greenlees*, the Scottish concern, there is even a slight rise in gross income from £88,738 to £88,831. The

amount of equity earnings is lower in all cases, a development which was inevitable in view of the check to expansion.

Company (Years ending December 31)	Total Dis- closed Profits	Earned for Equity		Divi- dend	March 5, 1942	
		Amount	Rate		Price	Yield
<i>Greenlees</i> :	£	£	%	%	Ex Dividend	£ s. d.
1939	86,750	44,547½	16.4	10	22/6	6 13 4
1940	88,738	45,941½	17.5	10	(7½% cum. pref.)	
1941	88,831	40,663½	15.5	10		
<i>Lennards</i> :						
1939	56,831	14,675	90.3	25	1/3	20 0 0
1940	76,739	15,877	110.4	25	(1/- defd.)	
1941	61,904	13,553	108.4	25		
<i>Public Benefit Boot</i> :						
1939	107,665	20,492	21.0	10	21/3	7 1 2
1940	170,335	11,272	13.1	10	(7½% B cum. pref.)	
1941	162,246	2,176	2.9	10		
<i>H. E. Randall</i> :						
1939	25,960	12,807½	7.9	7½	21/3	7 1 2
1940	26,417	13,211½	8.4	7½	(1/- ord.)	
1941	25,627	13,158½	8.4	7½		
<i>J. Sears</i> :						
1939	293,963*	70,743	18.8	15	9/6	6 11 7
1940	274,273*	68,267	21.3	15	(5/- ord.)	
1941	225,402*	36,217	13.0	12½		

* After tax, except tax on dividends. * After tax, including tax on dividends.
† Before tax on dividends.

sion of turnover, the increase in the standard rate of income tax and the necessity of meeting war damage contributions.

The greatest stability in equity earnings is shown by *H. E. Randall*, whose 7½ per cent dividend is still covered by earnings at the rate of 8.4 per cent. The 10 per cent payment on deferred distributed by *The Public Benefit Boot Company* is under-earned. The fall in equity earnings from 13.1 to 2.9 per cent. is largely due to the necessity of paying some £15,000 against nil for ARP and war damage contribution. The 25 per cent payment on the deferred capital of *Lennards* is still covered more than four times, but the high gearing of the capital apparently fails to inspire market confidence, and the shares offer a yield of 20 per cent. The only reduction in dividend is that of 2½ per cent to 12½ per cent on the ordinary capital of *J. Sears*. The steep fall in the rate of earnings from 21.3 to 13.0 per cent may be due in part to the lower income received from *Freeman, Hardy and Willis*, which announces a fall in net profits from £199,955 to £176,743. The boot and shoe group must, of course, suffer increasingly from the difficulties inherent in wartime trading. It should, however, derive a certain advantage from the fact that its products are peculiarly indispensable articles of clothing.

Cammell Laird Dividend

The preliminary statement of Cammell Laird for 1941 announces a final ordinary payment of 6 per cent, making 10 per cent unchanged for the year. Net profits are, however, substantially reduced at £186,548 against £241,852 after all charges. The rate of equity earnings is down from 23.7 to 21.0 per cent, a decline for which higher tax liability

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ISSUED AND FULLY PAID-UP ... \$20,000,000
RESERVE FUNDS (STERLING) ... £6,500,000
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Commercial Register No. 1, Cairo

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REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,000,000

ASSETS EXCEED - £74,000,000

CLAIMS PAID EXCEED - £133,000,000

(1940 Accounts)

and war damage contributions could easily account. There is the usual transfer of £100,000 general reserve, which involves a draft on the carry forward of £2,202, leaving a total of £102,611. In the previous year, the carry forward received an addition of nearly £40,000, following a rise in the amount of equity earnings from £225,394 to £241,852. The iron and steel market was encouraged to learn that, however hardly EPT and higher costs have borne on profits, there was no shock in store for the ordinary stockholder. Unlike the investor in Dorman Long, the equity holder is not exposed to the hazards of a highly geared capitalisation. The 5s. ordinary stock, at 7s. 9d., offers a conservative yield of £6 11s. 1d. per cent.

Destruction in Malaya

The statements of Mr C. V. Stephens at the meetings of Malayan Tin Dredging and Southern Malayan Tin Dredging make it clear that the complex question of compensation for damage to property in that area is not to be allowed to rest where it is. Despite the absence of a War Damage Act in Malaya, the directors of the two companies are preparing claims for compensation for submission to the appropriate authorities. In both cases, dredges were sunk in response to official instructions, and there is a probability that damage to plant will prove irreparable. It is no doubt

true that, when the war is won, the management and shareholders have, in equity, some claim on the Government, that is, on the country as a whole, for some contribution toward the cost of fresh equipment. The position is analogous to that of the shipping companies whose fleets may be lost through the hazards of war—with the difference that the tin mining industry enjoyed neither the benefits nor the disadvantages of requisition. None the less, the suggestion that time and labour should be devoted to the discussion of compensation claims at the present juncture appears out of place. There will be no compensation unless the war is won, and the assessment of claims is hardly a helpful contribution to this end. The position is completely dissimilar to that which aerial bombardment induced in Great Britain, since no payment on account can assist the Malayan enterprises to carry on in the national interest. Consequently, the present is no time to examine the controversies surrounding the basis and rate of compensation or the share of reconstruction which should reasonably fall on the company as its contribution to the common good. At the same time, managements will in general feel that they have a duty to urge such claims, and the position calls for a Government statement as to the course to be adopted. This should emerge in reply to the memorandum already presented by the tin and rubber companies, but it is doubtful whether any clear indication of probable action can be given until after the war.

Industry and Trade

The Need for More Ships

The full extent of the aggravation of the shipping problem since last December has become apparent in recent weeks. The collaboration of the Allied navies has not prevented a serious increase in merchant shipping losses at a time when the need for additional carrying capacity has been intensified by the outbreak of war in the Far East. The need for more fighting and merchant ships is great and urgent. The pooling of the merchant shipping resources and of the naval vessels owned and controlled by Great Britain and the United States and their utilisation to the best advantage, necessary though it is, can only mitigate the difficulties. It is clear that the United Nations will not be able to deploy their strength to the full without large numbers of additional merchant and naval vessels. Indeed, the course of the war will depend to a considerable extent on the quantity and kind of new vessels that can be put into commission this year. The need for new ships this year is as urgent as was the need for fighting aircraft in Great Britain in the summer and autumn of 1940. The welding of the ship production plans of the United States and Great Britain into a single programme is therefore as essential as collaboration in the use of existing ships. Only experts can work out the programme of construction and the details of collaboration. The mere fact that the tonnage of merchant ship construction in Great Britain remains below capacity as estimated before the war does not necessarily mean that the shipbuilding industry is not utilised to the full; the Government may have found it necessary and advantageous to utilise a larger proportion of the country's shipbuilding capacity for the construction of naval vessels. But there are persistent reports that the total volume of its output is not as large as it might be. If they are true, immediate and drastic action is imperative.

Scrap and Iron Ore

There is as yet little news concerning the progress of the new scrap campaign initiated last January. The object of the campaign is to secure an additional 40,000 tons of scrap per week in order to enable the steel industry to operate at a higher level than in 1940 in spite of the virtual suspension of scrap shipments from the United States. In order to secure large quantities of the heavier and more useful kinds of scrap, it was announced in January that a national survey of existing supplies was to be made and that owners of material exceeding three tons in weight would be required to disclose it by Order. But although nearly two months have now passed since the announcement of the new scheme, no such Order has yet been issued. It is to be hoped that the delay will not be prolonged and that the Order will be

widely drawn, for its success must depend in no small measure on the way in which scrap is defined. But a substantial increase in the supply of scrap is not enough if steel production is to be increased this year. The proportion of scrap that can be used for making steel is limited by technical considerations. An expansion in the output of steel will therefore necessitate larger supplies of pig iron, the other of the two main ingredients of steel. But if the supply of pig iron is to be increased, the output of iron ore—the raw material of pig iron—will have to be raised. Although production showed an increase last year, a determined effort will have to be made to secure a further expansion in 1942.

A National Coal Board

As an alternative to the nationalisation of the coal-mining industry, the Mineworkers' Federation has worked out a scheme, approved by the National Council of Labour, for the control of the mines by a National Board, representing miners, owners and the Government. While details of the scheme have not yet been published, it is understood that the Federation does not contemplate any serious disturbance of the central and regional machinery which the Government has created for the regulation of output and supply during the war. The immediate purpose of the miners' leaders is to secure for the Federation a more direct and active participation in the management of the industry, embracing commercial and financial matters as well as industrial relations. The miners have been aiming at fundamental changes in this direction since the outbreak of the war. In September, 1939, their representatives on the Joint Standing Consultative Committee asked for and were granted an extension of the scope of the activities of that body "to cover all questions of a general character affecting the industry." The achievements of this Committee include the agreements linking flat wage rates to the cost of living index, providing for the payment of an attendance bonus of 1s. per shift, for local co-operation between employers and workmen in the avoidance of non-unionist disputes, for the establishment of national and district safety boards, and for the adoption of the recommendation of the Rockley Royal Commission on Safety in Coal Mines in favour of quarterly compulsory inspections of mines by full-time workmen's representatives. In addition, the Committee has been the mouthpiece of the industry in the discussion of output and manpower problems with the Government.

In April, 1941, when applying to the owners for a national minimum weekly wage of £4, the Federation asked for a Joint National Board with executive as well as advisory

powers. In a memorandum to the Mines Department the Federation included "the establishment of a Joint National Board to cover all problems affecting the coal-mining industry" among its conditions of recommending the acceptance of the Essential Work Order by the miners. Both demands were unsuccessful. The differences between the employers and workers on this issue are as acute as ever. The pre-war Governments were in principle favourable to the establishment of a National Board, but the present Government is pledged not to raise issues of a political and controversial character during the war. Pending the restoration of peace conditions it would, in the present grave national situation, seem the wiser for the Federation to develop the good work of the Joint Standing Consultative Committee. The test of any new scheme introduced during the war must be its effect on the efficiency of the industry. And although full details of the Mineworkers' Federation plan are not yet available, it is doubtful whether any scheme of this kind will pass this test. It is no less a fallacy because it is frequently stated to claim that a body chosen on the principle of representing interests is fitted to run an industry efficiently. It is competence not representativeness that is needed in such a body—and competence only; and, in any case, representation is already provided for in Parliament and in the machinery of collective bargaining.

Pre-Fabricated Houses

The idea of manufacturing dwelling-houses and other building units required in large numbers in the factory and of assembling them on the spot has long been discussed as a means towards cheapening their cost. Experiments have been made in many countries, but even in the United States, the home of mass-production, this method has made comparatively little headway. A stimulus has been given to research and experiment in this country by the urgent need for economising steel, timber and labour, and by the frequent shortage of constructional facilities in districts where new buildings are needed quickly. This movement has been encouraged by the Ministry of Works and Buildings, and a number of types of hut, in reinforced concrete, in timber framework with plaster-board or asbestos cement cladding, and in plywood, have been developed. The reinforced building is reported to have the advantage of being economical in the use of both steel and timber.

According to a report issued by the British Concrete Federation, a design in reinforced concrete has been evolved which is largely pre-fabricated and capable of erection on the site with a high proportion of unskilled labour. The method of construction is said to be almost as simple as that employed in children's constructional toys. A light-weight raft foundation is prepared, into which are fitted reinforced concrete posts which take the weight of the roof beams and are slotted for the insertion of walls. The roof consists of breeze concrete slabs, and the walls are formed by an inner and an outer panel with a cavity of one and a half inches between them; the inner panel is of light-weight breeze concrete, and the outer panel consists of dense pressed concrete. The walls have been designed to give protection against the changeable British climate; the buildings are warm in winter and cool in summer. Hostels of this type are already being constructed, but designs have been prepared for many other purposes, including emergency school buildings, canteens, recreation halls, emergency houses for munition workers, communal baths for evacuation areas, laundries, and welfare centres for rural districts. While no information has been given about the cost of these pre-fabricated buildings, the experience gained by their adoption may play an important part in the evolution of construction methods after the war.

Allied Tin Smelting Facilities

Before the war some two-thirds of the world's supply of tin ore came from the Far East, chiefly from Malaya and the Dutch East Indies. The greater part of those sources of supply have now been lost by the Allies. The metal content of the prospective output of tin ore in Bolivia, the Belgian Congo, Nigeria and in other non-Pacific countries accessible to them has been estimated at about 80,000 tons

per annum, though it appears that determined efforts will be required to reach this target in the current year. But although 80,000 tons of virgin tin would go a long way towards meeting the essential needs of the Allies, the extraction of the requisite quantity of ore is only the first step in the production of the metal. Unfortunately, the proportion of the world's smelting capacity lost since the outbreak of war has been even greater than that of tin ore supplies, for it was concentrated largely in the Far East, on the islands of Penang, Singapore and Banka. The refinery in Holland, with an annual capacity of 28,000 tons, and that in Belgium, capable of producing 7,500 tons per annum, were lost in 1940. The only other facilities in actual operation not located in the Far East are in Great Britain and in the Belgian Congo. The capacity of the plant in the Belgian Congo has been increased from 2,500 tons at the outbreak of war to some 10,000 tons per annum. The smelting industry in Great Britain produced 58,000 tons of tin in 1929, but in recent years output, chiefly from Bolivian and Nigerian ore, has been appreciably below that level. Present Allied refining facilities are therefore inadequate for treating the ore still at their disposal; moreover, the shipment of the bulk of the ore for treatment in this country has many disadvantages, especially as the United States is by far the largest consumer of the metal. Fortunately, the solution of the refining problem, created by the loss of the facilities in the Far East, is already in sight. The new smelter at Texas City in the United States is scheduled to come into operation next month. Its initial annual capacity of 18,000 tons will be doubled before the end of the year, and a further expansion to 50,000 tons is understood to have been planned. Since the quantity of new tin available to the Allies can be supplemented from their stocks and by an increased output of reclaimed metal, a serious shortage of tin for vital purposes is therefore improbable in present conditions.



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Exports of Wool Textiles

While exports of wool yarn and tops continued to shrink in the past year, shipments of tissues, which recovered in the third and fourth quarters, were bigger in volume than in 1940 and not far below the pre-war level. The course of exports of yarn, tops and tissues since 1938 is shown below:—

	Yarn (‘000 lbs.)	Tops (‘000 lbs.)	Tissues (‘000 sq. yds.)
1938	35,000	32,454	90,534
1939	31,000	33,848	93,480
1940	15,000	28,470	83,045
1941—			
First Quarter	2,503	4,278	15,313
Second „	2,600	4,477	14,929
Third „	3,459	4,022	22,875
Fourth „	3,200	3,392	33,222
Total	11,762	16,169	86,339

The divergent trend of exports of yarn and tops and of tissues is ascribed partly to the fact that while shipments of the first two were restricted by the operation of a licensing system, those of the last were virtually unrestricted. Since returns concerning the destination of exports of tissues are not available, it is difficult to ascertain how far the recovery in shipments of tissues during the second half of last year has been due to the supplies sent to Russia. It is unlikely, however, that the improvement will continue during the current year, for the need to economise wool and labour has made necessary the extension of the licensing system to woven wool goods and blankets. Each firm has been notified concerning the volume of goods it may send to individual overseas markets. The initial allocations are meagre.

Dearer Lubricants

Substantial increases in the price of branded lubricating oils and greases came into force on Monday. This was the inevitable consequence of last month's advance in the rates at which the Lubricating Oil Pool—the organisation of importing companies—sells to blenders and distributors in this country. The Pool's current selling prices (per ton, bulk, duty paid) are shown below, together with comparative figures for earlier dates. The reduction in the number of grades, and the changes in the method of quoting, introduced at the beginning of the war make comparison with pre-war rates impossible; and the comparison with December, 1939, should be regarded as approximate only:

	(Per Ton)	Before Latest Increase	Current Price
Mineral Colza	Dec. 5, 1939		
Pale spindle oils	£12.2.6	£13.2.6	£14.12.6
	£8.15-	£11.2.6-	£14-
Machinery & engine oils	£16.17.6	£18.5	£21.7.6
	£10.12.6-	£12.2.6-	£15.5-
Refrigerator oils	£17.12.6	£22.2.6	£25.10
	£12.5-	£14.2.6-	£22.17.6
Filtered cylinder oils..	£16.15	£14.10	
	£16-	£19.10-	£23.17.6-
Dark cylinder oils	£31.12.6	£30.5	£33.12.6
	£10.2.6-	£11.17.6-	£15.5-
Dark lubricating oil...	£21.5	£19.7.6	£22.10
	£7.15	£10	£13.5

The magnitude of some of the recent increases in the prices of these vital products has led consumers to question the wisdom of maintaining in the special case of lubricating oils the pre-war marketing arrangements which reward the oil salesman with substantial commissions for performing the function of diverting orders from one company to its competitor. Criticism has also been heard of the wholesale price increases which set the upward spiral in motion. There have, it is true, been certain advances in American lubricating oil export prices since October, 1940, when the last change was made in the British wholesale price schedule; and shipping costs have, in all probability, also

The 79th number of the annual **Commercial History** will be published as a supplement to **The Economist** next week; it will contain a summary of war-time economic changes in 1941 at home and abroad.

risen. But so long as they keep the public in the dark as to the full reasons for their action, the Pool and the distributing companies must expect criticism.

Organisation of Road Transport

In contrast to the railways, which, for all practical purposes, form a single operating unit, road transport is divided between those who use their own vehicles to transport their own goods or themselves, and those who hire vehicles to carry goods or pay fares in public service vehicles. In consequence, the interests of the various categories of road-users are often conflicting; this explains the difficulty in the way of the collective organisation of road transport. In the 40 odd years of the present century a number of associations have been formed which have established themselves as the representatives of particular sections of the road transport industry. Some of these do, in fact, represent more than one branch of the industry, but other associations have preferred to concentrate on a purely sectional basis. In more recent years the need for an all-embracing organisation which could, on matters of general interest, act as the mouthpiece of the representative organs of all those concerned in the use of roads, led to the foundation, in 1932, of the British Road Federation, whose membership embraces 56 national associations. In an industry where there are hundreds of thousands of separate vehicle owners and operators, unity of representation can only be achieved through associations which group themselves together. There will always be some operators who stand out of the associations, but the great majority of them are now inside one or other of the representative organisations which are members of the British Road Federation. Contact between the road interests and railway transport is maintained by means of a special liaison committee set up for the purpose, known as the Road and Rail Central Conference, the membership of which is equally divided under joint chairmen of the two forms of transport.

Wartime Dress Reform

The Director-General of Civilian Clothing, Sir Thomas Barlow, has outlined further plans made by his department to clothe the community with clothes of the maximum utility and the minimum of material. These plans include the designation of 1,200 firms to make utility clothing, and the control of the amount of material and accessories to be used in non-utility garments. Two-thirds of the material produced for home consumption is to be of utility specification. Utility clothing already beginning to appear in the shops is of good quality and the simplicity of such garments is an advantage rather than the contrary. The idea of utility garments must be more positive than merely saving materials, accessories and labour; the utility mark must be a guarantee of quality. Clearly, it is better in the national interest to make as few garments as possible, and it is therefore essential that such garments as are made shall have the capacity of being worn for several years without renewal. To advise on the best methods of carrying out the utility garment programme, Sir Thomas has set up panels, with a membership nominated by the trade associations concerned. Non-utility garments will continue to be made but under control. Without doubt the long rows of buttons which never unbutton and elaborate pleating and frills should long since have disappeared from women's dresses. Skirts, it would appear, are likely to be shorter. By cutting out all unnecessary and by limiting the number of available colours, widespread economies may be possible and may be reflected in lower prices. In new clothing the abolition of the turn-up on trousers, of double-breasted coats and of sleeve buttons is likely to take place. Side by side with these proposals, the War Office has announced modifications in the regulation pattern of officers' service dress and khaki drill jackets by the removal of box pleats from breast pockets, the replacement of the lower patch pockets by slit pockets with no button, and the substitution of a plain sleeve for the present built-up cuffs. Further economies might be made by reducing the hems on skirts, the consideration of every button from the strictest utilitarian point of view, the non-use of shoddy materials with no lasting properties, the limitation of the manufacture of neckties, limits on the dimension of scarves and handkerchiefs, and the extension of the use of protective clothing. Cleaning processes which reduce the life of garments should be reviewed, and in fact every method of making existing clothes last longer should be adopted.

COMPANY MEETINGS

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION

INCREASED NEW BUSINESS

The 101st annual general meeting of the Provident Mutual Life Assurance Association was held, on the 4th instant, in London. Mr Owen Hugh Smith, the chairman, said that the life assurance fund had increased during the year by £441,000, and there was again a moderate growth in the premium income, which was now over £1,260,000. Gross interest, dividends, and rents were higher than in 1940, and although they had paid more income-tax the net figure had also risen slightly. But reckoned on a larger life assurance fund the gross rate of interest showed a fall to £4 14s. 8d. per cent., and the net rate had likewise fallen to £3 12s. 7d. per cent. Those falls were mainly due to the increase in the proportion of their assets invested in British Government securities. Since the commencement of the war they had subscribed close upon £1,000,000 to new British Government Loans.

The total claims paid were again higher, and for the first time exceeded £1,000,000, largely accounted for by the growing volume of their business. The death claims directly due to the war amounted to some £43,000, but apart from those their mortality experienced continued to be favourable. The total new business amounting to £1,721,950 was some £35,000 in excess of the figure for 1940. That result was very creditable to their new business organisation throughout the country, and was especially gratifying when it was borne in mind that large numbers of those whom they might have expected to effect new policies were on active service, as were also many of their agents.

So far their profits had been less seriously affected by the war than might have been expected. It was true that the rate of interest earned on their funds had fallen, and as the result of their policy of investing all their surplus income in Government loans it would no doubt fall further. But on the other hand their investment position was very satisfactory, death claims arising from the war had not been unduly heavy, and there had been a saving in expenses. They were confident that when those difficult times were over the association would emerge in a strong position.

The report was adopted.

SAN FRANCISCO MINES OF MEXICO, LIMITED

A WELCOME IMPROVEMENT

The twenty-ninth ordinary general meeting of San Francisco Mines of Mexico, Limited, was held, on the 4th instant, at Winchester House, Old Broad Street, E.C., Mr C. T. Pott presiding.

The chairman, in the course of his statement, said: The results for the year show a welcome improvement upon those for the previous period, and in fact upon any period since 1936-37. The operating profit at £156,721 compares with £22,232 for the previous year, an improvement of £134,489. After charging reserves for depreciation of plant and Mexican taxation and the usual London overheads and crediting interest earned, the net profit is £108,612. Deducting £21,665 which stood to the debit of profit and loss account at the beginning of the year, £86,947 is available for appropriation. From this the directors propose the payment of a dividend of 9d. per share, which, after allowing for directors' special remuneration, will leave £5,960 to be carried forward. The company's profits standard is such that no liability for excess profits tax is incurred.

The better operating results are due mainly to increased prices for lead and zinc, and would indeed have been better still if it had not been for the shortage of labour, making it only possible to mill 407,860 tons of ore, or 93 per cent. of the tonnage milled in the preceding year. As a matter of fact, it was necessary to place the mill on a five day per week operating basis in April last.

SATISFACTORY DEVELOPMENT WORK

Last year, owing to labour shortage, development work was limited almost entirely to the opening up of the more promising ore-bodies, and no long-range development could be attempted. The result of this limited development work was satisfactory and gives ground for the hope that an expansion of the work now made possible by the increased labour available will continue to disclose good grade ore, both in the San Francisco and Clarines mines.

The political situation in Mexico has become more tranquil, and there is evidence of a more sympathetic attitude to mining enterprise except in the matter of taxation. A proposed excess profits tax has been dropped, but the rate of income-tax has recently been materially increased. Furthermore, the metal export tax which had been partially suspended has been reintroduced. We can only hope that the legitimate protests which the mining community is making will result in obtaining some amelioration of such taxation.

In the first four months of this year we have made an operating profit of over \$270,000. The outlook for metal prices is encouraging, but on the other hand we are encountering difficulties in obtaining essential supplies. We do know, however, that the mine continues to open up well, and that the metals we produce, all of which go to the United States, are essential for the war effort.

The resolution for the adoption of the accounts and the payment of a dividend of 9d. per share was unanimously passed.

MALAYAN TIN DREDGING, LIMITED

The adjourned thirtieth annual general meeting of Malayan Tin Dredging, Limited, was held, on the 27th ultimo, in London.

Mr C. V. Stephens (the chairman), in the course of his speech, said: The profit for the year is £125,513. The directors recommend a final dividend of 5 per cent., less tax, making 55 per cent. for the year, the same as in the previous year.

It is with profound regret that I have to refer to the ill-fortune which has befallen our company, and all other companies operating in Malaya, through the invasion of the Japanese. It appears that just before Christmas the general manager received official orders to sink all the dredges and that he took the necessary steps accordingly. We may find, after the Japanese have been driven out of Malaya and we are able to return to the property, that the dredges have been reduced more or less to scrap iron, the value of which probably would be nil. Our plant having been sunk under official orders, it follows as a plain matter of equity that we are entitled to be compensated for the damage sustained. In the confident expectation that the principle of compensation will be duly accepted by Government we shall take steps to prepare our claim for submission to the appropriate quarter.

The report and accounts were adopted.

SOUTHERN MALAYAN TIN DREDGING, LIMITED

The adjourned fifteenth annual general meeting of Southern Malayan Tin Dredging, Limited, was held, on the 27th ultimo, in London.

Mr C. V. Stephens (the chairman), in the course of his speech, said: The profit for the year was £177,302. The incidence of excess profits tax caused the total dividends for the year to be limited to 40 per cent. The tonnage won constituted a record for your company.

Referring to conditions in Malaya, the chairman said:

The general manager, acting under official orders, took the steps necessary to sink the dredges. It is impossible to say what the condition of the dredges will be like when they again come into our possession. In the confident expectation that the principle of compensation will in due course be admitted by Government, steps will be taken to prepare our claim for submission to the appropriate quarter, but on what basis such compensation will be calculated no one can make any forecast.

The present outlook is far from good, but I have no doubt the tide will turn and that the time will come when we shall again enter into possession of our property.

The report and accounts were unanimously adopted.

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached: To The Publisher, Economist Newspaper Ltd., Brettenham House, Lancaster Place, W.C.2

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RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE effect of the re-investment of the Indian vesting disbursements on the gilt-edged market overshadowed all other activity in the early part of the current week. Nevertheless, interest was not centred entirely on the Funds, and there was a welcome extension of inquiry to other sections for leading industrial equities. The feature of the *gilt-edged* market was the advance in the irredeemable stocks at the reopening. Old Consols and Local Loans both rose $\frac{1}{8}$ on the ex-dividend prices, while $3\frac{1}{2}$ per cent War Loan advanced $\frac{1}{8}$. The improvement was, to a much lesser degree, shared by dated loans, while Tuesday witnessed a further general advance, Local Loans and $3\frac{1}{2}$ per cent War Loan gaining a further $\frac{1}{8}$. In contrast, the *foreign bond* market was dull, although a small general improvement reflected some inquiry for Mexican and Chilean bonds on Monday, and Peruvian Corporation issues the following day. Otherwise prices remained steady. The *home rail* market lacked interest, and prices fluctuated within narrow limits, although GW ordinary gained $\frac{1}{4}$ at the reopening. Tuesday witnessed some demand for the prior charges, the "Berwick" 3 per cent debenture rising $\frac{1}{2}$ points among other smaller improvements. Some support was forthcoming for South American issues in the *foreign rail* market, and with stock in short supply prices advanced. The rise in the Funds

continued on Wednesday morning, but later selling predominated and prices closed below the best.

The general advance in the Funds gave rise to a distinctly better tone in the *industrial* market, and after the renewed decline prices were definitely firmer in several sections. Brewery shares advanced steadily on consistent support, with Bass particularly prominent, although Guinness moved against the trend on Tuesday, losing $\frac{1}{8}$. Later, Meux's gained $\frac{1}{8}$, on the increased dividend. In the motor and aircraft group, Rolls-Royce advanced $\frac{1}{8}$ both before and after the week-end, but generally prices fluctuated narrowly. Heavy industrial issues enjoyed numerous small gains at the opening, but some irregularity was apparent on Tuesday. Shipping shares lacked interest, but prices generally remained steady. The announcement of the redemption at par of the Elder Dempster Line Holdings 3 per cent debenture raised the price 28 points. Among textile shares, Courtaulds reacted on the dividend announcement before the week-end, and other issues were generally dull. Stores issues were prominent at the close of the previous week, J. Barker, Harrods and Marks & Spencer all rising $\frac{1}{8}$, but prices reacted slightly at the reopening. The tobacco group was firm throughout, Imps gaining $\frac{1}{8}$ and Carreras $\frac{1}{8}$ on Tuesday after some earlier improvements. In the miscellaneous section, Cable and Wireless issues weakened slightly on Monday, when Murex repeated the previous Friday's loss of $\frac{1}{8}$. In midweek there was some recession in turnover but with little effect on prices.

The *kaffir* market reflected the Cape's considerable satisfaction on the modest increase in taxes as announced in the Union budget at the end of the previous week. Substantial gains on Cape orders were registered on the Friday, but buying was not resumed during the early part of the current week, which brought some London slightly lower levels. The volume of business in the *rubber* and *tea* markets was negligible, but there was a further easing of quotations. The developments in the East Indies were hardly conducive to business in the oil market, where before the week-end Ultramar fell $\frac{1}{8}$ on profit-taking, although Trinidad Leasehold advanced $\frac{1}{8}$. Quiet dealing at the reopening, but the following day prices improved slightly. In particular, Trinidad and Venezuelan issues were firm. In later dealings, these markets remained inactive, with some small changes in oil shares.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indexes
			30 Ord. shares* 20 Fixed Int.†
Feb. 26.....	2,833	2,440	76.3 133.7
" 27.....	2,818	2,170	77.0 133.7
Mar. 2.....	3,678	2,818	77.0 134.0
" 3.....	2,995	3,048	77.3 134.0
" 4.....	2,868	2,944	77.3 134.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 76.1 (Feb. 19). 20 Fixed Int., 1942; lowest, 132.2 (Jan. 15).

THE ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA, EGYPT.

NOTICE IS HEREBY GIVEN that the sixty-fourth ordinary general meeting of the shareholders will be held at the company's offices, 61 Avenue Fouad 1er, Alexandria, on 9th April, 1942, at half past four in the afternoon for the transaction of the ordinary business of the company, pursuant to Act of Parliament and to ratify the proceedings of the ordinary general meeting held on the 4th April, 1941.

Holders of share warrants to bearer desiring to attend or to be represented at the meeting must deposit their share warrants in London before the 26th March, 1942, or in Alexandria before the 6th April, 1942, until after the meeting, at the National Bank of Egypt, 6 King William Street, London, E.C. 4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

Dated, Alexandria, Egypt, the 2nd March, 1942.

By order of the Board,

T. D. KEY
ROBERT WALTON } Joint Managers.

DOMINION OF CANADA

THREE AND A QUARTER PER CENT. REGISTERED STOCK, 1950-55.

For the purpose of preparing the interest warrants due 1st May, 1942, the BALANCES will be STRUCK on the evening of the 1st April, 1942, after which date the stock will be transferred ex-dividend. For Bank of Montreal, Financial Agents of the Government of the Dominion of Canada in London.

EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 2nd March, 1942.

PROVINCE OF ONTARIO

FOUR PER CENT. REGISTERED STOCK, 1947.

For the purpose of preparing the interest warrants due 1st May, 1942, the BALANCES will be STRUCK on the evening of the 1st April, 1942, after which date the stock will be transferred ex-dividend.

For Bank of Montreal,

EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 2nd March, 1942.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

NOTICE IS HEREBY GIVEN that a final DIVIDEND (No. 91) of 35 per cent, less Income-tax at 10s. in the £, has this day been RECOMMENDED on the issued capital of the Corporation in respect of the year ended 30th September, 1941, and will be PAYABLE on and after the 10th April, 1942, to all Members on the Registers on the 3rd March, 1942.

The TRANSFER BOOKS will be CLOSED from the 4th to the 11th March, 1942, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
H. E. ASHBY, Manager and Secretary.

Temporary Registered Address:
St. Hilda's, Bushey, Herts. 3rd March, 1942.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that a Final DIVIDEND (No. 9) of 17½ per cent, less Income-tax at 9s. in the £, has this day been RECOMMENDED on the capital of the Company in respect of the year ended 30th September, 1941, and will be PAYABLE on and after the 10th April, 1942, to all Members on the Registers on the 3rd March, 1942.

The TRANSFER BOOKS will be CLOSED from the 4th to the 11th March, 1942, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,

H. E. ASHBY, Secretary.

Temporary Registered Address:
St. Hilda's, Bushey, Herts. 3rd March, 1942.

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New York

SENTIMENT on Wall Street improved on the reports of the Allied resistance to Japanese landing efforts on Java at the end of the previous week. While a definite trend failed to develop, small gains were well scattered among leading issues. After a slight recession at the reopening, some short covering purchases occasioned a slight recovery the following day. In midweek the new tax proposals and higher freight rates brought a general reaction.

New York Prices

STANDARD STATISTICS INDICES

(1935-36=100)

WEEKLY AVERAGES

	1942	Feb. 11, 1942	Feb. 18, 1942	Feb. 25, 1942
Low	Feb. 11	Jan. 14		
High	Feb. 11	Jan. 14		
347 Industrials.....	69.46	75.0	71.0	69.5
40 Rails.....	66.94	71.06	67.0	67.4
40 Utilities.....	64.0	67.44	64.0	64.1
419 Stocks.....	68.56	73.3	69.6	68.5
Av. yield*.....	8.00%	7.65%	8.00%	7.90%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4. (c) Feb. 25.

Export Control.—Under the Board of Trade Export of Goods (Control) (No. 9) Order, which comes into force on March 17th, control is extended to cover containers made from black plate and, in the case of certain destinations, to asbestos scrap and waste. The Order also extends the existing control in respect of paper, paper board and certain articles manufactured therefrom. Another Board of Trade Order has revoked all outstanding export licences for scrap and waste wholly or substantially made of rubber.

Flour Mixtures Order.—An Order of the Minister of Food prohibits the manufacture, except under licence, of flour mixtures and the packing of flour and flour mixtures in small containers for sale by retail. The Order, which is entitled the Flour and Flour Mixtures (Licensing and Control) Order, 1942, defines flour mixtures as any article of food, except cooked manufactured products, containing 25 per cent or more of wheat flour, including self-raising flour and any mixtures of flour with sugar, saccharin or dextrin. The restrictions come into force on March 30th. Persons manufacturing or packing 10 tons or less of flour or flour mixtures a year are exempt from the licensing requirements.

Horse-hides Controlled.—By the Control of Horse-hides (No. 1) Order, 1942, which came into force on March 5th, the acquisition of home-produced horse-hides by tanners and the disposal of such hides to tanners becomes subject to licence. Maximum prices for horse-hides are fixed and the holding by any person of more than 25 horse-hides is forbidden except under licence. Inquiries arising out of the Order, which was made by the Ministry of Supply, are being dealt with by the Leather Control.

Tomato Prices.—The Home Grown Tomatoes (Maximum Prices) Order came into force on March 1st, and prescribes four price periods and six price areas, according to which the prices vary. The periods are March 1st to June 14th, June 15th to August 2nd, August 3rd to November 1st, and November 2nd to the end of the year. Area 1 is any area not specified in the other areas; area 2 covers roughly London and the Home Counties; area 3, northern counties and the Lowlands; area 4, the Highlands; and area 6 covers Northern Ireland. Maximum prices on

DAILY AVERAGE OF 50 COMMON STOCKS

Feb. 19	Feb. 20	Feb. 21	Feb. 22	Feb. 23	Feb. 24
84.8	84.5	84.9	(a)	85.0	84.4

1942 High: 91.2, Jan. 5. Low: 84.4, Feb. 24. (a) Washington's Birthday.

Total share dealings: Feb. 26, 350,000; Feb. 27, 360,000; Feb. 28*, 230,000; Mar. 2, 330,000; Mar. 3, 410,000; Mar. 4, 380,000.

* Two-session.

Capital Issues

Week ending March 7, 1942
By Permission to Deal... 44,817
Particulars of Government issues appear on page 342.

Year†	Including Conversions	Excluding Conversions
1942.....	226,262,819	222,260,760
1941.....	219,608,727	219,608,727

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942.....	221,895,440	178,320	27,000
1941.....	217,059,626	2,549,103	Nil

COMMODITY AND INDUSTRY NEWS

prices by growers vary from 9d. to 1s. 4d. per lb., on sales by primary and secondary wholesalers from 10s. 5d. to 17s. 10d. per 12 lbs. net; on sales by retail from 1s. 3d. to 1s. 11d. per lb.

Food Mission in Canada.—A change is announced in the machinery of negotiation for procuring food supplies for this and other British countries from Canada. Negotiations have hitherto been conducted directly (in the case of Canada) from this country, and through the British Food Mission to the United States, in the case of supplies from the latter country. This mission has now been reconstituted as the British Food Mission in North America, and its functions and duties have been extended to Canada. The Canadian headquarters of the newly constituted mission have been established at Ottawa, and Mr G. H. S. Pinsent, CMG, until recently financial adviser to the British Embassy, Washington, will have charge of the Mission's Canadian business, under the general direction of the Hon. R. H. Brand, the head of the Mission.

Cotton.—There has been relatively little business on the Cotton Market, and while a considerable inquiry has been dealt with in some quarters, difficulties in arranging terms of fresh contracts tend to increase. Ordinary business is small, due, partly, to the small export quotas available for shippers and partly to limitations upon the manufacture of goods for home civilian use. Government buying has been fairly extensive, and there are definite indications that a larger proportion of the output of the industry is being set aside to meet war requirements of the Home and Dominion Governments and the Allies. The owners of spinning mills stopped under the concentration of production scheme have made a claim to the Cotton Board for better terms for care and maintenance. It is understood that a request has been made for £15,500 per year instead of £7,000 for a mill of 100,000 spindles. There have been further reports that yarn deliveries from spinners are on a larger scale, as a result of the overtime worked in the mills, but many manufacturers are harassed by the short supply of twists, especially ring beams.

Pottery.—The Board of Trade have renewed for a further three months the general licence authorising unrestricted supplies of certain articles, if made of plain,

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942.....	220,961,256	82,029	1,157,475
1941.....	217,059,624	8,541	2,180,568

† Includes Government issues to Feb. 24, 1942, only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

Elder Dempster Holdings, Limited.—The outstanding £217,378 3 per cent. convertible non-cumulative income debenture stock will be repaid at par, with accrued interest, June 15, 1942.

Shorter Comments

Brazilian Traction, Light and Power Company, Ltd. (\$000s.).—Gross operating income in January \$3,726 (\$3,292), net earnings before depreciation and amortisation \$1,983 (\$1,703).

Bank of Nova Scotia (\$000s.).—Total assets year ended December 31st \$380,393 (\$328,683). Cash \$35,784 (\$26,072). Government and public securities \$122,392 (\$119,881), other loans and discounts \$123,694 (\$112,768). Deposits \$297,571 (\$269,640), acceptances and letters of credit \$31,482 (\$6,703). Net profit \$1,936 (\$1,941).

undecorated, earthenware or of china undecorated or decorated merely with a plain band not more than one-eighth of an inch in width, or with a plain line and edge. The articles include tea and breakfast cups and saucers, mugs, beakers, plates, coffee-pots, teapots, jugs, sauce-boats, meat, vegetable and pie dishes, casseroles, bowls, pots, teapots, jugs, sauce-boats, meat, vegetable and pie dishes, casseroles, bowls, basins, ewers and chambers.

Waste of Paper.—The Minister of Supply has made the Salvage of Waste Materials (No. 2) Order, which comes into force on March 9th, under which to burn, destroy, throw away or to dispose of, paper and cardboard, except to a collector or buyer, or to mix it with refuse, will be punishable offences. The definition of waste paper is "any waste, scrap, worn-out or disused material or article, being paper or cardboard or an article made therefrom, but does not include any secret or confidential document."

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

	Feb. 26, 1942	Feb. 27, 1942	Mar. 2, 1942	Mar. 3, 1942	Mar. 4, 1942
Crops.....	116.4	116.0	115.8	115.8	115.3
Raw materials.....	172.7	172.7	172.7	172.7	172.7
Complete Index.....	141.8	141.8	141.4	141.4	140.8

	Mar. 31, 1937	Aug. 31, 1939	Mar. 4, 1942	Feb. 25, 1942
Crops.....	147.9	92.2	108.8	116.5
Raw materials.....	207.3	122.9	170.3	172.7
Complete Index.....	175.1	106.4	136.1	141.8

* Highest level reached during 1932-37 recovery

NUMBER OF FOOD PROSECUTIONS

	Prosecutions	Number Successful	Percentage Successful
Oct., 1939-Dec., 1940	10,598	10,043	94.8
Total 1941.....	29,329	27,475	93.7
January, 1941.....	2,073	1,979	95.4
February ".....	1,160	1,104	95.1
March ".....	2,141	1,994	93.1
April ".....	2,300	2,199	95.6
May ".....	2,537	2,410	94.9
June ".....	2,762	2,627	95.1
July ".....	2,846	2,679	94.1
August ".....	2,524	2,336	92.5
September ".....	2,501	2,280	91.2
October ".....	1,130	2,887	92.2
November ".....	2,400	2,228	92.8
December ".....	2,955	2,752	93.1
January, 1942.....	2,420	2,218	91.7

GOVERNMENT RETURNS

For the week ended Feb. 28, 1942, total ordinary revenue was £62,902,000, against ordinary expenditure of £108,703,000, and issues to sinking funds of £210,000. Thus, including sinking fund allocations of £9,306,701, the deficit accrued since April 1st is £2,458,256,000 against £2,215,469,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	Actual, 1941	Actual, 1942	Actual, 1942	Actual, 1942
ORDINARY REVENUE					
Income Tax	755,000	456,269	672,404	25,802	29,006
Sur-tax	80,000	64,897	64,327	3,020	2,160
Estate, etc.	82,000	70,577	82,146	1,303	3,050
Duties	14,000	12,218	12,193	110	30
Stamps	210,000	21,525	19,274	520	318
N.D.C.	1,000	59,883	224,324	1,581	4,900
E.P.T.		699	687	10	30
Other Ind. Rev.					
Total Ind. Rev.	1,143,000	686,068	1,075,555	32,346	39,494
Customs	310,700	278,062	333,741	4,038	5,961
Excise	266,660	191,377	307,400	13,577	13,300
Total Customs & Excise	577,360	469,439	641,141	17,615	19,261
Motor Duties	39,000	37,356	37,753		750
P.O. (Net Receipts)	3,300	8,900	10,700	Dr 2,550	Dr 2,350
Crown Lands	1,100	1,050	910	70	80
Receipts from Sundry Loans	2,600	1,893	5,096	1	2,018
Miscell. Receipts	20,000	25,174	77,080	349	3,649
Total Ord. Rev.	1,786,360	1,229,880	1,848,035	48,531	62,902
SELF-BALANCING P.O. & Broadcasting	99,346	83,100	95,000	4,000	4,350
Total	1,885,706	1,312,980	1,943,035	52,531	67,252

Expenditure	Estimate, 1941-42	Actual, 1941	Actual, 1942	Actual, 1942	Actual, 1942
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	219,649	241,371	296	1,091
Payments to N. Ireland	9,200	7,957	7,532	614	544
Other Cons. Fund.	7,800	7,063	7,509	11	12
Serv.					
Total	272,000	234,669	256,412	921	1,647
Supply Services	443,497	319,957	404,057	88,358	107,056
Total Ord. Exp.	470,697	343,256	429,695	89,279	108,703
SELF-BALANCING P.O. & Broadcasting	99,346	83,100	95,000	4,000	4,350
Total	480,043	351,356	439,195	93,279	113,053

After decreasing Exchequer balances by £204,527 to £2,483,864, the other operations for the week (no longer shown separately) raised the gross National Debt by £48,300,336 to about £13,824 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	200
War Damage Act	2,277
Anglo-Turkish Armaments	56
	2,533

NET RECEIPTS (£ thousands)	
Overseas Trade Guarantees	39

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Feb. 28th and Mar. 6th. (Figures in brackets are par of exchange.)

United States	\$ (4-86) 4-02-03; mail transfers 4-02-03
Canada	\$ (4-86) 4-43-47; mail transfers 4-43-47
Switzerland	Francs (25-22) 17-30-40
Sweden	Krona (18-159) 16-85-95
Argentina	Peso (11-46) 16-95-17-13; mail transfers 16-95-17-15
Dutch East and West Indies	Florins (12-11) 7-58-62; mail transfers 7-58-64
Portugal	Escudos (32-10) 99-80-100-20
Panama	\$ 4-02-04; mail transfers 4-02-04

Fixed Rates for Payment at Bank of England for Clearing Office.—Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 520. Italy. 71.25 lire.

MONTH'S CHANGES IN DEBT (£ thousands)

Net Increases	22,450
3% Def. Bds.	14,400
2 1/2% Nat. War Bds.	429
2 1/2% Nat. War Bds.	52,451
1949-51	42,654
1955-65	36,935
Ways & Means	51,010
Tax Reserve Certs.	220,320

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1941				
Mar. 1	845.0	Not available		
Nov. 22	975.0	128.9	26.2	723.0
Dec. 6	975.0	Not available		3428.1
" 13	975.0	"	"	"
" 20	975.0	"	"	"
" 27	975.0	"	"	"
1942				
Jan. 10	975.0	186.3	66.0	811.5
" 17	970.0	"	"	3610.8
" 24	960.0	"	"	"
Feb. 31	945.0	158.4	191.0	764.5
" 14	915.0	Not available	"	3493.7
" 21	905.0	"	"	"
" 28	905.0	1612.7	215.4	677.5

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Mkt. Rate
1941					
Feb. 28	65.0	160.5	65.0	20	3.43
Dec. 5	75.0	172.1	75.0	20	1.97
" 12	75.0	155.7	75.0	20	2.06
" 19	75.0	133.2	75.0	20	2.14
" 26	75.0	146.7	75.0	20	2.30
1942					
Jan. 2	75.0	157.8	75.0	20	1.85
" 9	75.0	161.6	75.0	20	2.00
" 16	75.0	143.2	75.0	20	1.85
" 23	65.0	142.9	65.0	20	1.78
" 30	60.0	148.6	60.0	19	1.91
Feb. 6	60.0	139.9	60.0	20	0.23
" 13	65.0	153.7	65.0	20	0.20
" 20	75.0	153.7	75.0	20	0.52
" 27	75.0	142.6	75.0	20	0.18

On February 27th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 35 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on March 6th. For the week ending March 7th the banks will be asked for Treasury deposits to a maximum amount of £35 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2 1/2% BONDS SUBSCRIPTIONS (£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2 1/2% War Bonds 1949-51
Jan. 20	3,757	1,777	11,835	7,742
" 27	4,021	2,070	8,485	10,308
Feb. 3	4,649	2,388	9,536	7,765
" 10	5,003	3,780	9,182	18,260
" 17	5,816	3,700	11,362	9,546
" 24	6,385	4,119	11,294	13,093
Mar. 3			28,694	15,019
Totals to date	463,605	401,845	545,926	267,863

* 118 weeks. † 61 weeks. ‡ 21 weeks.
§ Including series "A." || Including Series "A." & "B."
¶ Interest free loans received by the Treasury up to Up to Feb. 28th, principal of £44,730,004. To the amount of £57,322,000 has been repaid.

Market Rates.—The following rates remained unchanged between Feb. 28th and Mar. 6th.

Egypt. Piastres (97 1/2) 97 1/2	India. Rupee (18d. per rupee) 17 1/4	Belgian Congo. Francs 176 1/2
China. National \$ 24-31d.		

Special Advances are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States, 3 cent pm.-par. Canada, 1 cent pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 ore pm.-par. Dutch East Indies, 1 1/2 cents pm.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Feb. 28th and Mar. 6th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1 1/2%; 3 months

BANK OF ENGLAND RETURNS

MARCH 4, 1942

ISSUE DEPARTMENT

Notes Issued:		
In Circulation	751,477,583	
In Bank, Department	28,763,992	
Govt. Debt	11,015.1	
Other Govt. Securities	767,190.4	
Other Secs.	1,782.2	
Silver Coin	12.1	
Amt. of Fid. Gold Coin & Bullion (at 168s. per oz. fine)	780,000.0	
	261.5	
	780,241.575	

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	15
Rest.	3,465,036	Other Secs.	6,136.4
Public Deps.	12,180,526	Advances	24,186.8
Other Deps.		Securities	30,325.2
Bankers' Bankers	128,847,805	Notes & Silver Coin	370,838
Other Accts.	55,824,533		214,870,900
	184,672,338		

* Including Exchequer, Savings Banks, C. m. m. s. s. of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS (£ millions)

	1941	1942
Issue Dept.		
Notes in circulation	607.3	748.6
Notes in banking department	23.0	31.6
Government debt and securities	627.0	778.2
Other securities	3.0	1.8
Silver Coin	0.0	0.2
Gold, valued at s. per fine oz.	168.0	168.0
Deposits:		
Public	11.7	10.9
Bankers'	125.4	135.8
Others	53.7	51.1
Total	190.8	197.8
Banking Dept. Secs.:		
Government	157.8	154.9
Discounts, etc.	6.0	6.6
Other	20.8	22.2
Total	184.6	183.7
Banking dept. res.	24.3	32.0
"Proportion"	12.7	16.1

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £730 million to £780 millions on December 3, 1941.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
February 26	23 1/2	23 1/2
" 27	23 1/2	23 1/2
Mar. 2	23 1/2	23 1/2
" 3	23 1/2	23 1/2
" 4	23 1/2	23 1/2

NEW YORK EXCHANGE RATES

New York on	Feb. 26	Feb. 27	Feb. 28	Mar. 2	Mar. 3	Mar. 4
Cables						
London	40 1/2	40 1/2	40 1/2	40 1/2	40 1/2	40 1/2
Montreal	88 1/2	88 1/2	88 1/2	88 1/2	88 1/2	88 1/2
Zurich	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2
B. Aires	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2
Brazil	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4

* Official rate 29-78. † Commercial Bills.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week Ended	Aggregate from Jan. 1 to
	Mar. 1	Mar. 1
	1941	1942
Working days	6	5
Birmingham	2,076	2,382
Bradford	3,225	2,856
Bristol	2,011	2,353
Hull	709	964
Leeds	1,267	1,425
Liverpool	937	853
Manchester	6,119	4,471
Newcastle	12,420	13,376
Nottingham	1,283	1,742
Sheffield	390	423
Southampton	723	683
Towns	31,287	31,663
London	5,342	6,299
London	50,695	59,510

* Feb. 22, 1941, and Feb. 21, 1942.

VERSEAS BANK RETURNS

AUSTRALIAN COMMONWEALTH BANK—Million £'s

	Dec. 30, 1940	Dec. 31, 1941	Dec. 31, 1942
Assets			
Gold and English ster.	30.8	22.2	29.1
Other coin, bullion, etc.	17.71	19.96	21.96
Call money, London	6.52	6.15	5.19
Secs. and Treas. bills	69.11	55.79	55.79
Discounts and advances	92.49	69.68	81.39
LIABILITIES			
Notes issued	68.12	76.61	84.61
Deposits, etc.	127.82	120.69	131.74

* Including Exchequer, Savings Banks, C. m. m. s. s. of National Debt and Dividend Accounts.

BRITISH WHOLESALE PRICES

	Feb. 24, 1942	Mar. 1942
GRAIN, etc.		
Wheat	s. d.	s.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	35 14	34
Eng. Gaz. av. per cwt. (e)	15 10	15
Flour per 280 lb.	15 10	15
Straights d/d London	33 3	33
Barley Eng. Gaz. av. per cwt. (e)	53 3	63
Oats (e)	15 6	15
Maize, L. "Plata," 480 lb., f.o.b.	13 9	13
MEAT—Beef, per 8 lb.—		
English long sides	4 8	4
Imported hindes	6 0	6
Mutton, per 8 lb.—English	5 4	5
Imported	4 4	4
Pork, English per 8 lb.	4 4	4
BACON—(per cwt.)—Wilts, cut side	8 0	8
HAMS—(per cwt.)—Green	126 0	126
	132 0	132
BUTTER (per cwt.)—All Grades,		
First hand	142 0	142
CHEESE (per cwt.)—		
Domestic Produced	99 2	99
Imported	99 2	99
COCOA (per cwt.)—		
Accra, g.f.	45 0	45
Grenada fine	81 0	81
COFFE (per cwt.)—		
Santos, sup. c. & f.	Nom.	Nom.
Costa Rica, medium to good	195 0	195
EGGS (per 120)—Imported	205 0	205
LARD (per cwt.)—English	20 0	20
POTATOES (per cwt.)—	64 0	64
English, new	7 3	7
SUGAR (per cwt.)—	7 9	7
Centrifugals, 96%, prpt. shipm.		
c.i.f. U.K./Cont.		
Refined LONDON	...	...
Granulated, 2 cwt. bags	49 10	49
Granulated, 2 cwt. bags, domestic consumption	21 7	21
West India Crystallised	47 6	47
TOBACCO (per lb.)	50 10	50
Indian, stemmed and unstemmed	0 8	0
Rhodesian, stemmed and unstemmed	0 10	0
stemmed	2 6	2
COTTON		

COMPANY RESULTS (February 18 to March 4, 1942)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Coal, Iron and Steel													
Holsworth Colliery Co.	Dec. 31	1,099,638	£	369,218	509,214	62,500	200,593	15	110,000	- 3,875	1,003,684	436,514	15
Burnell & Co.	Dec. 31	54,511	6,000	29,416	49,113	10,401	7,500	15	5,000	+ 5,515	50,867	31,401	8
Fife Coal Co.	Dec. 31	162,957	...	162,957	298,640	10,446	85,707	14	50,000	+ 16,804	189,620	189,620	10
Mather & Platt	Dec. 31	156,066	...	154,066	228,923	20,000	136,366	10	...	- 2,300	159,703	159,703	3
Shireoaks Colliery Co.	Dec. 31	10,520	17,947	Dr. 7,428	17,330	...	...	...	...	- 7,428	37,038	37,038	2
Twefontein Colliery.	Dec. 31	37,189	...	25,573	33,042	7,500	18,000	30	...	+ 75	12,738	10,693	30
Financial, Land, &c.													
Culloden Consolidated Co.	Dec. 31	8,727	...	3,512	5,672	...	...	...	4,000	- 488	7,915	Dr. 125	...
Denman Street Trust	Dec. 31	58,596	...	24,249	81,769	9,273	12,364	6	...	+ 2,612	57,907	57,907	29,303
Mortgage Co. of River Plate	Dec. 31	89,105	...	40,873	106,793	15,000	21,000	7	...	+ 4,873	90,403	90,403	...
Power Securities Corporation	Dec. 31	124,680	...	52,035	70,739	17,500	24,000	6	...	+ 10,535	69,027	69,027	...
Second Covent Garden Property	Nov. 30	164,809	...	33,328	88,560	17,500	...	...	...	+ 15,828	165,746	165,746	...
Rubber													
Berang (Selangor)	June 30	6,497	...	1,492	4,869	...	...	...	...	+ 1,492	6,775	6,775	...
Gan Kee	June 30	16,333	...	2,583	4,458	...	...	...	...	+ 2,583	8,013	8,013	...
Killinghall	June 30	34,017	...	22,530	28,099	...	15,751	30	...	+ 6,779	18,923	18,923	...
Layang	June 30	30,461	...	5,514	21,289	...	6,750	6	...	+ 1,236	27,519	27,519	...
Rassak (F. M. S.)	June 30	2,858	...	552	1,185	...	...	...	...	+ 552	2,184	2,184	...
Sembilan	July 31	33,643	...	15,090	17,687	2,240	8,601	8	...	+ 4,249	30,109	30,109	...
Sungei Puntar	Sept. 30	24,345	1,015	9,247	11,675	...	8,900	8	...	+ 347	22,096	22,096	...
Tambora	June 30	31,570	2,000	7,344	7,911	...	...	...	...	+ 7,344	38,448	38,448	...
Tamlang	Sept. 30	22,421	...	29,679	40,298	...	8,788	2	17,576	+ 3,315	18,339	18,339	...
Shops and Stores													
Lewis's Limited	Feb. 1	711,647	...	591,130	648,693	296,100	295,750	250	24,155	- 24,875	845,430	711,647	...
Textiles													
Ashton Brothers & Co.	Dec. 27	77,328	15,180	11,907	34,951	2,700	8,100	7½	...	+ 1,107	145,016	145,016	19,074
Heath (G. H.) & Co.	Dec. 31	73,191	16,535	53,106	76,341	9,000	22,500	15	20,000	+ 1,606	48,935	48,935	29,500
Lister & Co.	Nov. 30	144,814	...	34,808	46,304	15,000	17,812	2½	...	+ 1,996	347,459	347,459	177,661
Morley (T. & R.)	Dec. 31	328,869	...	100,642	139,178	35,000	45,000	5	20,000	+ 642	336,207	336,207	20,000
Stapley & Smith	Nov. 19	50,431	668	23,255	26,330	17,062	...	...	...	+ 6,193	70,201	70,201	20,000
Winterbotham, Strachan, &c.	Jan. 31	23,503	...	21,665	42,929	7,500	14,000	8	...	+ 165	27,653	27,653	20,000
Travellers													
British Assets Trust	Jan. 15	333,027	...	108,028	158,552	65,494	29,519	12	10,000	+ 3,015	337,258	337,258	122,265
Broadstone Investment	Dec. 31	67,488	...	15,069	74,764	15,469	...	...	...	- 400	66,127	66,127	14,632
Debenure & Capital Investment	Jan. 15	135,407	...	33,935	82,206	14,991	18,322	5½	...	+ 622	132,816	132,816	6,276
Edinburgh & Canadian Investment	Jan. 15	13,390	...	5,238	12,172	5,000	...	...	...	+ 238	14,371	14,371	17,999
Equatorial Trust	Dec. 31	42,191	...	15,039	44,880	...	8,750	3½	...	+ 6,289	39,356	39,356	33,974
General Investors and Trustees	Jan. 31	97,921	...	29,776	37,455	9,801	19,602	9	...	+ 373	99,390	99,390	17,360
Glasgow Stockholders' Trust	Jan. 2	59,718	...	14,227	25,633	10,762	2,870	2	...	+ 595	61,501	61,501	31,302
Guardian Investment	Jan. 20	45,936	...	25,672	53,903	11,438	13,979	5½	...	+ 255	54,557	54,557	17,422
Mercantile Investment and General	Jan. 31	221,807	...	148,498	272,498	44,479	88,958	10	15,000	+ 61	256,189	256,189	9,434
Midland-Caledonian Investment	Dec. 31	23,859	...	8,007	18,742	...	6,150	5	...	+ 1,857	23,929	23,929	16,114
Romney Trust	Dec. 31	43,694	...	14,366	36,640	6,484	6,567	5	...	+ 1,315	44,782	44,782	29,338
Scottish Central Investment	Jan. 15	101,214	...	25,092	47,799	15,313	7,146	3½	5,000	- 2,367	104,092	104,092	47,338
Scottish United Investors	Dec. 31	132,132	...	37,970	27,821	18,600	12,440	5	5,000	+ 1,930	137,370	137,370	58,241
Share & General Investment	Jan. 15	125,363	...	49,633	115,583	25,369	19,988	6½	...	+ 4,276	125,949	125,949	64,750
United States & General	Dec. 31	131,609	...	60,161	90,579	40,500	18,192	6½	...	+ 1,469	137,583	137,583	12,232
Utilities & General	Dec. 31	42,143	...	10,322	19,208	6,250	3,125	2½	1,000	- 53	42,683	42,683	22,969
Winterbottom Trust	Dec. 15	44,202	...	20,901	45,062	15,344	...	...	5,000	+ 557	44,729	44,729	22,969
Other Companies													
Barratt & Co.	Dec. 31	81,820	...	64,758	225,767	19,600	35,000	27	10,000	+ 158	81,076	81,076	66,515
Bluestone & Elvin	Dec. 31	43,782	2,322	16,340	20,096	4,500	11,250	15	...	+ 590	28,939	28,939	14,632
Boddington's Breweries	Dec. 31	107,154	...	41,202	51,264	16,500	23,100	7	...	+ 1,602	88,842	88,842	49,206
Bristol Tramways	Dec. 31	721,673	...	218,597	255,268	20,000	155,030	10	50,000	+ 6,633	525,696	525,696	205,640
British Oil Shipping	Dec. 31	37,823	10,000	6,339	42,935	...	15,625	150½	...	+ 7,086	77,696	77,696	15,827
British Wagon Co.	Dec. 31	124,819	...	13,972	52,224	...	13,000	20	...	+ 972	129,117	129,117	11,686
Culter Mills Paper	Dec. 31	14,041	...	1,423	12,195	...	6,563	5½	...	+ 5,140	42,867	42,867	4,837
Churchill & Sim.	Dec. 31	19,586	...	11,060	13,957	11,000	...	...	...	+ 60	13,127	13,127	4,003
City Safe Deposit	Dec. 31	9,798	...	2,502	7,933	650	937	7½	1,000	- 85	4,003	4,003	40,295
Clayton Stadium	Dec. 31	85,881	...	52,481	69,229	...	33,148	15	10,000	+ 9,333	67,922	67,922	22,318
Consolidated Signal Co.	Sept. 30	20,276	...	19,957	21,551	6,612	13,166	17	...	+ 179	22,632	22,632	25,032
Coventry Gauge and Tool	Aug. 31	139,633	69,397	Dr. 4,346	63,375	...	18,750	15½	...	+ 23,096	340,082	340,082	102,291
Dublin United Transport	Dec. 31	294,893	...	70,972	92,533	36,000	33,000	5	...	+ 1,972	173,658	173,658	6,652
East Worcestershire Waterworks	Dec. 31	28,638	...	7,437	25,069	1,563	4,000	10	2,000	- 126	23,884	23,884	73,894
Field, Son & Co.	Dec. 31	91,267	7,139	84,128	126,736	4,800	32,046	20	48,799	+ 1,517	81,174	81,174	6,462
Frederic Crepe Paper	Dec. 31	6,046	...	2,910	3,288	2,750	...	...	...	+ 4,960	22,120	22,120	8,671
General Engineering (Radcliffe)	Nov. 30	39,529	1,267	10,503	20,148	...	6,500	20	3,000	+ 1,003	23,642	23,642	7,401
Gossard Limited	Nov. 30	38,611	2,372	10,022	12,157	2,358	4,050	6	3,377	+ 237	37,268	37,268	64,690
Greenlees & Sons	Dec. 27	88,831	12,380	59,413	77,745	18,750	27,000	10	15,000	+ 1,337	88,738	88,738	2,799
Gudalur (Nigeria) Tea	June 30	2,710	12,580	59,413	Dr. 77,745	18,750	27,000	10	15,000	+ 1,337	88,738	88,738	2,799
Improved Wood Paving	Dec. 31	22,066	942	4,506	8,642	...	5,346	5	...	+ 173	5,486	5,486	6,354
Jackson Bros. (Knottingley)	Dec. 31	93,686	3,793	2,735	52,828	1,950	9,781	25	...	+ 8,996	89,586	89,586	20,581
Johnson & Slater	Dec. 31	23,030	5,893	6,085	9,986	5,625	...	...	...	+ 460	13,241	13,241	147,392
Lampart and Holt Line	Dec. 31	184,452	100,000	74,474	229,741	...	26,784	6	...	+ 47,690	198,095	198,095	40,836
Lennards Limited	Dec. 27	61,904	9,551	17,866	42,601	4,313	3,125	25	10,000	+ 28	76,739	76,739	11,175
London Produce Clearing	Dec. 31	14,743	...	10,439	35,364	...	11,250	7	...	+ 811	17,049	17,049	23,597
Monotype Corporation	Sept. 30	188,401	40,000	44,396	42,443	...	17,449	7	...	+ 26,947	108,458	108,458	6,260
Mooney (J. G.) & Co.	Dec. 31	23,274	...	9,770	21,968	450	9,565	11	...	+ 245	13,017	13,017	20,836
Newcastle & Gateshead Water Co.	Feb. 1	432,227	...	156,768	272,133	75,262	76,170	9 & 6½	10,000	+ 4,664	414,081	414,081	30,035
Public Benefit Boot	Dec. 31	162,246	14,468	18,490	32,121	16,314	7,500	10	...	+ 5,324	170,935	170,935	17,204
Rajawalla Produce	June 30	59,487	...	18,127	23,493	8,100	6,750	5	...	+ 3,277	59,315	59,315	196,656
Sears (J.) & Co.	Dec. 31	225,402	...	147,059	293,712	111,642	34,765	12½	10,000	+ 8,548	274,273	274,273	78,704
Smith's Dock Co.	Sept. 30	45,152	...	32,065	74,284	5,000	30,000	6	20,000	+ 22,935	92,282	92,282	125,259
Southalls (Birmingham)	Dec. 31	172,808	...	87,926	118,657	...	81,900	17½	...	+ 6,028	244,779	244,779	3,957
South Shields Greyhound	Dec. 31	11,240	...	6,156	7,943	...	5,750	10	1,000	- 594	4,718	4,718	3,957
Spencer (Melksham)	Sept. 30	24,151	5,000	7,249	22,475	...	6,882	10	...	+ 367	27,455	27,455	398,023
Walker (Peter) & Cain	Dec. 31	524,528	...	397,480	525,018	160,000	170,250	7½	60,000(a)	+ 7,230	544,895	544,895	...
Totals (000's)													
Jan. 1 to Feb. 18, 1942		42,608	2,808	24,267	41,862	3,456	18,726	...	2,055	+ 530	46,250	36,857	...
Feb. 18 to March 4, 1942													

and the Moslem League, the one for an independent All-Indian parliamentary democracy and the other for Partition, are irreconcilable. Mr Jinnah, on behalf of the Moslem League, flung a warning of "revolt" into the middle of the Cabinet's discussions, when he feared that his Moslem followers might be placed under Hindu majority rule. Pandit Nehru and Mr Gandhi, on the other hand, have refused even to discuss collaboration until the Congress view does prevail, and India is free to make its own war and choose its own allies. It is the rôle of political leaders, especially in opposition, to set differences in unreal high relief; and it is the character of Eastern bargainers to put their first bids artificially high. Moreover, the parties are not India. Congress membership is less than 1 per cent of the total population, the League's membership less than 1 per cent of India's Moslems. But it is with the political leaders that Sir Stafford Cripps must make his accord. That this nettle should not have been grasped until now, when it may be only days before Indian territory is attacked by the Japanese, appears fantastic. But it is small wonder that the Cabinet has faced this last chance with high seriousness and refused, even now, to commit Britain and India publicly to any scheme, until there is some earnest that its consequence is likely to be co-operation and not conflict. It is Sir Stafford Cripps' task to obtain that assurance.

If this offer is as generous as may be hoped, then the British Government, very belatedly, has done its duty. It remains for the leaders of Indian opinion, for the present safety and future freedom of their peoples, to do theirs. If they are patriots as well as politicians, there is more hope for a settlement than the record would suggest. It would be hypocritical to deny that the expediency of the moment has given British policy the air of a death-bed repentance. The spokesmen of the *status quo* in India had always given the needs of Indian and Imperial defence as their chief justification. Now the

ground has been cut away under them by events; without the free aid of all Indians—the martial localities are already playing their usual notable part in the Forces—India may well be indefensible. But the presence of Sir Stafford Cripps is a guarantee that much more than expediency is involved. The question is for what regime the Indian communities will fight and work together. The new answer that has gone out to India, whatever its exact form, must be the old one—that is, the freedom and responsibility which have been promised by Britain to India for a generation. The means may now be different from those envisaged in 1919 and 1935, for it is clear now that continental, eastern India cannot copy small, insular and parliamentary Britain precisely; but the end must be the same. This is no sudden change of heart. No nation has shown more tangibly than the British its recognition of the truth of Aristotle's contention that a democracy cannot maintain an autocratic Empire without being corrupted and enfeebled.

The mission may fail. The British Government may perhaps have done the "right thing" at last; but there is no single "right solution" for complicated human problems like those of Ireland, Yugoslavia or India. Southern Irish and Ulstermen, Croats and Serbs, Hindus and Moslems—they are split by religion and history; they can only come together by tolerance and the will to agree; and it remains to be seen whether Britain's offer, Japan's threat and India's danger can create these bonds. Whatever the upshot of the message—and it should not be disguised that the effects of failure may be almost as disastrous as the consequences of making no offer at all—this passage to India is an episode of personal piety and, it may perhaps be believed, of national wisdom. The Prime Minister, whose earlier views on Indian government are no secret, has shown courage as well as the Lord Privy Seal. The next and decisive step will be India's answer—unless Japan intervenes in the parley.

Spartan Living

THE Japanese are in sight of India and Australia; the Germans are almost ready for a desperate effort in the spring; and the shipping problems of the Allies, because of their needs, much more than because of their losses, are acute. In London, the new Government is in harness and its deeds are anxiously looked for. One view about the Ministerial changes is that they were due to carping intrigue intended to eat away the authority of Mr Churchill. No one can deny that there have been manoeuvres and bargains and even feuds; but this view is, nevertheless, quite false. Already it has done serious harm in the United States, where a number of unfriendly newspapers have seized upon it. The true interpretation is quite different. The need for government in a higher gear has been demonstrated by the course of events. The call for a more urgent sense of crisis, for stricter command and obedience in administration, for greater competence in all places of responsibility and for the utmost austerity of living has come from the mind as well as the heart of the entire nation. It is not panic or hysteria—or intrigue—but self-preservation and common-sense. Mr Churchill has been fortified not undermined.

To require the prompt removal of perilous shortcomings is not to deny the existence of very considerable achievements. On the home front, the need is to change and to better, not to scrap; production must be improved, but it is already immense; rationing must be made much stricter, but it is already severe. Dealing with the demand for reform of the Army, one writer has pointed out, rightly, that the maintenance of discipline is as imperative as the infusion of zeal; but discipline without ruthless efficiency and enthusiasm is useless and wasted—an empty shell. The blade of the war effort is already broad; and what is wanted is not words—there have been too many—but a prompt, specific and aggressive programme to add the sharp point of urgency, the cutting

edge of competence and the clean cut of sacrifice. It is the extra margin of strength that this country can muster at once that will count decisively during coming months in the balance between victory and defeat.

The new Government's immediate task behind the battle-zones is to mobilise the nation's economic resources to the full. Russia can only convert resistance into success by outside aid; and Japan can only be halted by material reinforcements. For the best part of twelve months, American supplies cannot tip the scale in any theatre beyond the Eastern Pacific; and, if the process by which the Allies have been consistently defeated in detail for lack of supplies is to be arrested, it can only be by British output. The near future of the free world depends upon the ability of the British Government and the willingness of the British people to cut down the British standard of living in order to release resources and ships for war production. The very success of the war effort so far in marshalling all the idle or needless reserves of labour and plant for war work makes this further abnegation indispensable. Voluntarily, the same order of sacrifice is required of Britons as the Germans have imposed, for their winter arms drive, upon their own people and the people of German Europe.

It is not hard to rough out the needed programme. The limitations upon output and strategy are set by manpower and shipping. Most of the frills and luxuries of civilian living—apart from the remarkable waste of ships and labour in maintaining the cigarette and tobacco industry on a peacetime footing and the anomalous persistence of jewellery, toy and cosmetic industries, however shrunken—have already been removed. But this is only a proof that harsh and drastic action is required. Between now and next autumn, nothing is over-harsh or over-drastring which will free men and ships; and the measures must be quick-acting. Policies which will

take many months to have effect may aid in winning the war, but they may not help in not losing it; and the knife will need to go deep into the standard of living to achieve a worth-while saving.

More ships are needed, in March not in August, to bring in war materials and to take out and transport supplies and expeditions. Food and clothing require bulky imports, and the first attack of "austerity" must be upon them. The only reserve of labour for the war factories, moreover, is in the clothing, distributive and service industries which minister to civilians.

Admittedly, the diet of the bulk of families is already far from generous; and the shipping space that will be saved by banning off-the-ration feeding in cafés and restaurants—which for fairness and expediency should be done forthwith—though appreciable, is not large. The key to immediate food policy was given in Major Lloyd George's recent statement that food stocks were nearly a third larger than a year ago. Then, it is true, they were uncomfortably low; but stocks are collected for emergencies, and the time has come to live as much as possible on them and as little as possible on shipped supplies. The time was certainly overdue to save between 500,000 and 700,000 tons of shipping in the year by substituting wholemeal for white bread by compulsion and not by appeal—which is at last to be done next month. The immediate end is to curtail or suspend shipments of food without any delay. The means is to reduce the size of rations wherever possible; to make up basic rations out of stocks; to extend group rationing to cover unrationed foods; by requiring the surrender of coupons in all clubs and restaurants, including "British restaurants," to root out unrationed feeding, except in canteens where direct war workers are fed; and to put an end, not only to black markets, but also to the manufacture and sale of expensive unrationed foodstuffs in "high-class" stores. These steps, apart from the administrative difficulty of providing coupons for restaurant meals, could be taken now.

Shipping space is a first consideration. The enemy's chief attacks at sea are now against tankers, and the need for tankers to fuel land, sea and air forces at the fronts is mounting. The obvious riposte at home was to abolish the basic ration of petrol, which was announced in the House on Thursday; but the time to do this is at the end of the licensing quarter on March 31st, at the latest, and not at the end of the licensing half-year on June 30th. It is the easiest thing in the world to refund licence money to motorists who can no longer run the cars they have licensed, but it is iniquitous to spare them the petrol which the Allied Forces and war transport must have. The argument that most motorists must have their basic ration for a minimum of essential journeys is not valid. In fact it is doubtful whether, in this small country, with its well developed public transport services, any private

motoring, except for, say, doctors or in isolated districts, is essential at a time like this; in any case, the few who may really need petrol can be given it by test. At a stroke, when the basic ration is abolished, all unessential motoring, for recreation and entertainment, will become illegal and punishable. Nor should needless travel by any other means be sanctioned. Every effort to cut down the use of the railways so far has failed, in spite of their burden of war traffic and the need of war industry for coal. It should not pass the wit of a determined Government to restrict day-to-day travelling to the holders of season tickets and workers' or business passes, and to limit the journeys of other civilians by allotting a set number of travel vouchers per year. On Thursday, the Home Secretary announced that horse racing, dog racing and boxing would be further restricted to save transport and confined to set days and holidays, and football competitions kept strictly within local areas. Workers cannot do without amusements, and cinemas and theatres, which are not to be cut down more, use up only small resources. But all entertainments which involve the transport of men, animals or spectators over more than a mile or two should be banned altogether.

Food and travel are obvious instances of urgent and long-delayed economies. Clothing is no less so. The curtailment of the making and buying of clothes would save men as well as ships. To suspend or reduce shipments of cotton and wool for civilian manufacture would free room for war supplies; to cut the present clothes ration by a quarter or more and to impose utility garments of standard design upon all buyers, as the present stocks run out and are replaced, would release a large number of much-needed workers for the war factories. These steps, again, can be taken at once. By contrast with the enemy, the people of this country are even better clothed than they are fed, and any further hesitation in order to preserve "pluto-democratic" standards of fashion and variety will be intolerable.

Manpower, in fact, is as crucial as shipping. War output depends upon the intake of fresh labour, mainly women, and the present rate of recruitment, though large, is probably below requirements. Skilled workers the munitions industries must, for the most part, find by measures of economy within their own ranks; unskilled workers they must draw from textiles, clothing, distribution and the service trades—which probably still do not employ very many fewer workers than are engaged in munitions proper. There are still many more workers and much more plant and materials engaged in the export trades than financial and other considerations, in present conditions, make absolutely necessary. It is not a question of pruning surplus labour—there is none—but of a major surgical operation. The programme for Spartan Living as applied to industry is plain enough: the curtailment of clothing manufacture—with the ration



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—by a quarter or more; the lopping of semi-luxury trades like tobacco and drinks; the abolition of needless advertisement and sales departments everywhere; the banning of wasteful branded manufactures and marketing; the cessation of all production for export which is not indispensable in the barest national interest; the deliberate “slimming” of retail trade by concentration and the closing down of shops, with compensation, to release the maximum number of workers; the shutting down of whole unnecessary industries like jewellery (which is discussed in a Note on page 369); and the most vigorous economy in the use of manpower in all civilian trades—by the introduction of working hours as long as those in war factories, and other means. Again, the fiat can go forth immediately. These are no more than the next steps in a process which began with the limitation of supplies in 1940 and passed on to the concentration of firms last year. What is urgently needed now is

still more restriction, the wholesale standardisation of manufactured products and the concentration or suppression of entire industries—and a prime need is a policy of compensation to prevent financial considerations from standing in the way.

There is nothing new in this list of projects, and they are all perfectly feasible. If the shipping and manpower positions are not, after all, grave enough to require them—which is hardly credible—the Government should say so plainly. If, as seems certain, every ship saved and every worker freed is a counter against disaster, a tally in the bare margin between success and failure, the Government should act at once—in all these ways. If it did not act, and simply spoke of “austerity,” then the critics of the critics would prove to have been right; the changes in the Government would have been pointless. But hopes of bold deeds are high. Plans are drawn, and some are now known. The rest cannot come too soon.

Vichy Marks Time

THE bombing of Paris, talk of a severance of diplomatic relations between Vichy and the United States, the extent of Franco-Japanese collaboration in the Far East, and the urgent problem of Reunion and Madagascar have all helped to fix a spotlight on the policy of Vichy. But it is important to realise that it is only the focus of attention that has shifted. The conditions revealed are still very much the same. The talk of breaking off diplomatic relations is for this reason rather misleading. It suggests the development of a new situation, whereas the most that has happened is that a little fresh light has been thrown on a familiar, unhappy scene.

For eighteen months now the life of France has dragged on within the framework “of the Armistice interpreted in the spirit of Monthoire.” Its broad outlines are clear enough. There is, properly speaking, no military collaboration. Whatever may have been the pressure put on Marshal Pétain, he has so far succeeded in maintaining his neutrality by a rigid insistence on the terms of the Armistice. Much of the evidence brought forward since the somewhat sensational dismissal of General Weygand last November to indicate a change of policy at Vichy is quite compatible with the maintenance of the Marshal's original position. For example, if it is true that the *Dunkerque* has been brought back to Toulon, it does not follow, as was at first assumed, that Admiral Darlan intends to place it, as a fighting unit, at the Germans' disposal. Article 8 of the Armistice provides for the assembling of French naval units in specified ports, there to be demobilised and placed under Axis control. The same article contains Hitler's solemn promise not to use the French fleet for his own war purposes. Again, the very widespread reshuffle in the colonial military and civil administration during and after the departure of Weygand was not necessarily designed to bring in collaborationists. It could be claimed to have been more in the nature of a purge of pro-Allied elements. The attitude reported of M Buisson at Dakar—that he would defend his colony against all comers, Allied or Axis—may well be true of most of Vichy's colonial servants.

The kind of military collaboration upon which the Axis Powers continue to count—and with reason—is negative. It looks as though neither the Germans nor the Italians are going to press for the use of French bases or of the fleet provided Vichy is determined to “defend” her own colonies against Allied action. The example of Syria is an obvious case in point. There was little or no direct Axis collaboration, but the French tied up quite a substantial body of Allied troops and material.

The glaring exception to this attitude is, of course, the position in the Far East. Here, although there has been no direct military collaboration between Vichy and Japan, there has equally been no attempt to defend French interests, while economic collaboration has been as close

as conditions of war permit. An excuse for the policy of defending French soil against everybody except the Japanese can perhaps be found in the complete defencelessness of the French in the Far East; but what would the reactions of Vichy be if very much the same situation were to develop in Madagascar, for example, or Senegal? Rumours that a Japanese Military Mission has arrived in Madagascar are probably false, and certainly premature; and Washington has been given a pledge that no Japanese encroachments in the island will be permitted. But would Vichy admit that, say, the United States was as entitled as Japan to take French territory into “protective custody”? If there were Allied intervention in Madagascar or Senegal, would the Governor-General co-operate with the invading authorities as cordially as Admiral Decoux has done in Indo-China?

There may have been no direct military collaboration between France and the Axis, but the steady increase in direct economic collaboration is being maintained. Now that the December meeting between Pétain and Goering at St. Florentin can be looked at in a three month perspective, it seems almost certain that the visit was connected not with bases or ships but with the stimulation of France's war potential to fit into the German economic master plan for the crucial winter 1941-42. And, although the evidence for this is less conclusive, it is quite possible that Darlan's subsequent visit to Turin to confer with Ciano was directed as much towards securing for straitened Italy some small part of France's output as towards a discussion of “Corsica, Tunis and Nice.”

Given this background of consistent and growing economic assistance to the German war effort, the Vichy Government has no more grounds to protest at the British bombing of Billancourt than at the battering of Brest. (Whether, except as a preliminary for invasion, bombing of this sort does not rouse more political resentment than it does military good is, of course, another question.)

The political scene, too, is quite unchanged. The division between the Armistice men and the New Order men is as sharp as ever, and there seems to have been little or no shift in the balance of power. If Darlan is really the leader of the collaborationists, then he probably does the cause little but harm, for there is every evidence to suggest that he is regarded with almost universal ridicule and contempt. The dangerous men are those who work more quietly—the Benoist-Méchin, the Lucien Romiers—who have much closer contacts with the economic machine. The great strength of the Armistice men is Marshal Pétain himself, who, even when he is not loved, is at least respected, and whose honour is committed to a strict maintenance of the Armistice terms.

Given this comparatively static situation, can it be said that a new policy on the part of the United Nations would radically improve it? There is, of course, only one

obvious new step—the widely discussed possibility of a breach of diplomatic relations between Vichy and the United States. It is difficult to see exactly what such a policy would be expected to contribute to the present position. The presence of Admiral Leahy at Vichy is a counterweight to pressure both from Berlin and from the wild men in France. If this reminder of American wishes and American strength were withdrawn, the Armistice men might find their position less easy to maintain. The Allies' best safeguard against the throwing of France's fleet into the naval balance at this highly inconvenient moment is the Marshal's sense of honour, and there is some reason to suppose that the Americans can still reinforce it. If the United States were at this moment feeding North Africa, then recent events—the despatch of food to Tripoli for example—would justify an end to such material help. But the food supplies were cut short

on the dismissal of General Weygand, and have not been resumed. Thus, in present circumstances, the United Nations have at least two instruments of pressure on Vichy—the one, a promise of further supplies; the other, the threat to break off relations. It would be folly to throw these away before the provocation from Vichy is graver than it is to-day.

Such a policy is hardly appeasement, since no particular concessions are involved. It has dangers akin to those of appeasement—that the Allies' long-suffering is being exploited to strengthen German control and the position of the collaborationists. It should, therefore, be pursued only with the utmost caution and vigilance—for example, in the prevision and forestalling of any Japanese initiatives in the Indian Ocean. But, for all its risks, measured against the alternative of severing the last link with Vichy, it is probably the sensible course.

NOTES OF THE WEEK

Another Kurusu?

If the mission of Mr Kurusu to Washington is any analogy, the departure of the new Japanese Ambassador, Mr Naotake Sato, for Moscow has ominous implications. He has himself given an unpromising interpretation to his journey by declaring to a Tokyo press conference that “the liberation of Greater East Asia from the Anglo-American yoke will be facilitated by the clarifying of Japanese-Soviet relations.” In Axis language, clarification has hitherto had one meaning only, “putting on the spot.” Fresh from their victories, the Japanese are not likely to be modest in their demands for reinsurance. Vladivostok remains the only free base within striking distance of Japan, and even though the Russians, hard-pressed in Europe, have so far abstained from the Far Eastern fighting, so long as the war continues and they are allies of the British and the Americans, Siberia remains a potential base for a new attack on Japan and an entry point for Allied supplies. If the Japanese are now to launch out on even more ambitious schemes of conquest, entailing operations even more distant from home waters, they cannot ignore the possibility of being caught in the rear. The situation is very delicate for the Russians. A massive spring offensive by the Germans might make appeasement not a policy but a necessity. If, however, the Japanese repeat the tactics of Germany in June, 1941, or their own Pearl Harbour tactics, the Russians will be given little opportunity to make concessions of any kind. Much turns on the degree to which the Russians and the Japanese have had to deplete their Far Eastern armies. Both sides claim that their forces have even been reinforced; on balance, the claim is more credible on the Japanese side since their armies have been fighting a less formidable foe. There is little the British and Americans can do at this point to fend off Japanese pressure on their sorely tried ally, save possibly to concert plans for rushing assistance to the Siberian outpost and for co-ordinating Russia's defence with a new offensive move in China. It is to be hoped that the appointment of Lieutenant-General Stilwell, the former United States Military Attaché in Tokyo, to be General Chiang Kai-shek's chief of staff presages some such co-ordination of military strategy.

Diversion in Russia

The degree of co-ordination between German and Japanese strategy has almost certainly been over-rated. The Japanese entered the war at a time set by the cutting off of their American and British supplies, not by any Berlin need for a diversion. To-day, after three months' smashing victory, Tokyo is even less likely to be influenced by German demands or German needs, and any attempt to link the arrival of the new Japanese Ambassador in Moscow with the situation on the German-Russian front puts a false perspective on the essential independence of Japanese policy and probably over-estimates the immediate danger of the Germans' position. The Russians have undoubtedly made headway in the last week. The encircling of the Vyasma outpost has been carried further by the capture of Yukhnov and Sychevka, the Germans' attempt to break out

of Staraya Russa have been repulsed, and there are important, though rather confused, developments in the south, where the Germans are being compelled to counter-attack vigorously in order to maintain contact with their Taganrog positions. Yet, for all this, the Germans' “hedgedogged” line still holds, and the drain on reserves is one that both sides are feeling. A diversion in the Far East would suit Hitler's purpose, naturally, for materials and men would have to be diverted from the western front. But the Nazis have nothing to offer Japan which they do not already provide by the mere fact of fighting. The decision for or against war with Russia will be made, not in Berlin, but in Tokyo.

Total Barbarism

The atrocities committed by the Japanese on British soldiers and civilians at Hongkong will come as a shock only to those who have comfortably assumed that there is still some safeguard inherent in the possession of British citizenship, or who have managed to close their minds to the four years' agony of the Chinese people. The indignities inflicted on the British represent a conscious Japanese effort to extract the utmost “loss of face” from the defeats of the United Nations in the Far East. Surrender in itself entailed this loss of face. But the Japanese are determined to underline the fact with the utmost brutality conceivable. To this challenge there is only one reply—victory; and a wide dissemination of the unadorned facts will serve a purpose if it rouses in the free peoples a fierce determination to defeat, at whatever cost, this ugly tribal militarism which they have allowed to grow strong in East Asia. But victory is not enough. By their behaviour in China, and now in Hongkong, the Japanese have given final proof that they are totally unfitted to wield military power. If a period of occupation, disarmament and re-education is accepted as a necessary corollary to the defeat of Germany, how much more necessary is it for the barbarians of Japan. The evacuation of China and Manchuria will not be sufficient. The Japanese mainland will have to pass under the control of the United Nations for many years after victory. Nor can there be any emergence of the Japanese people until China's material and military strength, broadly based on its 400 million people and on a civilised

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philosophy, has become the dominant force for peace in Asia. Then there can be talk of "co-prosperity" and "civilising missions"—under Chinese leadership. These are the ultimate consequences of Japan's behaviour. The immediate task is grim defence, determined attack and total dedication to victory. That British politicians who encouraged and excused the early stages of the Japanese career of aggression are still in high offices of state is an open scandal.

The Loss of Java

Java has fallen, and with it the Japanese conquest of the "South Seas" (*Nan-Yo*) is almost complete. The reasons for the final defeat in Java were those of Malaya, Singapore, Borneo, and Sumatra—Japanese control of the air and Japanese control of the sea. As one correspondent wrote from Bandoeng, shortly before the end, "Our lack of aircraft is pitiable. Virtually, no assistance can be given to our ground troops . . . we cannot stop the Japanese from using the single air base they have so far obtained." Under pitiless dive-bombing, and with no prospect of reinforcement or relief, the Allied forces fought on well after the overrunning of the plain of Java and of the capture of Batavia—resistance is probably still continuing in a few isolated pockets—but the strain imposed was too great, and the Japanese claim the surrender of over 100,000 troops. With the fall of Java, the focus of the campaign shifts to Burma, to the Indian Ocean, where Ceylon may soon be in danger, and to Australia, where the investment of New Guinea by the Japanese is advancing fast. But, even if the Dutch East Indies fall for the time into the background of military activity, the future reinstatement of the Dutch has a high priority in the war aims of the United Nations. The Dutch threw everything they had into the struggle, and can maintain that their contribution was proportionately far higher than that of the more powerful nations to whom they looked for support. There was no hesitation when Japan struck at Hawaii, no attempt to buy security at the expense of the British and the Americans. At the same time, the lesson of the campaign must be learnt—that defence, pooled and co-ordinated after the outbreak of war, is bound to fail. In the Far East, as in Europe, collective defence must take the place of the pre-war anarchy.

Invasion Plans

The spring invasion season is at hand, and official preparations are once more under way. A year ago, the Government issued a pamphlet telling the people to "stay put"—that is, to stay in their own districts, but otherwise to carry on a normal life, unless fighting should break out in their immediate neighbourhood. Last week-end, a new defence regulation was made, empowering the Minister of Labour to direct any persons, in an area declared an operational area by a Regional Commissioner, to perform specified services or to report for work to a representative of the defence forces, a Government department, a local or public authority, or a public utility undertaking. Thus, from staying put, Londoners may suddenly find themselves transferred to driving underground trains for the LPTB. Bit by bit, a fairly comprehensive picture of the Government's plans in the event of an invasion has been obtained. Government itself can, if necessary, be carried out by the Regional Commissioners, who can be empowered to make local defence regulations for any of the purposes authorised by the Emergency Powers Acts, and by the regional staffs of the departments. Justice will be secured by the war zone courts, established last April, by which the hearing of serious criminal cases will be expedited in an area declared a war zone. For food, the Ministry of Food has built up reserve stocks, amounting to several weeks' supply, in the hundred areas into which the country has been divided for the purpose. The maintenance of essential services has now been secured by the new defence regulation.

What is still uncertain is how these plans will work and whether those responsible for carrying them out know what they will have to do. Moreover, there are still gaps, even in the paper plans. It ought, for instance, to be officially stated whether there will be any evacuation of civilians from an operational area, and a definite ruling on whether travelling will be allowed should be made. There are some enthusiasts who would have the Govern-

ment stage a full-dress invasion rehearsal, affecting civilians as well as the defence forces, which might certainly answer some of these questions in a practical way. But it is not easy to see how any rehearsal could be a success in the absence, not only of the leading lady—or, more appropriately, the villain—but also of part of the plot. The enemy keeps his invasion plans a secret, and it might be folly to lose a whole day's production—or even more—and dislocate transport, in order to show him the Government's plans for defeating him. Moreover, the public finds it very difficult to take rehearsals of this sort seriously; it is significant that letting off tear gas has not encouraged the carrying of gas masks. If, as has even been suggested, the Government should pretend that the rehearsal was the real thing, there is the danger that in the actual event of invasion the citizens of London would mock the sound of Great Tom himself with cries of "wolf." But what could, and should, be done is to decide on the cast. Even though the final shape of the plot—including the *dénouement*—is unknown, it can be settled who in each area will be actors and audience respectively; the minor parts can be allotted, and those selected to play them can be made to learn and study their scripts. These are crying and very urgent needs.

Expenditure and Savings

The Chancellor of the Exchequer secured from the House of Commons on Tuesday a final Vote of Credit for £250 millions for the expiring financial year and a first Vote of £1,000 millions for the coming year. On each of these occasions he has more gigantic figures to reveal. The total of expenditure out of Supply grants to March 7th was £3,880 millions. Expenditure is currently running at the rate of £14½ millions a day, of which about £12½ millions a day falls on the Vote of Credit, and of which again the fighting and supply services require about £9½ millions a day. If this rate of expenditure were maintained exactly, the total expenditure from Votes of Credit to the end of the financial year would be £4,183 millions, but the Chancellor asked the House to provide a total of £4,250 millions to allow for contingencies and for the usual last-minute burst of expenditure. To either sum there should be added the £707 millions of estimated expenditure to be financed otherwise than out of Votes of Credit. The total of expenditure thus rises to the incredible figure of £4,957 millions. In the coming year, even if there is no further increase, the total will be about £5,300 millions. With these two new Votes, the amounts voted for this war exceed the total voted for the last war by a comfortable margin.

The debate that followed the Chancellor's speech rambled, as is usual on such occasions, over a very wide field. But the subject that engaged more attention than any other was the alleged defects of the National Savings campaign. There is no doubt that the committee's methods are increasingly coming under fire, and it is no defence, as Mr Benson pointed out, to announce rising totals of savings collected, when they are rising more slowly than the total of incomes out of which they can be collected. The primitive economics of Warships Weeks are also deceiving fewer and fewer people. The appeal to local patriotism is, of course, perfectly legitimate, but it is surely time to abandon the belief that the piling up of large totals by devices such as the re-investment of past savings and lump-sum subscriptions of corporate bodies and firms is serving any purpose other than to swell the pride of the National Savings Committee. The debate did at least elicit from Captain Crookshank the statement that "a really good War Savings Week in a particular area is probably best tested if, after it is over, every shopkeeper says, 'It is the worst week I have ever known.'" It would be an immense gain to common sense (and to Truth in Advertising) if the campaign would take this as its motto.

Manpower Crisis

Even to maintain the expanding programme of war output, and still more to increase the programme in the face of new dangers and commitments, fresh labour must be found for the war factories at a greater rate than at present. Mr Bevin has made it plain that the present inflow of new workers is below present requirements; and the greatest need is for women. Technically, the only way in which many war factories can raise output to a maximum is by increasing the number of shifts worked, which can only be

done with the aid of more workers. A measure of the task in hand was given by Mr McCorquodale's statement in the Commons last week that 150,000 women have lately been placed in war jobs every month, which is, apparently, not enough, even though there are now 1,500,000 more women in munitions and other vital work than two and a half years ago. It is probable, in the light of Mr Bevin's and Mr McCorquodale's statements, that *The Economist's* estimate early in the war, that an addition of 2½-3 million women to these essential industries would be needed and possible, still holds; and, in view of the crucial importance of British output in the Allied effort until United States production is in full flow, it seems likely that most of the 1-1½ million still required will be needed this year—nearly as many in the next 9 or 10 months as in the 30 war months that have gone. These estimates have no authority. But, by way of illustration, they at least make it plain that every trace of reluctance on the part of the Government to comb out and call up women, and on the part of firms and employers to take them on, for whole or part-time work, and to train them, is culpable; they are being released too slowly from other industries and recruited too slowly for war work. By now, over 5 million women between the ages of 20 and 36 have registered for national service. But only 1,500,000 have been interviewed, and, at the rate of 50,000 a week, even allowing for the high proportion of those registering in the upper age-groups who will not be interviewed because they are already in war service or have family ties, it appears that it may take the best part of this year to scrutinise even these. Registration of women aged 18 to 19 and 36 to 41 is proceeding. This bottleneck in interviewing seems likely to dam up the flow of recruits very dangerously. It makes a shortfall in recruitment almost inevitable. The refusal of employers to provide training facilities or to work out part-time schemes for married women is equally dangerous. Neither the willingness of the women nor the large-scale intentions of the Government's plans for mobilisation are in question. But the position seems to be that neither the Government nor industry has provided, or is providing, the necessary machinery for taking the women on at sufficient speed; and the results may be disastrous.

The Use of Labour

Proofs multiply that it is ham-handed and wasteful to reserve, protect or call-up men in groups according to their occupation. The Schedule of Reserved Occupations, now in liquidation, broke down because it exempted men from military service who were doing no war work at all and took away from agriculture, coalmining, building and several other industries irreplaceable heavy labour, which was graded "unskilled." Now the unequal incidence of the Essential Work Order, which is applied to scheduled firms in scheduled industries and protects their labour, is having, on a smaller scale, a similarly maladroit effect. A prior, production should be protected and distribution not. But, in the case of the coal trade, as recently pointed out by the Select Committee on National Expenditure, the results of leaving distribution unprotected have been disruptive, and have contributed to serious delays and shortages. Coalmining is now protected by an Essential Work Order because coal is a vital element in war production. war transport and the civilian standard of living. But it is obviously as important to distribute coal as it is to produce it, and the cases cited by the Committee of "coal merchants having to hold up wagons in sidings because of a lack of labour to unload into the delivery lorries" are due to a failure to see the problem as a whole. It is doubtful, however, whether the solution is quite so simple as merely to apply the Essential Work Order to the coal distributive trade, which might freeze some manpower which ought to be released or replaced. At any rate, two basic needs seem plain before this labour is finally protected: to rationalise coal distribution in single depots regardless of separate firms; and to scrutinise the case of every worker in the trade with the utmost care and consideration for this state of affairs.

Minister of Production

Mr Lyttelton is to be Minister of Production with chief responsibility for the War Cabinet over the whole business of war output. When Parliament was calling for the reconstruction of the Government, which has now happened, the central plea was for a Minister of Production: Mr

Churchill knew that, with Lord Beaverbrook at work anywhere in the field of supply, no other Minister of Production was possible. Lord Beaverbrook was chosen. Then he departed, and in the light of Parliament's original demands, it is very odd that Members, and the press, accepted Hamlet without the Prince of Denmark so meekly. Perhaps it is because the Lord Privy Seal had so far stolen the play. More likely, it was because it was generally supposed that Mr Lyttelton was still to be Minister of Production in the full sense called for, in spite of the disappearance of the Ministry—and without the distractions inherent in the position of his short-lived predecessor. This has proved true. He is to be an authoritative Minister of Production, with a small selected staff of experts, without the unnecessary paraphernalia of an executive Ministry. Whether Lord Beaverbrook will emerge again to take up his remaining duties on the Anglo-American economic boards is not known, even to Mr Churchill. But Mr Lyttelton will, in any case, supervise this work; and, at home—apart from the allocation of labour resources which remains, illogically but inevitably, with Mr Bevin—he appears to have full and effective powers over production. Four tasks stand out: to replace the Production Executive with a single decisive voice; to fortify the regional boards with responsibility for the technical execution of production orders in their areas; to employ the factory committees as mainsprings of technical enterprise and industrial morale; and to improve the quality of planning at the centre.

Burma: Change of Command

In spite of the evacuation of Rangoon, the news from Burma has one encouraging feature. After weeks of retreat the fighting on the Pegu-Rangoon and Prome-Rangoon and Prome-Pegu roads has given evidence of a new vigour in the use and direction of the British forces. The Burma fighting is to continue on the central front, where Chinese and British forces will fight side by side—and there is some hope that the new tactics will be pursued vigorously. The earnest of this is the succession of Lieutenant-General the Hon. Sir Harold Alexander to the Commandership-in-Chief. He took over from General Hutton on March 5th,

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and it is no coincidence that the new spirit began to manifest itself after that day. His appointment raises in an acute form a number of the still unsettled problems of the Far Eastern campaign. There is general agreement that in Malaya and Java the Allies were so heavily outclassed in the air and in equipment that prolonged resistance was impossible. Hitherto, in spite of the magnificent air support given by the RAF and AVG and the use of a certain number of British tanks in the Pegu area, the retreat in Burma has been almost as rapid. If General Alexander's offensive tactics should mark a turning point in the fighting, would it not suggest that faulty leadership and poor morale had played almost as decisive a part as lack of air support and equipment?

Mobilising the Colonies

The details, given in a Parliamentary answer last week, of the proposed conscription of labour in Kenya must arouse serious misgivings. It is quite true that the resources of the colonies cannot be fully mobilised without some form of compulsion, and, as was argued in an article in *The Economist* last week, there are strong reasons for asking the colonial peoples for active co-operation in the war. But the Kenya proposals are an example of the worst way to go about it. An increased production campaign is called for from Kenya to help supplies in the Middle East, and it has been established by an official committee that it can only be achieved if the present labour shortage is made good. Therefore, an Essential Undertakings Board will declare what undertakings are essential to the successful prosecution of the war, the defence of the colony and the maintenance of essential supplies and services. District labour committees, including a representative both from employers and employees, will consider applications from "essential undertakers" for Government help in recruiting labour; selection committees, composed of Africans, will select male Africans under 45 years of age to comply with the requirements of the labour committees; and there is provision for exemption tribunals to hear appeals, while a central wages board will fix conditions of service, which will also apply to voluntary labour. The disquieting things about these proposals are, first, that though "it can be assumed that the cultivation of certain crops in the Highlands will be scheduled as essential," that is, European-grown crops, similar crops grown by the natives are evidently not to be essential, and it is not said that there will be any control over European production to see that it is efficient. Secondly, it is almost certain that the employers' representative on the labour committees will be far stronger than the labour representative—who will presumably be an African—and it would be much better to have an entirely Government committee. Thirdly, a minimum conscription age has not been fixed—significantly, perhaps, in view of the prevalence of child labour in Kenya; moreover, the minimum period of service has been fixed at 84 days, against the maximum fixed by the ILO convention for forced labour service of 60 days. But, quite apart from these drawbacks in the details, there is the general cause for uneasiness that the scheme, together with the similar conscription of native labour for agricultural work in Northern Rhodesia, seems designed to further the interests of the white settler rather than the war effort of the Empire as a whole. The advantages of conscription, as Britain knows it, is that it is applied to all sections of the community. In Kenya, though the Governor has powers to conscript all British subjects aged 18-50, he has used them sparingly, if at all; and it is now proposed to conscript one—politically inarticulate—class for service, not with the Crown, but with a dominant minority whose attitude towards the Africans has always inspired justifiable mistrust.

The Caribbean

The contrast between mobilisation in Kenya and in the West Indies is startling. In the former, compulsion is to be applied to coloured peoples to serve white individuals. In the West Indies, on the other hand, there has been little attempt to make use of the very whole-hearted wish of the coloured peoples to serve the Empire as a whole. The proposal to recruit West Indians in special West Indian regiments has been refused; and little has been done to raise a civil defence service or local defence corps, although in some of the colonies, particularly Jamaica, many of the islanders feel that their services are not being used as

much as they might. The People's National Party, in its programme for Jamaica's war effort, besides calling for direct participation in the war, urged "an immediate economic and financial policy designed to increase the country's war effort, to utilise to the fullest extent the resources of the country and increase the national output." It also declared that the living and health standards of the masses must be improved, and emphasised the importance to the West Indies of the close relationship between Britain and the United States and the possible closing of the Pacific trade routes.

These declarations of the PNP, made last year, have particular interest in view of the creation of the Anglo-American Caribbean Commission. This Commission, which will consist of three members from each country, will be concerned with labour, agriculture, housing, health, education, social welfare, finance, and related subjects in all British and United States territories in the Caribbean. One of its purposes is to avoid unnecessary duplication in research, but it is to be hoped that it will go much farther than that and, in fact, the appointment of Sir Frank Stockdale, Comptroller for Development and Welfare in the West Indies, as the British co-chairman supports this hope. One of the reasons why so little has been done to implement the Colonial Development and Welfare Act has been the inability of Britain to supply the necessary machinery and materials. Housing remains one of the greatest needs of the West Indies, and it is considered that much could be done with local raw materials, provided these could be developed. To do so, however, would need a certain amount of machinery; for instance, the establishment of a cement factory in Jamaica, recommended by the West India Royal Commission, has been held up because of the lack of exchange to buy the necessary equipment. It is in specific cases like this that co-operation with the United States could be very fruitful, quite apart from the general desirability of international co-operation for colonial development.

Rommel in Supreme Command?

Rumours are circulating freely that General Rommel's visit to Rome portends his appointment to the supreme command of all Axis forces, land, sea and air, in the Mediterranean war zone. Such an appointment would probably imply promotion to the rank of field marshal, if only for the reason that Field Marshal Kesselring is reported to be taking command, under Rommel, of Axis air forces. The news, if true, points to a widening of the Libyan campaign into a full-scale attempt to oust the Allies from the Italian Lake, and to close it to their navies at both ends. Such a scheme would require unified command and combined operation, and, consequently, the veracity of the reports concerning Rommel's future may prove a useful pointer. Meanwhile, the lull in the Western Desert has lasted five weeks. The promise of a renewal of offensive action by the Axis has not been fulfilled. Activity on both sides has been confined to clashes between armoured fighting columns, patrolling in the No Man's Land along the Tmimi-Mekili line, with Rommel still strongly holding the latter village. Air activity has been maintained, with British bombing attacks on Palermo, Benghazi and Tripoli. It is uncertain whether Rommel has received appreciable reinforcements, but he has not hitherto felt himself strong enough effectively to defeat the opposing British forces. And in some six weeks the campaigning season will be over, and both sides will be faced with the alternative of postponing the issue until next December, or of shifting the centre of Mediterranean fighting. Whether or not Rommel is to be invested with supreme command, there is in the circumstances, urgent need for ensuring that our own forces throughout the Mediterranean enjoy the benefits of unified direction and tactical co-operation.

New Penalties

The new and severer penalties for black market offences are excellent; but they do not go all the way. Longer terms of imprisonment may be given: a maximum of twelve months on summary conviction and of fourteen years' penal servitude on indictment. Moreover, a direction may be given by the prosecution that cases shall come before assizes rather than quarter or petty sessions. The decision that persons condemned to

imprisonment shall not thereby escape all financial penalty is also just and necessary. Convicted persons must pay a fine equal to the profit which they are estimated to have made, and may in addition be made to pay three times the value of the transaction. Mr. Morrison has announced that the new regulation is to come into force within a matter of days. But the new scheme still contains a weakness. Imprisonment is permissive and discretionary; and it should be made inescapable in all proved cases. Indeed, it is very probable that short and wholly unavoidable terms of imprisonment, coupled with fines, would be more effective than the rare application of long terms of penal servitude. It is a considerable tightening that parties to an offence who have received a commission, or, indeed, any valuable consideration, for participating in trade which has been proved illegal, will be presumed guilty. This welcome new regulation can be made watertight if the prosecution does in fact consistently use its powers of imposing a joint sentence of imprisonment and fine.

Shorter Notes

From March 23rd, millers will be prohibited from manufacturing any flour other than national wheatmeal or a similar variety. But, in order to use up stocks of white flour, sales will be allowed, until April 6th, to licensed bakers, provided that three times the quantity of national wheatmeal is delivered at the same time. Between March 23rd and April 6th, makers will be allowed to include up to 25 per cent of white flour with the national wheatmeal when producing national bread; but from April 6th the only bread on sale will be national wheatmeal or other authorised brown breads; and from April 20th the manufacture of any article of food will be prohibited, unless at least three-quarters of the flour contained in it is of not less than 85 per cent extraction.

Limitations are also to be imposed on the production of sugar confectionery and biscuits. The chocolate trade is to limit its production to slab chocolate, filled bars, and what the trade calls "enrobered count lines"—what the public calls this is not known.

It is difficult to understand why Mr Morrison is so adamant about the *Daily Worker*. Questioned once again last week whether he intended to lift the ban, he replied that he did not, because, in effect, he had no confidence in the declaration of the editorial board that the paper would "give its full support to the Government and do everything possible to strengthen British-Soviet unity." In view of the editorial conduct of the *Daily Worker* in the past Mr Morrison has justifiable cause for his mistrust, and he is probably right in affirming that the effect of the ban on production is exaggerated. But to raise the ban, which could easily be conditional, would be a sign of strength on his part, not weakness.

Last autumn, the Beveridge Committee on the use of skilled labour in the Forces proposed the creation of a single Mechanical Engineering Corps in the Army in order to make the most effective and economical use of engineers. Last month, when the Committee reported, the War Office had still not made up its mind, and was disposed to regard the change as dangerous and untraditional. This week, however, it was announced that the entire engineering side of the RAOC, the maintenance personnel of the RASC, except for formation workshops and independent companies, and a large part of the maintenance personnel of the Royal Engineers are to be formed into a new and separate Corps.

In accordance with the powers given in the National Service (No. 2) Act, 1941, compulsory enrolment in the Home Guard is to be applied in areas approximating to the Eastern, South-eastern, and Southern Commands, but excluding the Metropolitan Police District. In some of these areas fire-watching is already compulsory for men, and it is not clear whether, in such circumstances, civil defence or home defence will have priority.

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AMERICAN SURVEY

The First Three Months

THE Japanese bombs dropped on Pearl Harbour in the early morning of December 7th. It is, therefore, for just over three months that the United States has been at war, and the outlines of a war economy and of a war polity are beginning to emerge from the mists and confusions of the first few weeks. The coming of war had been elaborately planned for and discussed over several years, but it is safe to say that nobody envisaged the extraordinary conjuncture of events by which the United States has been the victim of attack, and is yet almost powerless, for the moment, to strike back. Apart from the one shattering raid on Pearl Harbour, the only fighting has been in the Philippines, where all that the people and Government of the United States can do is to admire from afar the gallant resistance of General MacArthur. So far America's war has been, if not "phony," at least remote and undramatic, with little fighting, and equally little opportunity for direct sacrifice at home. The obvious comparison, indeed, is with the Chamberlain phase of Britain's war.

From this test the American way of waging war emerges with credit. Indeed, there is every reason why it should, since Americans have had every opportunity of observing the perils of the Sitzkrieg. Even so, there might easily have been less energy shown and less determination to plan on the maximum scale. There are, of course, weak spots in wartime America. It is already clear, for example, that the political game was only temporarily suspended, not abandoned. Party politics in the strictest sense have been modified; there has been no indication that the Republican Party, as such, is trying to embarrass the Administration. But the solidarity on Capitol Hill is rather thin. The immediate effect of the outbreak of war was, of course, very greatly to enhance the prestige of the President, partly because of that recourse to the executive arm which always accompanies a war, but mainly because events had proved Mr Roosevelt to have been so completely right in his foreign policies. But criticism, and even opposition, are creeping back. Mr Roosevelt is a great politician and a great political leader—but no one would claim for him that he is a great administrator, and there is a rising volume of criticism of the administrative defects of the Government. Much of this was stilled by the appointment of Mr. Donald Nelson as undisputed chief of production; but other departments, especially the War and Navy Departments, are coming under fire. The criticisms are remarkably similar to those to be heard in London—too much bottle-necking of authority and too little decision, too much tenderness towards the aged and the incompetent, too much confusion of functions.

The Opposition Reappears

Criticism of this nature is entirely salutary. The same cannot be said of the line being taken by many of the former isolationists. With them, blindness to the true issues is apparently a malady which cannot be cured even by such a clear demonstration of its folly as was provided at Pearl Harbour. The persistent and growing clamour is that American forces should be kept at home, that the Navy should do nothing more than patrol the coasts, that Japan is the only enemy, that America is being cheated by her allies. The hatred of Mr Roosevelt, when it is combined with hatred of Britain and reinforced by hatred of "entangling alliances," can lead to the most astonishing doctrines. This section of opinion is still small; but it is very vocal; it will feed on bad news (especially of other nations' disasters), and it cannot be left out of account in assessing the pressure to which the President is subject.

The greater is the credit that he and his lieutenants deserve for the policies they have stated and pursued. Mr Roosevelt has recognised no grades of totality in war, no limitations of liability. The war is to be made total as quickly as may be. The Budget has been drawn up on the assumption that, within the first eighteen months, the rate of expenditure will reach half of the national income. The

figures of the production programme have deliberately been set at, or even above, the maximum attainable. There has been a deliberate tendency to anticipate, and even to exaggerate, the sacrifices that will be imposed on the ordinary citizen. There is no small-mindedness in the scale of planning. All this runs directly counter to the methods that were followed, and to a remarkable degree still are followed, in Great Britain, where the tendency has consistently been to under-state and under-plan, to defer and to deprecate.

The test of these large plans will, of course, lie in the progress of production. The actual achievements of the American defence programme up to the Japanese attack were disappointing. The Prime Minister has stated that British production in 1941 was double that of the United States, and since the ratio of population is one to three, it follows that the American productive effort was only one-sixth of the British. Even when every allowance is made for the later start, this is not very impressive. Since Pearl Harbour, however, the tempo has quickened. There is a new sense of urgency and there is a new organisation. There is almost universal agreement at present (whatever future months may bring) that Mr Donald Nelson was the right choice. He is comparatively young, but of weight and eminence. He is a business man; but his experience was in the lively atmosphere of mail-order retailing, and he is immune to the sub-conscious "Business as Usual" reservations of the industrialists. Almost alone among the businessmen brought to Washington in the past eighteen months, he has consistently urged that the task be conceived on a maximum scale.

Mr Nelson's Organisation

Perhaps even more important than Mr Nelson's personality are the powers he has been given. All the previous defence bodies—the National Defence Advisory Commission, the Office of Production Management, the Supply Priorities and Allocation Board—have been advisory bodies only. The placing of contracts lay with the Army and Navy Departments, whom only the President could instruct—and he would not do so. Mr Nelson has power to issue directions and to lay down policies, and these powers inhere in him personally, not in the War Production Board, of which he is chairman.

The WPB is organised in six main divisions, with a sort of General Staff gathered round the chairman. The lynchpin of the whole structure is the Requirements Committee, the supreme allocations and priority authority. Mr W. L. Batt, as chairman of this Committee, as well as head of the Materials Division, which has charge of all raw material matters, ranks as Mr Nelson's chief lieutenant. The other branches of the General Staff are the Progress Reporting Section, under Mr Stacy May, one of the clearest heads in Washington, and the Planning Committee. This latter has not yet been appointed, but Mr Nelson has let it be known that it will be largely composed of New Dealers rather than businessmen, because of their proved prescience in seeing the emergency coming and forecasting its shape and size.

Of the six divisions of the WPB, Mr Batt's Materials Division has already been mentioned. There is also a Production Division and an Industry Operations Division, under Mr W. H. Harrison and Mr J. S. Knowlson respectively. The exact distribution of functions between these two is not entirely clear; but it would appear that Mr Harrison is responsible for letting contracts and Mr Knowlson for seeing that they are carried out. The version of industry falls to Mr Knowlson, who has the reputation of being a hard-driving executive. The Purchases Division, under Mr D. MacKeachie, is responsible for all articles for which the organisation of production is unnecessary. Mr Sidney Hillman's Labour Division, which has been taken over bodily from the OPM, has hitherto functioned

more or less as a conciliation service, but its future task is clearly to be that of supplying manpower. The sixth division is that of Civilian Supply, whose chief, Mr Leon Henderson, is also, outside the WPB, the Price Administrator. If Mr Batt is Mr Nelson's chief lieutenant, Mr Henderson doubles the rôle of lieutenant and ally.

Of the methods that are being followed by the new organisation, it is too early to speak in any detail. It is already apparent, however, that there are a number of differences from British practice, some imposed by circumstances, some chosen by policy. Paradoxically, raw materials threaten to be a more immediate bottleneck than they were in Great Britain. The American programme is far larger, and there is no country, three times as big, to draw upon, such as Britain has had in the United States. Manpower, on the other hand, is a remoter limiting factor—or perhaps it would be more correct to say that it is being so treated. It is difficult for the United States, which has suffered so severely from mass unemployment, to believe that there can ever be a shortage of labour, and it is, of course, true that the demands of the armed forces will be, proportionately, much lighter than in Great Britain. Nevertheless, it is difficult to imagine a country spending half of its national income on war without a shortage of manpower developing, and it may well prove, in a few months' time, that far too leisurely a beginning is being made with this aspect of total mobilisation.

Of the deliberately chosen departures from British precedent, the most striking are the methods adopted to secure the conversion of industries. The British plan was (with a few exceptions) to deal with firms and even with individual plants, not with complete industries, and the members of one peacetime industry can now be found making a great variety of different things for all three of the production Ministries. The American plan is to take an industry as a whole and to convert it as a whole, not necessarily to the manufacture of a single category of goods, but to a consistent programme. The automobile industry is the first and largest of the industries to be converted, but, at the time of the latest reports, seven entire industries had been scheduled for complete conversion. The American plan looks neater on paper; it will be interesting, in a year or two's time, to try to form a judgment on whether this appearance is deceptive.

The production programme faces a number of tests. Some of these are technical in character—the conversion of industry, the provision of transport, the expansion of raw material capacity. But the mobilisation of manpower impinges on the political sphere and the general restriction of civil consumption (as distinct from the rationing of specific scarce materials) is more political than technical. It is here that the real test of America-at-war will come. In the last analysis, it is not the engineer but the politician who will determine how far American mobilisation will go. So far the omens are not too reassuring. The behaviour of the farmers' lobby and of the labour movement still look more like manoeuvring for sectional advantage than a desire to share in the common sacrifice. Perhaps it would be over-hasty to base conclusions on no stronger evidence than this. The American body politic has hardly had time yet to control its conditioned reflexes. There will be plenty of opportunities in the succeeding quarters of the war to show that the separation of powers does not involve the shirking of responsibilities.

American Notes

Demand for an Offensive

The final stages of the tragedy in the Far East have been accompanied by a rising demand from all sides for offensive action and reports this week suggest that it may not be far off. Criticism of British failures has been less noticeable, and Americans have admitted their responsibility for the inability to hold Java. There has been growing understanding of the part played in the disaster by a policy of scattering defences thinly over the whole area, and widespread agreement that the United Nations must abandon "Magenot mindedness" and consideration of political repercussions before military factors, that they must avail themselves of the advantages inherent in attack: surprise and the ability to concentrate their forces, and to make the enemy fight on unfavourable ground. The attack on the "old men" of the Administration to which, so far, President Roosevelt has turned a deaf ear, is part of this drive for more aggressive action. Alluring blue-prints for offensives—some of the most wildly impracticable nature—have

caught the public fancy. One of them, a plan for an American invasion of Italy this spring, is proposed in "Defence Won't Win the War," a book which is reported to be enjoying a great vogue. There are proposals for a land attack on Japan from China, and for the use of Russian bases for joint Anglo-American bombing of Japanese cities. There is even a plan for landing an American army in Portugal to take over Vichy France. Needless to say there is a comfortable silence as to how these offensives are to be transported and supplied, and the Administration, which has to wrestle with such problems, is proceeding with its own more modest and realistic moves. But hare-brained or not, the popularity of such schemes marks an immense change in the American attitude toward the war. It was not so long ago that public opinion was overwhelmingly opposed to sending a single soldier outside the Western Hemisphere and the Administration had to approach every move with the utmost wariness. Now it can be sure of support for any enterprise, provided it is sufficiently vigorous and daring. The only danger is that if public expectations are raised too high, the American people may become impatient of the inevitable weary months of waiting, disappointments, and reverses while the training, the shipping, and the supplies necessary to a successful offensive are built up.

Reorganisation of the Services

During the last two weeks both Army and Navy have undergone reorganisation at the top to centralise responsibility and increase co-ordination within the Services. The Army has been divided into three sections—Ground Forces, Air Forces and Supply Services—under the Chief of Staff. In addition, special forces and commands may be created by the Secretary of War as the situation demands. All the powers and functions of the Chiefs of Field Artillery, Infantry, Cavalry and Coast Artillery are transferred to the Army Ground Force under Lt.-General Leslie McNair, formerly Chief of Staff at General Headquarters. Duties of the Combat Command and the Chief of the Air Corps are transferred to Lt.-General Henry H. Arnold. The naval changes involve a transfer of the duties of

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the Chief of Naval Operations to the Commander-in-Chief of the U.S. Fleet, in a move to unify control over the movements of ships with the provision of supplies. These two analogous reforms have been welcomed by the public as a sign that the Army and Navy are being streamlined for action. There remains the question of co-operation between the Army and the Navy. Lack of co-ordination between the two was in great measure responsible for the losses sustained at Pearl Harbour, and the nature of the fighting in the Pacific, where the Army and Air Forces are so dependent upon the Navy, makes the most complete agreement and understanding more urgent than ever. President Roosevelt has characterised as unnecessary a Bill introduced into the Senate by Senator Clark intended to create a single Department of Defence, and certainly it is a change of attitude rather than of machinery that is needed.

Fifth Column Precautions

In response to alien scares along the West Coast, General Dewitt has announced the establishment of prohibited and restricted areas in the four Pacific Coast states. All enemy aliens and Japanese Americans are to be evacuated from a coastal strip 30 to 125 miles wide running from Canada to Mexico, considered "particularly subject to attack, threatened invasion, espionage and acts of sabotage." All military encampments, naval establishments, aircraft factories, airfields and the principal coastal cities are also prohibited territory. All enemy aliens, but not citizens, will be removed from another strip behind the prohibited zone. The remainder of the four states constitute "military zone two." It is expected that about 70,000 Japanese Americans and 140,000 enemy aliens, principally Japanese and Italians, will be moved out during the next four months. They have been principally occupied in farming, and a civilian staff has been appointed to assist the Army in minimizing the very considerable dislocation and personal hardships which will be caused. The increase in prohibited and restricted zones and the transfer of control to the Army are in direct response to popular alarm caused by reports that Japanese had bought up all the land surrounding important airfields and were assisting Japanese submarine attacks on the coast. Attorney-General Biddle has announced that 3,849 enemy aliens have been arrested on a variety of charges. The precautions which have been taken seem completely reasonable in view of the importance of the Pacific Coast as an aircraft and shipbuilding centre, and its vulnerability. So far, there is no sign of the hysterical anti-alien campaign of the last war, which provided an ugly page in American history.

Hire Purchase Restrictions

The Federal Reserve Board has issued an order designed further to restrict buying on hire-purchase (known as instalment buying in the United States) by reducing the time over which payments may be spread from 18 to 15 months and increasing the required amount of the down payment, from 20 to 33½ per cent in the case of refrigerators, vacuum cleaners, radios, sewing machines, and other large items, and from 15 to 20 per cent for rugs, watches, bicycles, lawn mowers, and certain other articles. Control over instalment buying was first instituted by the Board in August, 1941, at the request of the President, and Mr Eccles, Chairman of the Board of Governors, explained that it was intended to damp down consumer spending and conserve strategic metals used in the manufacture of consumers' durable goods. The volume of instalment credit stood at about \$6,000 millions in the middle of 1941, an all-time peak, and nearly double the figure of 1938. Instalment debt for the purchase of automobiles was about \$2,500 millions, over a third of the total. The Federal Reserve Board pointed out in its Bulletin that the sales of consumers' durable goods had expanded two or three times as much as income payments to individuals, and that they were seriously affecting the supply of materials and labour for the defence industries. An increase of \$550 millions in bank loans was in large part due to an expansion in retail instalment paper, eagerly sought by the banks to supplement their declining earnings. The increasing severity of the restrictions shows that opportunities to curb spending are not being neglected, and that other methods beside taxation are being employed. Such restrictions, however, are an inadequate substitute for a wage and price policy and have

the disadvantage that they affect only those who are unable to pay cash. The conversion of many of the industries producing consumers' durable goods, already under way, provides a more effective and equitable method of reducing spending and conserving materials and labour.

The Ingredients of Steel

Last year the United States produced more steel than ever before; the output of steel ingots reached some 83,000,000 short tons (of 2,000 lbs) and was 24 per cent above the previous record established in 1940. This tremendous expansion involved a heavy increase in the consumption of iron ore and scrap, the two main ingredients of ordinary steel. Production of iron ore, of which 86 per cent came from the Lake Superior district, was about 104,000,000 short tons, an increase of more than 20 per cent over the figure for 1940; the output of pig iron reached 56,000,000 short tons, or 19 per cent more than in the previous year. The consumption of scrap last year has been estimated by the Institute of Scrap Iron and Steel at 59,600,000 short tons, an increase of nearly 28 per cent from the previous year. The increase in the use of scrap has therefore been relatively greater than the growth in that of iron ore. Indeed, the heavy call on scrap has not been met without difficulties; at the end of last September, stocks at the plants of suppliers and consumers and in transit were about 5,700,000 short tons, equivalent to only some five weeks' requirements at the current rate of intake. In so far as the scrap problem—it has become a problem—can be attributed to faulty price policy, the solution is readily at hand; in spite of the reduction in prices last year the quantity collected was enormous. A more fundamental cause of the present shortage is the growth of the open-hearth furnace, which requires a high proportion of scrap, at the expense of the Bessemer process. In August, 1941, for example, the average charge of the open-hearth furnace consisted of 48.1 per cent of scrap and 51.9 per cent of pig iron, and that of Bessemer plants of 5.9 per cent of scrap and 94.1 per cent of pig iron. These difficulties, however, do not mean that the output of steel will actually fall in the current year. As has been demonstrated by the British steel industry, the proportion of scrap and pig iron charged into the furnaces can be varied within limits. A recent survey undertaken by blast furnace operators and steel experts in Pittsburgh and Youngstown revealed that the output of pig iron can be pushed up this year by about 4,500,000 short tons. Nor, provided the necessary measures are taken, is there any reason why scrap deliveries should fall appreciably below last year's level.

Shorter Notes

Mr Harrison, Director of Production for the WPB, has announced that airplane production is ahead of schedule, and that all other parts of the President's programme are meeting expectations with the exception of shipbuilding, where a bottleneck in certain items has held up production. Mr Nelson, Chairman of the WPB, has expressed his belief that instead of being allowed to lag, the shipbuilding goal should be increased beyond the President's figure of 8 million deadweight tons.

The National Industrial Conference Board states that in its opinion two million women will need to be drawn into factory work if a labour force of 15,000,000 war workers, which it is thought will eventually be necessary, is to be created. There is a reserve of about seven million women between the ages of 14 and 44, not regularly employed, of whom possibly five million might be put to work.

About 35,000 young people have been dropped from the rolls of the National Youth Administration in response to an order limiting it to activities aiding the war effort. The Civilian Conservation Corps has been almost entirely converted to war projects, and is employing only 100,000 as compared with 266,000 last April. These changes are part of the pruning of all the government's non-defence activities.

THE WORLD OVERSEAS

Brazilian Metals

[BY A CORRESPONDENT]

March 9th

SEVERAL agreements for developing Brazil's natural resources in the interests of the Allied war effort were concluded between the United States and Brazilian Governments last week. To one of them, the British Government has become a signatory; it covers the completion of the Victoria Minas Railway with United States help and the transfer of the British-controlled Itabira Iron Ore Company, Ltd., to the ownership of the Brazilian Government. The United States Government provides the funds for the extension of the Victoria Minas Railway, the development of the Itabira iron ore mines and the extension of the ore-loading facilities at the port of Victoria (north of Rio de Janeiro). Both the United States and British Governments will receive iron ore in return. This move was preceded in January last by the formation of a Brazilian company (Cia Brasileira de Alumínio) for the development of the Pocos de Caldas bauxite deposits. The capital of this company (60,000 contos) is Brazilian and has been supplemented by a substantial long-term loan by the Banco do Brasil. The United States Government has agreed to grant priority to equipment and machinery needed for the development and equipment of the mines. The development of the Itabira iron ore mines and the Pocos de Caldas bauxite deposits is of outstanding significance to both Brazil and the Allies. To Brazil, it gives an opportunity to place its one-sided national economy on a broader basis; for the Allies, it creates new and extensive sources of supplies of two of the most important strategic metals.

Brazil is enormously rich in iron ore and may well be the richest iron ore country in the whole world. The mineral is found in almost every state, but so far mining developments have been confined to Minas Geraes. The known iron ore reserves of this state alone have recently been estimated, in a special United States Bureau of Mines publication, at 1,500 million tons of compact hematite with an iron content of over 65 per cent; 3,500 million tons of so-called itabirite with 50 to 60 per cent iron; and 10,000 million tons of lower grade ore of between 30 and 50 per cent iron. The Itabira deposits cover only part of the Minas Geraes reserves, but they are concentrated in a comparatively small area eight miles long and 1½ miles wide, and contain a great part of the state's richest hematite. The principal concessions have been held by the Itabira Iron Company, which has substantially developed its concessions, but communication difficulties have kept production and shipments at a small level. In the last year before the war, Brazil's iron ore exports reached their maximum of not more than 362,690 long tons, and since then shipments have declined rather than increased. An improvement in communications from the mines to the coast, together with the supply agreements with the British and United States Governments, are likely to lay a foundation for big shipments in the future.

Transport Difficulties

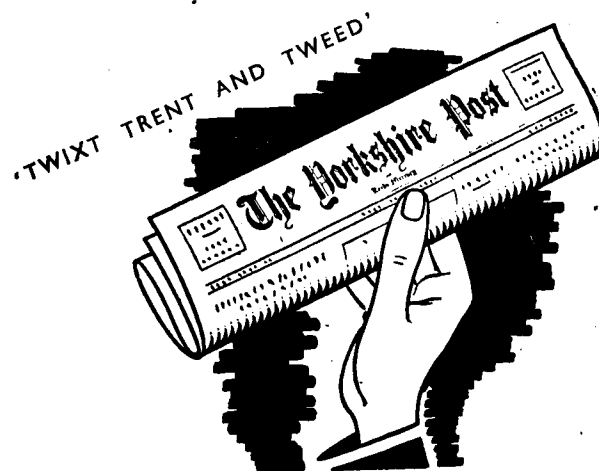
The Victoria Minas Railway, which is to be extended under the new agreement, at present connects the port of Victoria with Drummond, which in turn is connected by a 25 miles long motor road with Cauê on the northern end of the Itabira concessions. The United States Bureau of Mines estimates that, by an improvement of the motor road and the extension of the railway's rolling stock, ore shipments could be raised to 1,000,000 tons per year. If the railway were changed to broad gauge, and extended to the mining area, as is likely under the new extension plans, this figure could be raised to 4,000,000 tons per year. The new agreement does not refer to communications other than the Victoria Minas Railway, but, according to the US Bureau of Mines, there is a branch road, 30 miles in length, which connects Itabira with Santa Barbara on the Brazilian Central Railway to Rio de Janeiro. The improvement of this road, or the linking of Itabira to the Central Railway, would

probably extend the annual capacity of the Itabira shipments to something like 10,000,000 tons.

The development of the Brazilian bauxite deposits has so far been even less extensive than that of the iron mines. Bauxite is found in wide areas throughout the country, but here, too, Minas Geraes has been the chief centre of activities. There have been smaller developments in the States of Espirito Santo and Maranhão. According to the US Bureau of Mines, the ore reserves of mines in the three states so far closely examined amount to 19,600,000 tons, that is, enough for 5,000,000 tons of aluminium metal, but rough estimates of the country's entire bauxite resources approach ten times this figure.

The production of bauxite in Brazil has so far been confined to the Pocos de Caldas plateau in Minas Geraes, where mines with a reserve of 6,600,000 tons of ore have so far been developed. Actual production so far, however, has been unimportant (less than 20,000 tons per annum). The extent of Brazil's future production depends chiefly on the development of communications to the coast and the rate of sea freights from there to the chief aluminium producing countries. Under satisfactory transport and freight conditions, the output of Brazilian open-pit mines could without difficulty be raised to several hundreds of thousands of tons per year.

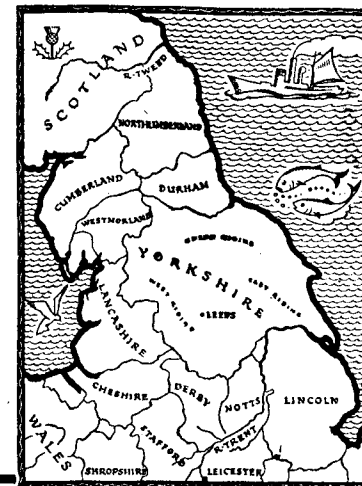
At present, the rail communications to the coast are inadequate. The Pocos de Caldas plateau lies 200 miles from São Paulo, and slightly more than that from Santos, at present the only port of shipment. There is only one railway (the Mogiana with a one metre gauge), and this line has not sufficient rolling stock to cope with more than 50,000 tons per year. Before the mines can become important for export, therefore, an extension of rail facilities



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is required. Moreover, the freight charges from Santos to the United States are at present, owing to the high war risk rates, higher than the United States price of bauxite. Nevertheless, the development of the Pocos de Caldas deposits by the Cia Brasileira de Alumínio is of great interest to the Allies, a fact which is stressed by the United States' promise of priority supplies of equipment. At any rate, the present aluminium programme in the United States and Canada is taxing the United States and Guiana bauxite deposits to such an extent that additional sources of supply are needed as a reserve. Moreover, the new Brazilian aluminium company intends to start with the production of aluminium after the development of the bauxite mines. This is a definite economic proposition, and it may well be that the United States Government will later assist the company in its aluminium production programme. As Brazil's requirements of aluminium are only small, the great bulk of the national output could be exported to the Allies, whose requirements already exceed today 500,000 tons per year.

New Zealand in Wartime

[FROM OUR CANTERBURY CORRESPONDENT]

December 18th
A RECENT decision of the Arbitration Court indicates an important change of policy. Regulations exist permitting the Court to make general adjustments in all award rates of wages in response to changes in the cost of living. In August, 1940, the workers asked for a general rise of 10 per cent under these regulations and were awarded a 5 per cent increase. In December of 1941, they applied for a further increase of 7½ per cent, but their application was rejected on the ground that the economic and financial conditions of the Dominion would not permit any increase. During the whole of the past year, the Government has made earnest efforts to give effect to a policy of stabilisation by such means as price control and subsidies, and it is becoming clear that stabilisation of wages is the major part of stabilisation of internal costs and prices. Since the depression period, wages have risen steadily, and the purchasing power of award rates is now about 8 per cent higher

than in 1926-30. But the increase in rates over the past year has been very slight and the rising trend appears now to have been checked. Shortages of labour are acute in some quarters, hours have been extended and shift work adopted in urgent cases; and, though the rates are unchanged, earnings have increased owing to longer hours and overtime.

The outbreak of war in the Pacific creates a demand for further internal adjustments. The withdrawal from industry and trade of men trained during the last two years for home defence and emergency measures further depletes the manpower available for production. It is expected that overseas shipping will be considerably reduced in the future and increase difficulties of export surpluses and import shortages. Holidays and holiday facilities have been curtailed in order that production may be maintained; motor transport has been further reduced; and the right to purchase petrol for private purposes has been cancelled.

A Swing from Labour?

There is, however, some criticism of the rigidity of legal regulations of industry and trade and of the bureaucratic methods adopted, since it is held that these tend to hamper rather than to assist industry; and the burden of wartime taxes is very heavy. The municipal elections last year showed a very decided swing against Labour candidates, and the latest by-election returned an Opposition candidate for what was formerly a Government seat and showed a changeover of about 20 per cent in the total votes cast. It is widely felt, too, that in view of the demands of war there should be much more economy in other Government expenditure. Up to 1936, total state taxation in New Zealand never reached £NZ23 millions. For the present year, about £NZ45 millions of taxation is required for ordinary purposes, in addition to about £NZ17 millions for war, and the estimates provide also for loans to be raised totalling £NZ56.9 millions, of which £NZ44 millions is for war and £NZ12.9 millions for public works. There are indications that public works expenditure is being curtailed, but the first half-year's returns show that other ordinary expenditure is conforming closely to the estimates. War expenditure for the full year was estimated at £NZ69.7 millions. For the first half-year, war expenses amounted to £NZ6.6 millions in 1940 and £NZ15 millions in 1941. In view of developments in the Pacific, very substantial increases in this expenditure now appear probable.

Three Years of Occupation

[BY A CZECHOSLOVAK CORRESPONDENT]

ON March 15th, it will be exactly three years since the Nazis entered Czechoslovakia. In three years, the Germans, in spite of terror, pillage and persuasion, have come no nearer to the aim they had set themselves when they entered Prague—to win the political support, or acquiescence, of the Czechs. Only industrially have they gained, and gained markedly, in terms of war material, but only against stubborn resistance.

Czech universities have been closed; national organisations such as the Legionaries and the Sokol have been disbanded; Czechoslovak resistance has grown; and the Germans have given up mass murdering as futile. It was in the third year of their rule that the Nazis sent Reinhard Heydrich to start manslaughter. More than 400 Czechs were executed, and over 1,300 of all social classes and professions were imprisoned. But the Czechs increased their sabotage, and as Hitler's war machine needed more material to replace the losses on the Soviet front and to prepare a spring offensive, an attempt was made to cajole the Czechs by releasing a few hundred students from concentration camps. Still the Czech workers hampered production, and the tactics were changed again. A new Protectorate Government was set up on January 19th this year, with the Prussian official Walter Bertsch as economic dictator.

The policy of Bertsch shows plainly the industrial importance of the Protectorate to Germany. The manufacture of fine mechanical instruments and optical articles is permitted only for the German army. Orders received by textile factories were cancelled. All building was stopped. Czech workers were forced to work wherever Germany might need them, in Germany or in their own country. Working hours were increased from ten to twelve a day. Plainly this is a programme of full-scale war industrial mobilisation. The workers of Czechoslovakia will never give up the fight or abandon hope, and those who invite the British to send bombers will continue their three years' sabotage.

German Europe Financial Outlook

The Reich Minister of Finance has estimated that during the financial year 1941/42 he will have spent between Rm 90,000 and 95,000 millions, of which roughly Rm 6,500 millions was contributed by occupied countries as costs of occupation. The expenditure covered by internal revenue and borrowing would thus amount to 77 per cent of the national income, which is estimated at between Rm 110,000 and 115,000 millions.

	GERMAN BUDGETS (Rm 1,000 millions)			
	Tax Revenue	War Con- tribution of Communes	Borrowing	Total
1939/40	23.6	4.8	21.2	49.6
1940/41	27.2	5.4	38.0	70.6
1941/42*	32.0	6.4	51.0	89.4

* Estimate.

It is very doubtful whether more than three quarters of the total national income can be used for public expenditure. If the estimate of the national income is correct, the high percentage represented by public expenditure shows that Germany is drawing heavily on capital—exhausting stocks of manufactured goods and postponing the replacement of capital goods. The methods of estimating the national income, however, are unreliable. Various German sources arrive at different figures, and use different definitions. One source estimates civilian consumption at roughly 39 per cent of the total national income; but this estimate includes in the national income Rm 17,000 millions derived from the contributions of foreign countries, through costs of occupation and their trade balances. The use of three-quarters or 80 per cent of the national income on public expenditure is out of all known proportions. If correct, it would suggest not only a remarkably depressed standard of living but an enormous wastage of capital assets. Actually, the use of foreign resources, foreign productive capacity and foreign workers is reflected in Germany's national income, and the high percentage of public expenditure is rather an indication that Germany has been successful in exploiting the continent.

Financial conditions in occupied and dependent countries reflect the tremendous drain on national resources to the advantage of Germany. Belgium's finances are a typical example.

	BELGIAN BUDGETS (In 1,000 million francs)		
	Revenue	Expenditure	Deficit
1940	7.59	21.39	13.80
1941	15.53	36.64	21.11

Costs of occupation in 1941 amounted to 15,150 million francs, and 69 per cent of the deficit was covered by the issue of Treasury bonds. Belgium's national income in 1941 is estimated at 46,000 million francs, which would mean that total expenditure amounted to four fifths of the total national income. The German administration agreed on the payment of state expenditure partly in Treasury bonds which must be accepted as legal tender. The notes in circulation rose from 39,770 million francs at the end of 1940 to 52,170 million francs at the end of 1941, or by 31.2 per cent.

In the Danubian countries financial conditions have been changed by successive re-drawings of frontiers. In Hungary, Roumania, and Bulgaria, the budget estimates increased considerably during 1941, but the actual war expenditure of these countries is kept secret, and returns of national debt have been suspended. Substantial loans have been issued in all these countries, and the situation in Roumania was eased by a German loan amounting to Rm 600 millions.

Financial conditions in German Europe are dependent on financial trends in Germany. The exploitation of western European countries has enabled Germany to maintain her tremendous war expenditure. In the third year of the war, half Germany's expenditure is still covered by revenue. The character of borrowing has changed. In August, 1939, short term borrowing amounted to 33 per cent of the total; at the end of December, 1940, it was 46 per cent, and exactly 50 in December, 1941. The relative stability of prices and wages suggests that Germany is

drawing heavily on capital. "Industrial collaboration" and import surpluses from dependent and neutral countries enable Germany to spend an unusually high percentage of the national income on the war. Financial control in Germany is still effective, particularly in diverting excessive purchasing power by the system of price control, progressively increasing taxation and various schemes of iron savings. There is hardly any effective control in western European countries, and conditions begin to resemble those of the inflationary period in Central Europe after the last war.

Bank Report.—The Berliner *Handels-Gesellschaft*, one of the big German banks, was the first to publish its annual report. Total assets increased in 1941 by 20 per cent against 18 per cent in 1940. The most interesting items are as follows:—

	(In million Reichsmarks)			
	Total Deposits	Advances	Treasury Bonds	Taxes
1938	239.4	81.9	54.6	2.7
1939	268.4	102.2	85.9	2.8
1940	338.0	101.7	146.0	3.6
1941	428.5	115.2	216.1	3.4

Net profits fell from Rm 4.2 millions in 1940 to Rm 2.3 millions in 1941. The dividend remained unchanged at 6½ per cent. Investments in Treasury bonds, which amounted to 17.8 per cent of total assets in 1938, were 45.2 per cent of total assets in 1941. From 1938 to 1941, total deposits increased by 79 per cent. It is of particular interest that the slight fall in advances which occurred during the first year of the war has now been changed into a slight increase.

European Hollow Glass.—The new type of European cartel in the form of a compulsory marketing organisation under state control is now being extended to the hollow-glass industry. Germany has already organised the plate glass and bottle manufacturing industry. As a first step, the German, Bohemian and Slovakian cartels have been amalgamated by a Glass Trustee Company. At present, negotiations are being conducted for the cartelisation of the following hollow-glass industries:—

	No. of Factories		No. of Factories
Germany	257	Slovakia	7
France	126	Holland	7
Belgium	40	Denmark	4
Italy	120	Bulgaria	6
Poland	40	Roumania	6
Sweden	34	Croatia	1

Germany reached the first agreement with the Slovakian industry in spring 1941. In August, 1941, the Dutch factories joined. By joining the German cartel, the Slovakian and Dutch industries accepted German output and price regulations. Agreements with other countries are said to be on a parity basis. Agreement with France was reached after the French Production Committee began functioning in May, 1941. On the basis of this agreement, Germany secured the markets in northern and south-eastern Europe. Understanding has been reached in discussions with Italy, Belgium and Hungary, and the discussions with the unimportant industries in south-eastern Europe are progressing favourably. The German cartel regulates production, prices and markets. The agreements with other countries, however, are confined to prices, quotas and markets only, for the purpose of a European marketing organisation.

Cinema Organisation.—A short time ago, representatives of the Reich Film Chamber, under the control of the Propaganda Ministry, formed the *Deutsche Filmtheater GmbH*, for the purpose of acquiring and running cinemas. A subsequent order of the Reich Film Chamber excluded joint stock companies from owning cinemas. After a period of 12 months, cinemas can be owned and run only by personal owners. The majority of the cinemas, however, are owned by the "Ufa" concern, and these cinemas will be taken over by the new *Deutsche Filmtheater GmbH*. The company will concentrate on running the biggest cinemas, which, it is explained, must be in the hands of a state-owned concern. At the same time, no person is allowed to own more than four cinemas. The new owners will be recruited from soldiers and must be "politically reliable" and fit for the representation of German culture.

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Russia at War

Record and Information.—Since the beginning of the war *The Economist* has published a regular record of economic developments in Germany, and since 1941 in German-controlled Europe. Since January 17th this year, a much wider survey of events in the United States has become a weekly feature. Since June last year, the achievements of the Soviet Union have been a decisive factor in the conflict; and it is proposed now to attempt a regular account of Russia at War. This section will in no respect be able to compete with Germany at War, and still less with the American Survey, both of which are based upon a mass of press and other material which, in the case of the Soviet Union, is unfortunately absent.

Economic information about Russia is extremely scarce. Up-to-date statistical data are rarely published in Russia, even in normal times. In a country where public discussion usually centres upon the details of the work of one particular industrial plant or of one particular collective farm, but is not permitted to touch the basic lines of economic policy, the knowledge of statistics and of the relevant economic facts has become the privilege of small circles of administrators working at the top of the planned economy. Moreover, Russia's industries were placed on a war footing earlier than those of any other European country, and consequently the statistical black-out became thorough there at a time when European economic life was still flooded by the lights of free research and public knowledge.

Battlefield Economy.—The term "war economy" hardly describes conditions in Russia. Battlefield economy is a more appropriate description. The whole structure is in a state of flux; tremendous dislocations have taken place and are still taking place. Long-term considerations, which still retain some meaning in a "normal" war economy, are obscured by the fact that, in effort, achievement and failure alike, it is only the desperately short run that counts. In relation to British standards of war economy, Russian economic conditions look to a large extent like the conditions of the Soviet Forces in the thick of the battle compared with those of the Allied Armies, which are still preparing and training for the tests to come. It is obviously impossible to look for exact statistical knowledge of the developments in this military and industrial battlefield while the fortunes of the fight are swaying and the toll of casualties—again industrial as well as military—is growing.

All that can be done in these columns is a careful record and a tentative estimate of developments based on the piecemeal information available. Incomplete and belated information, as well as errors of judgment, will be unavoidable. It is hoped, however, that this section will serve its purpose if it contributes a little to widening knowledge of the economic conditions in which Russia is making its heroic war effort.

The Evacuated Industries.—It has now become possible to get a general idea of the position in Russia's evacuated industries. Soviet newspapers have published very detailed reports about the achievements obtained and about the difficulties experienced by the factories on their new sites. There have been two stages in evacuation. First came the industries from the areas of actual warfare, which were moved away as circumstances allowed. Then there were the threatened regions—Leningrad, the Moscow basin and the Ukraine—where time allowed for a more systematic and purposeful manner of evacuation. In many cases, factories were split up in those regions; where production of immediate importance to the front was concerned, skeleton factories were left on the spot, but valuable equipment was transferred to the rear and the skeleton factories were fitted with old tools previously used for scrap. In Moscow and Leningrad, a feverish search for scrap-tools and scrap-iron has been the feature of the last few months; and as the industries concerned had been steadily modernising their equipment in recent years, considerable reserves of old machinery seem to have been available. The "mother-factory," thus re-organised, attempted to maintain the flow of arms and munitions to the nearby front, while the better-equipped "daughter-factories" were established far in the rear. *Pravda* reports

instances in which the splitting up of one original factory has given birth to three new ones.

There have been four main reception areas:—(1) The Volga region, with its centre in and around Kuibyshev; (2) the Southern Urals; (3) the Kuznetsk basin (Kuzbass); and (4) Siberia and the Soviet Far East. To which area any industry was transferred depended on empirical considerations, and such factors as access to raw materials and transport facilities, which frequently conflicted. For transport, the Volga region is in a better position than any of the other zones; but the character of the country is still predominantly agricultural, and evacuated industries could hardly find there the necessary support in local industries. Its raw material resources are inadequate and its man-power has been almost totally mobilised, so that an acute labour shortage was bound to arise. This region seems to have given shelter to light industries, mainly textiles and footwear, as well as to plants producing grenades and shells. Most Moscow firms seem to have gone there.

Tank, gun and aeroplane production has moved to the Urals. Magnitogorsk provides the iron ore and Degt'yarki the copper. The neighbouring Sverdlovsk foundries have been able to supply the evacuated works with machine parts at record speed. The Ural transport facilities are comparatively good; the Semipalatinsk-Kazan-Moscow railway runs through Sverdlovsk; and from Magnitogorsk there is an easy access to the alternative Tashkent-Moscow line. The main difficulty is the coal supply: the Ural coal is of a poor quality and the Kuznetsk coal is more than 1,000 miles away. According to the Third Five-Year-Plan, in 1942 Magnitogorsk had to draw 50 per cent of its coal from the nearer situated Karaganda coal-fields; and this aim, it seems, has not yet been attained. There are reports of newly discovered high-quality coalfields in the Urals and of new technological processes by which the poor coal of the local mines is being coked. Nevertheless, the Urals have still to be supplied from Kuznetsk and Karaganda, as well as from local mines, and even from the Ukraine. The productive capacity of the Magnitogorsk centre has enormously increased by the absorption of the Dniepropetrovsk factories.

Whereas armament production has been concentrated in the Urals, machine-tool factories seem to have been transferred to the Kuznetsk basin. This must have been due to military considerations, since on economic grounds the best location would have been the other way round. Kuznetsk is a coal basin and for iron ore it used to rely on Magnitogorsk. It is, however, stated that abundant iron-ore supplies from new mines in adjacent southern Siberia have been secured, and that 75 per cent of the Kuzbass demand for iron is already being met from those sources. Whether this is so or not, it is obviously strategically right that actual arms manufacture should be concentrated in the Urals, nearer to the front line, rather than in the 2,000 miles distant Kuzbass.

There is very little indication about the Siberia and Far Eastern area. Its main asset is that its manpower has been less affected by mobilisation; in the Far Eastern territories, there has been no general call-up so far. But the labour available there is primitive and unskilled.

On the whole, it seems that the winter has given the Soviets the opportunity, not only to score successes on the battle fields but also to achieve a less spectacular, but not less great, feat of economic organisation. The bulk of the industries evacuated have had time to settle down and to resume production.

Muddle and confusion have, naturally enough, not been lacking. Correspondents from the spot complain of bad housing conditions and irregular food supplies. Factory managers report of difficulties in their attempts to re-establish disrupted relations with other productive units. Other complaints refer to the competition for labour and the raw materials between evacuated and local factories. The Government has exhorted the managers of the native industries to abandon their "selfish attitude" and not to exploit their better knowledge of local conditions and their business contacts to the detriment of evacuated plants. But the scale and tempo of reorganisation have been remarkable. A very considerable part of the endangered Soviet capacity has been saved and put to effective work by incredible feats of improvisation, hard labour and self-sacrifice.

THE BUSINESS WORLD

Aircraft Metals

THE efficiency of many of the modern engines of war depends in no small measure on the ratio between tractive power and total weight. This ratio is of special importance in the case of aircraft, where it vitally affects size, load and speed. But it is also becoming increasingly important in the manufacture of tanks and in other mechanisms. As a result, technical development in the manufacture of light alloys has been speeded up in an effort to reduce weight without loss of strength. It is scarcely surprising, therefore, that the demand for aluminium and magnesium, which combine low weight with strength, has shown a striking expansion in recent years. The saving of weight is illustrated by the fact that a certain casting of a high-grade magnesium alloy weighing 6 lb. would weigh some 10 lb. in aluminium, 26 lb. in steel and 28 lb. in brass. Apart from its low weight, the brightness of polished aluminium renders it suitable in the production of search-light reflectors. Magnesium also has other uses; its high combustibility in powder form makes it useful in the production of incendiary bombs, tracer ammunition, star shells, flares and signal lights. The production of the two metals has already been expanded enormously, and present plans envisage yet further substantial extensions. In view of their crucial importance as raw materials in war, the supplies available to the United Nations and to the Axis Powers must have a considerable influence on the quality and quantity of the equipment at their disposal and, therefore, on the course of the war.

Both aluminium and magnesium have a comparatively short history as industrial metals. Some fifty-five years ago the introduction of the Hall-Héroult process for the manufacture of aluminium reduced its price to a commercial level. Magnesium was first produced in 1857, but its high price prevented any substantial industrial use until about twenty years ago. But during the past decade the production of both metals has been rapidly increased. The raw materials for both are in plentiful supply, for aluminium is the second and magnesium the sixth most abundant element in the world. Considerations of cost make bauxite almost the only source that is commercially worth working, but lack of bauxite has driven Japan and Scandinavia to use certain types of clay. Both Germany and the United Nations have access to abundant supplies of bauxite. While the former can draw on the rich deposits in the south of France, and on those of Hungary, Yugoslavia and Greece, the latter have plentiful supplies at their disposal in British and Dutch Guiana and in the United States. As is shown in an article on page 357, Brazil's bauxite deposits are also to be exploited more actively. Again, neither party is short of the raw materials needed in the manufacture of magnesium, which include salt brines of various types, magnesite, dolomite, and even sea water. The real limiting factors in the case of both metals are not so much raw materials as manufacturing capacity—which requires very heavy capital costs and abundant power—and transport for moving the bulky raw material to the plant.

The expansion, since 1929, in the production of aluminium and magnesium in Allied and Axis-controlled countries is shown in the accompanying table. The world output of aluminium was more than doubled between 1929 and 1939, due largely to the rapid expansion in Germany, which ousted the United States from the leading position in 1938. The process of plant extension in Germany appears to have been slowed down after the Nazis acquired control of the rest of the production of Continental Europe. However, in spite of desperate efforts by the Nazis, the French output has failed to rise since 1940. In Italy, too, the rate of expansion slowed down after the country's entry into the war. Transport difficulties have reduced the supply of bauxite to Switzerland and Scandinavia, and in Norway the industry has been compelled to

use low-grade domestic clay—Labradorite—which contains an average of only 15 per cent of aluminium oxide, against 55 per cent in the normal grade of bauxite. Japan, no doubt for the same reasons as led Germany to expand her output before the war, set up an aluminium industry in 1934 and was able to produce some 35,000 metric tons in 1940 and 1941. The Malay Archipelago is an important source of bauxite supplies to Japan. In spite of all their difficulties Axis supplies are large and, until 1940, exceeded the output of the Allies.

In 1941, the Allied Powers gained the lead in production, though until recently a large proportion of the output of the United States was used in the manufacture of civilian supplies, such as motor cars. Great Britain has never been among the leading producers and, although output has been doubled during the past five years, it did

WORLD PRODUCTION OF ALUMINIUM AND MAGNESIUM
(In '000 metric tons)

	1929	1937	1938	1939	1940	1941
Aluminium:						
(1) Axis Group (a)	29.0	34.5	45.3	50.0	50.0	50.0
France	36.0	131.6	165.6	200.0	240.0	290.0
Germany, incl. Austria	...	1.0	1.5	1.5	2.8	3.0
Hungary	...	7.0	22.9	34.2	40.0	42.0
Italy	...	10.0	17.0	23.0	35.0	35.0
Japan	29.1	23.0	29.0	31.0	15.0	12.5
Norway	1.0	...	0.8	0.8	0.5	0.8
Spain	...	1.8	2.4	2.7	1.4	1.4
Sweden	20.7	25.0	27.0	28.0	28.0	25.0
Switzerland	...	0.2	1.2	2.4	2.8	2.8
Jugoslavia	...	...	...	...	...	...
Axis Total	122.8	250.0	315.6	373.6	415.5	462.5
(2) Anti-Axis Group (b)	42.0	41.7	66.0	75.0	110.0	150.0
Canada	...	37.7	43.8	45.0	55.0	40.0
Russia	13.9	19.3	23.3	25.0	35.0	40.0
U.K.	103.4	132.8	130.1	148.4	187.1	300.0
U.S.A.	...	...	...	...	...	...
Anti-Axis Total	159.3	231.5	263.2	293.4	387.1	530.0
World Total	282.1	481.5	578.8	667.0	802.6	992.5
Magnesium:						
(1) Axis-Group (a)	...	1.50	1.80	2.50	2.00	2.00
France	...	12.08	14.10	16.50	19.00	23.00
Germany, incl. Austria	...	0.07	0.10	0.30	0.50	0.50
Italy	...	1.20	1.50	2.00	4.00	4.50
Japan	...	0.23	0.30	0.70	0.70	0.70
Switzerland	...	...	...	...	...	...
Axis Total	...	15.08	17.80	22.00	26.20	30.70
(2) Anti-Axis Group (b)	...	0.70	1.00	1.00	1.50	1.00
Russia	...	2.00	3.00	5.00	6.50	7.50
U.K.	...	2.06	2.92	3.04	5.68	18.00
U.S.A.	...	...	...	...	...	...
Anti-Axis Total	...	4.76	6.92	9.04	13.68	26.50
World Total	...	19.84	24.72	31.04	39.88	57.20

(a) Axis Group covers countries whose output is at present directly or indirectly controlled by the Axis countries. (b) Anti-Axis Group covers British Empire, United States and Russia. Russia has recently lost the greater part of its capacity, but owing to the destruction of plant, this part is not available to the Axis. (c) Figures for 1929 are not available. Sources: Where possible, official figures; 1939 and 1940 United States Bureau of Mines estimates; 1941 estimates prepared from available material.

not exceed Japan's in 1940 but probably showed a further increase in 1941. Since supplies of bauxite are bulky and have to be imported, it has hitherto been considered more economical to draw a large proportion of the needs of the British market from the other side of the Atlantic, where both the United States and Canada are large producers. Canada has undertaken to deliver large quantities both to the United States and to the British Aluminium Control. Canadian output rose from the then record of 41,700 metric tons in 1937 to 75,000 tons in 1939 and 110,000 tons in 1940. Last year production probably reached 150,000 tons, and a further 50 per cent expansion is expected to take place in the current year with financial assistance from the

United States. That country has introduced a colossal programme of expansion, and the 300,000 tons estimated to have been produced in 1941 are to be exceeded very appreciably this year. Until the end of 1940 the Aluminum Company of America, with its five large production plants, was the only American producer. Its expansion programme introduced in 1940 was originally scheduled to cost \$150 millions, but was later increased by one-third. Since the beginning of 1941 the Reynolds Metal Company, with the financial assistance of the Government, has begun operations in a reduction plant at Lister (Alabama). Together with the output of the Aluminum Company, this has raised the annual rate of output to 350,000 tons and will increase it to about 425,000 tons this year. Last July, moreover, the Office of Production Management adopted a plan for the construction of seven Government aluminium works with an annual capacity of some 300,000 tons, to be completed this year; this will raise the productive capacity of the United States to an annual rate of 725,000 tons—well in excess of the combined output of the Axis—before the end of 1942. Russia, which began producing aluminium in 1931, has unfortunately lost—at least temporarily—the greater part of its capacity, especially the Dnieper plant, which was responsible for half the total output in 1940. But the destruction of most of the plant has prevented the Germans from adding to their own resources.

Owing to the development of a large magnesium industry in Germany before the war, the balance of production in 1939 was even more in her favour than was the case in aluminium. Indeed, last year the output of the Axis still exceeded the combined production of the United Nations. According to the United States Bureau of Metal Statistics, world production of magnesium doubled between 1937 and 1940, chiefly because of the rapid expansion of output in Germany. That country produces magnesium in three plants from potash brines, dolomite and magnesite; its supplies were increased by the addition of France's output, but Switzerland and Italy, the only other producers on the Continent, can furnish only comparatively small quantities.

Japan's output, though substantial, was only about one-fifth of Germany's in 1941.

The United Nations have facilities for the production of magnesium in Great Britain, in the United States and in Russia. Until 1940, Great Britain was the leading producer. Since then, according to official American reports, imported magnesite has been replaced in Great Britain by domestic dolomite and sea water as the chief raw materials. As in aluminium, the United States has initiated a vast production programme. In 1940 it was the world's third largest producer, and the Dow Chemical Company, with its works at Midland (Michigan) and using local salt brines as raw material, was then the sole concern interested in the manufacture of magnesium. In January, 1941, a second plant of that company at Freeport (Texas), using sea water as its raw material, began production. Last autumn the Todd, California Shipbuilding Corporation started production at Permanente (California), also from sea water, and has planned to raise output to an annual rate of 12,000 tons by next spring. If the various programmes are carried out on time, the United States will produce almost as much magnesium next spring as the whole world produced in 1940. But these programmes have now been overshadowed by new plans designed to raise production, with Government assistance, to the enormous annual rate of 200,000 tons by the end of 1942.

In sum, the Axis Powers lost their superiority in aluminium in 1941, and they will lose their superiority in magnesium in the current year, in spite of a long start. A decisive balance of advantage in these two vital metals will go a long way in assisting the United Nations to gain superiority in the quality and quantity of their tools of war. The enormous growth in the production of aluminium and magnesium will leave the post-war world with a capacity out of all relation to former peace-time demands. But technical progress and drastic price reductions will ensure for the two metals a larger market than before the war and may have far-reaching consequences upon the consumption of other metals.

A Central Bank for Eire

THE Central Bank Bill, introduced in the Dail last week by the Eireann Minister for Finance, implements the basic recommendations of the Banking Commission of 1938 regarding the responsibility for the issue of currency and control of credit in Eire. It provides for the dissolution of the Currency Commission and the establishment of a Central Bank, which will take over the functions of the Commission and supplement them by most of the duties appertaining to a fully-fledged central bank. The Bill departs from the majority recommendations of the Banking Commission in providing for complete Government control of the Central Bank. The Bill also envisages some provision for tackling the long-standing problem created by the utilisation of a substantial proportion of Eire's banking resources outside the country, namely in Ulster and the London market.

The new Central Bank is to be an institution wholly owned and controlled by the Government. Its capital, fixed at £40,000, is to be subscribed by the Government and held in the name of the Minister for Finance. The paid-up capital of the Currency Commission is to be returned to the existing shareholding banks. The board of the new bank is to consist of a governor and not more than eight directors, of whom two, at the most, may be civil servants. The governor is to be appointed by the President on the advice of the Government. All other directors are to be appointed by the Minister for Finance, three of them from a panel prepared by the associated banks. The banking directors will thus be in a minority on the board. These provisions regarding the control and ownership of the Central Bank run counter to the recommendations of the Banking Commission; but when the trend is as strongly in the direction of open and direct state control of currency and credit as it is to-day, it would have been surprising if the Central Bank Bill had given expression to the classical and orthodox principles of central banking "independence."

The existing functions, organisation and staff of the Currency Commission are to be transferred *in toto* to the new Central Bank, and it is perhaps permissible to speculate that Mr Joseph Brennan, chairman of the Currency Commission since its foundation, will be the first governor of the Central Bank. The new institution will become responsible for the issue of legal tender notes which, over a period

of years, are to become the sole paper currency in Eire. The Consolidated Bank Note issue, which, even now, makes up only about a quarter of the total currency in issue, is to be gradually abolished. As bank notes are withdrawn, they will be replaced by equivalent amounts of legal tender notes, and the whole issue is due to be extinguished within twelve years. While such notes remain outstanding, each of the issuing banks will pay the Central Bank a charge of 2½ per cent per annum on the notes actually outstanding in its name (at present the charge is paid in part to the Currency Commission and in part to the Revenue Commissioners, the latter being calculated on the authorised maximum issue). The new bank is also to have charge of the issue of token coins, and will thus have under its responsibility the whole mechanism of currency issue in Eire. The Bill proposes no alteration in the existing provisions for the backing of legal tender notes, and it is, therefore, to be presumed that at least for the time being the currency in Eire will continue to be backed in the main by sterling bills and securities, apart from the comparatively small amount of gold which the Currency Commission obtained before the war.

In addition to the currency issuing functions the new Central Bank is to be given the following powers:—

- (1) To receive non-interest bearing deposits from commercial banks and to provide for the settlement of clearing balances between them.
- (2) To rediscount bills of exchange and make advances to banks against bills and Government securities.
- (3) To fix and publish discount and loan rates.
- (4) To buy and sell Government securities in the open market.

The Bill also provides for the licensing of all banks and bankers in Eire and for deposits to be made with the High Court by all banks. These deposits are fixed at £10,000 until 1945 and thereafter £20,000. The Central Bank will, in addition, be given the power to investigate the position of hire-purchase finance companies and to obtain from them such information as may be thought desirable.

It will thus be seen that the new institution is to be equipped with much of the customary armoury of a central bank. There are, however, certain interesting gaps in the familiar list of orthodox central banking functions. The Central Bank will apparently not keep the Government account, nor will the deposits maintained with it by the

commercial banks be compulsory reserves calculated as a proportion of their own deposit liabilities (apart from an interesting but as yet undefined provision to be mentioned later). It is evident moreover, that the facilities offered by the Bank for rediscounting and the scope available for its open market operations will both be limited in the extreme. Given the present structure of Irish banking assets and the whole economic position of the country, it is in London and not in Dublin that the mechanism of credit expansion and contraction must be centred for some time to come. The new Central Bank is likely to be little more than the existing Currency Commission under a new name; it would be more accurately described by the old-fashioned title of Bank of Issue.

This moderation is no more than a reflection of the actual circumstances of Irish banking. Eire does not possess an entirely autonomous banking or currency system—not because of any political decisions but simply because of the facts of the case. The currency of Eire is based on sterling, and it would be foolish to base it on anything else. So long as the commercial banks can, as at present, obtain Irish currency in exchange for sterling, it is difficult to see how the necessity for rediscounting with the Central Bank could ever arise. "Bank cash" in the Irish system is, or is obtainable for, sterling, and it is therefore in sterling that the reserves are kept. This is recognised by the Government, for the official explanatory memorandum attached to the Bill states that if no provision is made for the Irish banks to maintain minimum reserve balances with the new bank, it is because such a move might make for contraction of credit, whereas, in fact, the "commercial banks in Ireland are not prone to err in the direction of unduly expanding credit."

There is no suggestion in the Bill that any change is contemplated in the present basis of the Irish currency. There is, however, another peculiarity in the Irish situation. Nearly all of the commercial banks in Eire have offices and transact business also in Northern Ireland, and one of them, the National Bank, has an extensive business in Great Britain. This, of course, is not unique in banking experience. But what is unusual is the lack of balance between assets and liabilities inside and outside Eire. In the fourth quarter of 1941, the eight commercial banks had liabilities of £161 millions but assets of only £77 millions in Eire; in the United Kingdom, they had liabilities of £75 millions and

assets of £158 millions. This, again, is not due to wickedness or past history; it simply reflects the inadequacy of the means of utilising funds in Eire and the superior attractions of Ulster industry and the London Stock Exchange and money market. The Eireann Government, however, is not satisfied with this state of affairs. The memorandum states that it is "desirable that the banks should increase their investments within the state, having regard to the relatively large holdings of external as compared with internal assets," and the memorandum goes on to urge the banks to assist in the repatriation of external assets when times are more favourable for such a movement. The Bill makes provision for action on the part of the Central Bank designed to achieve this objective. Whenever the assets of a commercial bank held within Eire after a date yet to be specified fall below a certain proportion of its liabilities in Eire, the Central Bank, with the consent of the Minister for Finance, may require the bank in question to make with the Central Bank an interest-free deposit of a specified amount or to be calculated in a specified manner. The relevant clause of the Bill has been left purposely vague, and it is in this vagueness that its dangers are to be found. If the Central Bank, acting under the political pressure to which it will be prone, were at any time to implement its wide powers under this section with rigour, it would be able to cause the Irish banks considerable inconvenience and loss. Under these circumstances it may be that the banks will consider the advantages of a separation of their business in Eire and the United Kingdom—a move for which an interesting and perhaps anticipatory precedent was recently set by Guinness, Mahon and Company.

Except for a certain looseness in the drafting of some of the residual clauses, this section is the only part of the Bill to which reasonable exception can be taken—and even then the danger is contingent rather than actual. The outsider may observe that there is very little apparent reason why Eire should want to have a Central Bank, since the present arrangements work smoothly. But the dignity of the state apparently requires it—Irish comment makes significant reference to the fact that the new institution will be eligible for membership of the Bank for International Settlements—and the institution envisaged by the present Bill will certainly do no harm to the soundness of the currency and banking system of Eire.

Finance and Banking

Warships Weeks

The position in the money market continues difficult. The margin of surplus credit has throughout the week been narrow, though always sufficient to make it unnecessary for the discount market to have to seek accommodation from special quarters. The banks have been buyers of bills on a small scale, but in view of the coming calls on them in connection with Warships Weeks, they prefer the exceptional liquidity of short loans to that of bills. The market, which obtained the comparatively high allotment of 38 per cent at last week's tender for Treasury bills, has thus been constrained further to increase its holdings of bills. The banks have been helped by a small repayment of Treasury deposits this week, the £25,000,000 call for new TDR's comparing with nominal maturities of £45,000,000 and with actual maturities of £30,000,000, the balance having been encashed prior to maturity. The Bank return reflects the flow of funds to Government accounts, public deposits having risen by £8,808,000 to £20,988,000 over the month. Bankers' deposits have had to take the strain of this movement and of a further £2,097,000 expansion in the circulation. They have thus fallen by £11,222,000 to the comparatively low level of £117,626,000. The latest increase in the circulation carries the total of notes to £753,574,000, a new high record.

Clearing Banks' February Statements

Abnormally wide movements are revealed by the clearing banks' February statements. The volume of bank credit underwent a considerable contraction during the month, and the whole of its impact, on the assets side, fell on liquid assets. February is a heavy revenue month, during which the Treasury is normally able to repay floating

debt out of the current surplus. This year, however, revenue even at its seasonal peak has at no time equalled the huge expenditure of the Government, and the customary seasonal explanation of the contraction in bank credit does not, therefore, hold good. The impact of heavy revenue payments has, however, been reinforced by large subscriptions to Government issues. Warships Weeks have begun to make their effect felt, and, as was shown by the February debt return, the flow of funds into tax reserve certificates continues unabated, and provides a substantial drain on bank deposits. The clearing banks' deposits fell by £137,170,000 last month, and though this was explained to the extent of £13,403,000 by a reduction of the amount of cheques in course of collection and items in transit, the net movement represents the largest monthly contraction in bank deposits since the clearing banks began the publication of their monthly returns. The shock of these heavy withdrawals was taken by encashing Treasury deposit receipts, which are £93,000,000 down on the month, and by letting bills run off. The latter movement amounts to £45,574,000 and reduces the composite bill holding to £111,467,000, which is also a low record in the history of the clearing bank returns. The banks' smaller purchases of bills were to a large extent countered by substantial sales of bills by the market to the agent of the Bank of England. But, in addition, the market itself was compelled to hold larger amounts, and this is reflected in an increase of £4,448,000 in the clearing banks' short loans. The cash basis was further reduced by £12,381,000 last month, and though the ratio of cash to deposits improved from 10.25 to 10.30 per cent, it still indicated a decidedly taut position at the latter figure.

The contraction of liquid assets was accentuated by the banks' continued purchases of gilt-edged and by the rising trend of advances. Investments were £8,875,000 higher after a roughly equal increase in January. These are the first fruits of the Warships Weeks campaign, of which

the climax will be reached this month. The March clearing bank returns are not expected to reflect more than a fraction of the effect of London Warships Week, since the banks will be making up before the week has run its full course. A further increase of £13,874,000 in advances last month

COMBINED STATEMENT OF LONDON CLEARING BANKS
(In £ millions)

	Feb. 1941	Oct. 1941	Nov. 1941	Dec. 1941	Jan. 1942	Feb. 1942
Capital and reserves	140.2	140.2	140.2	140.3	140.3	140.3
Acceptances, etc.	101.1	104.2	108.6	111.1	106.9	101.5
Notes in circulation	1.4	1.5	1.5	1.5	1.5	1.5
Current, deposit and other accounts	2,708.8	3,175.5	3,208.2	3,329.1	3,221.8	3,084.6
Total liabilities	2,951.5	3,421.4	3,458.5	3,582.0	3,470.5	3,327.9
Cash	283.6	328.2	331.7	365.9	330.2	317.8
Cheques, balances, and items in transit	117.3	114.8	119.3	162.0	133.7	120.3
Money at call	127.9	131.9	128.5	141.3	117.6	122.0
Discounts	209.9	269.9	245.7	171.1	157.0	111.5
Treasury deposit receipts	329.5	595.5	651.0	758.0	738.5	645.5
Investments	814.4	985.9	998.7	998.6	1,007.7	1,016.6
Loans and Advances	899.6	823.2	809.3	806.7	811.8	825.6
Investments in affiliated banks	23.8	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	145.5	148.2	152.5	154.6	150.2	144.8
Total assets	2,951.5	3,421.4	3,458.5	3,582.0	3,470.5	3,327.9

continues the recovery in this item which began in January. This is normally a time when temporary accommodation for tax payments is being extended by the banks, and it is yet too early to suggest that the rise in this item over the past two months indicates a reversal in the long-term downward trend which has been maintained since the early months of the war.

Exit the NEI Guildler

Japan's continued advance in the Pacific areas was signalled in the foreign market this week by the disappearance of quotations for the Netherlands East Indies guildler. Following the Japanese occupation of Java, all sterling and dollar assets of the NEI Government and private individuals have been taken over by the Netherlands authorities in London and New York. This action is of an obviously precautionary nature and intended to prevent these funds

being used in a way contrary to the national interest. The loss of the East Indies means that the Netherlands Government is now deprived of its most prolific source of revenue. Fortunately, the bulk of the merchant fleet remains, and this, together with the colonies in the West Indies and Netherlands Guiana and the substantial sterling and dollar reserves accumulated in recent times, should preserve the financial independence of the Government.

Silver Rupee Price Soaring

The price of silver in India, now divorced from the restraining influence of official sales, has soared to new heights this week. The quotation of Rs. 89 per 100 fine tolas reached on Wednesday is equal to a flat sterling parity of 39.59d. per standard ounce. The shipping parity cannot be calculated at the moment, but allowing for the import duty alone, the effective London-Bombay parity would be 36½d. on the basis of the above quotation. The course of the silver price in India has confirmed the wisdom of the Indian Government in suspending its sales of the metal as soon as it became evident that a major speculative and hoarding demand for the metal had got under way. With the main Empire sources of production threatened it behoves the authorities to conserve available stocks for essential requirements. It may even be questioned whether the time has not arrived for the Government of India to suspend its sales of silver in the London market at the price of 23½d. or at least to subject those sales to the closest selective control. The rise in the rupee silver price creates a number of interesting possibilities. If it proceeds to the point at which a quotation of Rs. 109 per 100 tolas is reached, the bullion value of the rupee coinage of 11/12ths fineness will rise over the present parity of 18d. One may assume that the bulk of the Indian coinage is still of this fineness, though a considerable start has been made at recoinage at 500/1,000 fineness. It is probable that in anticipation of a further rise in the price of silver a considerable amount of hoarding of full silver weight coins is now taking place, and the decision of the Government to stop sales of silver may also have been induced by the fact that its reserves of coin were being depleted by the replacement of currency going into hoards. The position is full of the most interesting possibilities, but it would be unwise to attach too much significance to the manifestations of a hoarding rush for silver in a completely closed and isolated market such as that now represented by India.

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL - - £3,000,000
RESERVE FUND- £3,000,000

Head Office: 38 BISHOPSGATE, LONDON, E.C.2

London (117/122 LEADENHALL STREET, E.C.3)

Branches (28 CHARLES II STREET, HAYMARKET, S.W.1)

Manchester Branch: 52 MOSLEY STREET

Over 40 Agencies and Branches throughout the Far East, &c.

Drafts granted on Agencies and Branches, Bills of Exchange bought and received for collection. Letters of Credit and Travellers' Cheques issued, and every description of banking business transacted. The Bank also undertakes Trusteeships and Executorships.

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government) Branches and Agencies throughout Australia. Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 5,894 Agencies at Post Offices in Australia.

As at 30th June, 1941:—General Bank Balances ... £180,752,179
Savings Bank Balances ... 150,553,865
Note Issue Department ... 77,144,818
Rural Credits Department ... 2,889,454
Other Items ... 19,795,862
£380,635,862

London Office: 8 OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

A. H. LEWIS, Manager.

NATIONAL BANK OF INDIA LIMITED.

Bankers to the Government in Kenya Colony and Uganda.
Head Office: 28 BISHOPSGATE, LONDON, E.C.2

BRANCHES:

Aden and Aden Point	Delhi	Tuticorin	Kenya Colony British E.A. Uganda
Amritsar	Kandy	Zanzibar	
Bombay	Karachi	Kisumu	
Calcutta	Lahore	Mombasa	
Cawnpore	Madras	Nairobi	
Chittagong	Mandala	Nakuru	
Cochin (S. India)	Nuwara	Entebbe	
Colombo	Rangoon	Jinja	
		Kampala	

Dar-es-salaam Mwanza Tanga ... Tanganyika Territory.

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
Established 1832.

General Office: Toronto, Canada.

Paid Up Capital ...	\$12,000,000
Reserve Fund ...	\$24,000,000
Total Assets over ...	\$300,000,000

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

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

Investment

Reinvestment Forces Decline

The effect of the re-investment of the India monies is rapidly wearing off, and, as it does so, the steady trickle of provincial selling of the Funds is resumed. So far, this has not sufficed fully to satisfy the demand of the big houses, but it is not improbable that there will be a halt in the rise in fixed interest securities, if not a reversal of the movement, before it receives a fresh stimulus from the Canada payment in ten days' time. Meanwhile, in other sections, ill news from the Pacific theatre has fully offset the upward drag of rising prices for the Funds, and industrial equities are, according to the index of *The Financial News*, little above lowest of the past six months. There are no doubt a number of special factors operating at the present time which tend to reduce prices of trustee securities. Of these, heavy tax payments are probably of minor importance. There can be no doubt that many private incomes are still falling and, with income tax payments one year, and surtax liabilities two years, in arrear of the actual receipt of income, some selling appears only too probable. It is also the case that the present unexampled drive in the national savings campaign not only produces a very effective competition for new savings, but causes, to some extent, the sale of securities in order that the showing in the local Warships Week shall be as large as possible. In this connection, it is almost certainly the case that the rise in clearing banks' investments during February represents additions to holdings of "tap" issues and not purchases in the market. A further factor of some importance is the approach of the new budget. When all allowance is made for the effects of the receipt of taxes at the increased rates for a full year, for the natural resilience of the revenue in time of expanding production, and for other favourable factors, it will nevertheless be necessary to impose some new taxes as well as to stimulate saving. It may even be the case that there will be an increase in income tax, as well as a reduction in the surtax minimum. It appears probable, however, that the inevitable reduction in civilian outlays will be achieved either by the imposition of indirect taxation, or more probably, and with greater justice, by direct limitation of supplies. Whereas a rise in income tax affects all securities in the same way, any or all of these alternative methods of reducing outlays would tend to affect most the concerns producing the commodities taxed or otherwise restricted. It is possible that the current weakness of equities as against the Funds reflects this argument. This would not, however, account for a fall in the shares of concerns working entirely for the war effort, and it is reasonable to suppose from the general character of the setback that the main cause is a growing conviction that the war is to last longer than was, optimistically, supposed up to the entry of Japan.

Halifax and Abbey Road

Restricted operations, greatly increased liquidity, steady mortgage repayments and stability of funds characterise the 1941 results of our two largest building societies. Halifax, during the year to January 31st last, advanced a mere £1,497,955 on new mortgages, compared with £20,340,000 in the last pre-war year. At the end of the year, shares and deposits were only £300,000 lower at £118,209,665—new subscriptions and accrued interest more or less equalled controlled withdrawals. Total mortgage funds, however, fell from £100,539,000 to £94,394,000; in short, the average mortgagor fulfilled his obligations creditably, and repaid substantial sums in capital, notwithstanding the relief granted to many borrowers to meet difficult wartime circumstances. The inevitable consequence of this combination of a virtually closed mortgage department, stable investment funds, and steady loan repayments is a striking increase in liquid funds and investments of more than £6 millions to £29,839,000. This is a formidable total. It is even more striking when expressed as a percentage of total assets—24 per cent, compared with about 17 per cent at January 31, 1939. Identical trends are shown by the Abbey Road accounts for 1941—£210,508 advanced compared with £6,280,666 in 1939, and an improvement in the liquidity ratio from 6 per cent to over 10 per cent. Since 1939, there has been some fall in deposits and shares through the natural process of repayment, from £48 millions to £45½

millions. These results suggest that the societies are striving to maintain their total funds, and they are left with only one outlet for funds released by mortgage repayments—the gilt-edged market. Their policy is evidently to build up their resources towards the resumption of free lending after the war. There is much to be said for this—not least because the societies are now canalising a substantial flow of funds into gilt-edged which might, in private hands, be tempted towards the consumption goods market. But it is not an easy choice. Gilt-edged stocks yielding 2½ per cent cannot replace mortgages yielding 4½ per cent without straining the societies' revenue position. It is already tight, and the only apparent relief would seem to lie in a further reduction in investment rates. Even at the reduced levels of 2½–2½ per cent tax free, these are still well out of line with the general structure of interest rates.

Tax Free Preference Payments

The reduction in the net income of many investors has occasioned them and their advisers to scrutinise more closely the exact rights attaching to their holdings. This is presumably the explanation of the increased interest shown of late in the method of calculating the net amount payable on preference shares and other securities which are "free of tax" up to a stated amount in the pound. The position is somewhat complicated, but the overriding considerations can be stated in fairly simple language. The rules governing the payment of income tax cannot be altered by arrangement between two parties. Consequently, the arrangement to pay preference dividends less tax at a given rate merely sets out a means of determining what the net payment actually shall be. It follows that there can be as many different answers to the question, what will be the net receipt on a dividend free of tax at 6s. in the pound when the standard rate is 10s. in the pound, as there are effectively different contracts. So long as they keep within the law and the income tax rules, the articles of association are the deciding factor. In practice, however, the mere statement that a dividend is free of tax up to 6s. in the pound is held to mean that the maximum gross (taxable) amount bears the same relation to 20s. as the amount of the dividend does to 14s. That is, 6 per cent on £1,000 equals £60 net, or $£60 \times 20 \div 14 = £85$ 14s. 3d. gross. On this sum, tax has to be charged at 10s. in the pound and the net receipt is £42 17s. 2d. That is the usual arrangement, but there may be others. A case in point is that of the Austin Motor Company whose "B" preference stockholders have to bear tax in excess of 6s. on a gross sum of 6 per cent. The relevant extract from the articles, kindly supplied by the company, reads as follows: "The 'B' preference shares shall confer the right to a cumulative preferential dividend at such rate that after deduction of tax thereon at the current rate—the amount remaining shall be the sum of 6 per cent per annum—less the amount of any income tax for the time being payable in excess of 6s. in the pound computed on a gross sum of six pounds per cent per annum on such capital." That is, at present, 6 per cent less (10s. minus 6s.) or 4.8 per cent after tax against 4.286 per cent after tax under the more usual method. Evidently, this is a matter of considerable importance to holders of the "B" capital and of the equity, and serves to stress the need for a careful enquiry as to the exact rights attaching to shares.

Dealing in Australian Shares

Although the matter is of more interest to the student than to the British holder of the securities concerned, there will be general satisfaction that the Commonwealth ban on general business is, apparently, to be withdrawn. According to present indications, there is to be substituted for it a system of movable maxima and minima, from which it is possible that this country might learn something. The suggested basis is that the dealers in securities should fix a fair price in view of current conditions and that business should be permitted within a range of prices from 10 per cent above this basic figure to 10 per cent below it. This very generous allowance will prevent ragged speculation

from driving quotations unduly far in either direction, but, of course, at the cost of making it sometimes impossible to deal in the shares in question if the speculation actually arises. Presumably, however, if the movement is unjustified by events, a swing back will occur and business will again become possible on the old basis. This is somewhat similar to arrangements adopted in Canada, particularly in commodity markets, in times of severe strain. It seems well adapted to existing conditions in Australia, and should not greatly affect turnover. In the event of a real and permanent change in the underlying conditions which would affect the "real" value of a security, business would soon become impossible owing to the maximum or minimum being reached. And to guard against this, the dealers are charged with the duty of a periodic revision of the basic price. The arrangement has the weakness that it is not easy to say how the real value is to be distinguished from the market price. It is, however, perhaps a good deal easier in the Commonwealth than in this country, with its much more numerous list of securities, to reach a reasonable conclusion, and, provided they are not unduly influenced by a very natural desire to maintain turnover, it is probable that dealers are less liable to be driven into the state of mind which dictates panic selling or over-optimistic buying, than is the ordinary member of the public. Much will depend upon how readily they change basic prices, but, for the immediate future, selling will mean a heavy sacrifice in almost every section, and business is not likely to be very active.

Foreign Debt Announcements

The foreign bondholder has received further heavy, if not unexpected, blows in the shape of default on the 4½ per cent Siamese Loan, 1907, and of the issue of a communiqué by the Greek Government formally stating that no further payment can be made on the external debt for the duration. It has, of course, been obvious that since Japan invaded Siam and Germany conquered Greece there could be no further payment on the foreign debt of these countries. No payment has in fact been made on Greek loans since April 1, 1941. The bonds and coupons of the 4½ per cent Siamese Loan, 1907, fell due on March 1st last—the first interest date since the country came under enemy occupation. As Siam is at war with this country, it must be presumed that the Government will also default on the 4 per cent Sterling Conversion Loan, 1936, interest on which is due on April 15th, and on the rest of its external debt. From the standpoint of the investor, a very different reception must be accorded to these two announcements. The Greek Government, since the conclusion of the agreement in January, 1940, by which Greece undertook to pay 43 per cent of the interest due, has done much to raise her standing as a debtor. The agreement concluded a dispute which had lasted for some three years, and since then the Greek Government continued to transfer interest throughout the critical and gallant campaign against Italy. No debtor can meet its obligations when separated from all sources of income, and there can be no doubt that Greece will resume payment at the earliest opportunity. In the case of Siam, however, it is notorious that virtually no attempt was made to curtail Japanese infiltration prior to actual invasion, or to resist in a military sense. This default is salutary, if painful, for the investor in foreign bonds, who has hitherto attached to Siamese issues almost the status of investments in a Crown Colony—on the slenderest

THE ALEXANDRIA WATER COMPANY, LIMITED ALEXANDRIA, EGYPT.

NOTICE IS HEREBY GIVEN that the sixty-fourth ordinary general meeting of the shareholders will be held at the company's offices, 61 Avenue Fouad ter, Alexandria, on 9th April, 1942, at half past four in the afternoon for the transaction of the ordinary business of the company, pursuant to Act of Parliament and to ratify the proceedings of the ordinary general meeting held on the 4th April, 1941.

Holders of share warrants to bearer desiring to attend or to be represented at the meeting must deposit their share warrants in London before the 26th March, 1942, or in Alexandria before the 6th April, 1942, until after the meeting at the National Bank of Egypt, 6 King William Street, London, E.C. 4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

Dated, Alexandria, Egypt, the 2nd March, 1942.

By order of the Board,
T. D. KEY
ROBERT WALTON } Joint Managers.

of evidence. The war in the Far East will inevitably set fresh values on the standing of investments in that area, based on a more realist appreciation of the political issues at stake. The total of the 4½ per cent Siamese Loan, 1907, outstanding in London is £754,220. At the end of 1939, the total amounts of the Greek debt outstanding were: gold francs 750,696,000; £13,391,680 and \$38,278,500, of which the first two sections were quoted, but not exclusively held, in London. There are, in addition, Greek liabilities on the Repartitioned Debt of the former Ottoman Empire.

Company Notes

London Brick Results

Full accounts of London Brick for 1941 show an increase in trading profits of £28,246 to £365,565, while total income is up from £354,325 to £386,210. In the previous year, however, profits were struck after the provision of £60,250 to be written off motor vehicles, while no such provision was considered necessary in 1941. Depreciation receives £100,000, as before, so that the available surplus is up from £219,195 to £251,080 and the ordinary dividend—which is again 10 per cent—is covered by earnings of 15.1 against 11.7 per cent. The directors have placed £50,000 against nil to general reserve, raising the total of the fund to £450,000. Thus, the carry forward is only £1,080 higher, at £103,390. Three years' results are analysed in the following table:—

	Years ended December 31st		
	1939	1940	1941
	£	£	£
Total profits, after tax and reconstruction.....	336,344	354,325	386,210
Depreciation	100,000	100,000	100,000
Fees	3,229	3,130	3,130
Preference Dividend	32,000	32,000	32,000
Ordinary stock:—			
<i>Earnings</i>	201,115	219,195	251,080
<i>Paid</i>	200,000	200,000	200,000
<i>Earnings %</i>	10.1	11.7	15.1
<i>Paid %</i>	10	10	10
General reserve.....			50,000
Carry forward	83,115	102,310	103,390

The directors state that for the first nine months of the year trading conditions were more satisfactory than in 1940, but that the concern was hampered in the last quarter by a falling off in Government requirements and also by the ban on long distance transport of bricks. Thus, the balance sheet shows a rise in stocks from £181,888 to £236,201. The sharp contraction in debtors from £518,252 to £351,534, accompanied by a rise in the total of cash and Government securities from £380,520 to £652,817, suggests that substantial payments have been received on Government account. There is a decline in investments—valued at less than market prices—from £469,831 to £347,615, while tax-free loans to the Treasury have been reduced by £50,000 to £150,000. On the liabilities side, creditors are slightly higher at £286,562 against £269,781, while the reserve for tax and contingencies is unchanged at £370,000. The directors state that the share capital of Clock House Brick and the assets of Aylesford Pottery have been acquired, a transaction which no doubt accounts for the item, shares in subsidiary company, of £74,000 against nil. Stockholders should expect some further slowing down in official demand for defence and factory construction this year. The £1 ordinary stock, at 48s. ex dividend, yields £4 3s. 4d. per cent.

Sudan Plantations

The capital and income position of *Sudan Plantations*, and its subsidiary, *Kassala Cotton*, were significantly affected, in the year to June 30th last, by the conclusion of an agreement for the transfer to the Sudan Government of buildings, electric light and water installation ten years prior to the expiry of the concession in 1950. The transfer is to be made for specific sums, £385,400 in the case of *Sudan Plantations*, and £64,652 in the case of *Kassala Cotton*, which are payable at the end of the period, the dividend paying a fixed annual rent in the meanwhile. For *Sudan Plantations*, the amount due is some £100,000 below the gross valuation of the buildings, and, in consequence,

FREE TRADE—AND NO COMPROMISE

The announcement in November last of the foundation and purpose of the Free Trade Legion has brought remarkable results.

Letters have poured in to the Headquarters of the Legion from many parts of our own Country and of the free World. They show an anxiety that the work of the Legion should be accelerated. They indicate that the policy is ripe for development. A writer from Winnipeg—Mr. H. G. L. Strange, of the Searle Grain Company—says: "I will do everything I can in this country to forward the splendid objects of your Legion. I predict that the crusade upon which you are entering will sweep the Democratic countries of the World." All the evidence confirms that view.

Protectionists and planners of industry who would put our people in chains will stand no chance against the rising tide of revolt in the public mind that has now begun.

Everywhere people are realising the truth of the declaration by that great American statesman, Mr. Sumner Welles, that tariffs caused the rise of Nazism and they know that an important contribution to the breaking of Nazism and the uprising of Liberal forces in enemy Countries would be a declaration of complete and uncompromising Free Trade by the great Democracies.

Already the Democracies have travelled far along that road. The recent declaration by the Governments of the United Kingdom and of the United States that any meeting of obligations between the two peoples shall be carried out in such a manner as not to burden commerce between the two Nations buttresses still further the admirable clauses of the Atlantic Charter. Moreover the Governments are to discuss measures which will reduce tariffs and other trade barriers.

The Free Trade Legion and all right-thinking British people will support their Governments to the full in any measures of that kind. They are steps towards winning the War and winning the Peace.

The Free Trade Legion goes further than the Governments have yet gone. It is supported by many people who have always believed that the abandonment of Free Trade by our Country was the greatest economic blunder ever committed in our long and glorious history. They ask for a declaration now of our intention to return to Free Trade regardless of what other Nations may do.

That is the essence of our campaign.

It is unlikely that all countries will immediately agree to abandon their protectionist policies. Even in the United States there will be some who will fail to realise that the standard of life of all mankind can only be raised by abundance, natural prices and the free flow of goods and services. Consequently, there may be discussions and delays. But in the long run all proposals for anything less than complete Free Trade for our Country will have to be abandoned, for only by that step can we hope to survive as a great Nation and recover our former strength and prosperity.

It is as well also for us, at this moment when the destiny of our Country and Empire and indeed of all the English-speaking peoples is in the balance, that we should recognise that it is our mercantile marine, our Royal Navy, with their co-operating fighter aircraft, which alone stand between us and utter disaster. That mercantile marine can only be maintained under a policy of Free Trade. Indeed, it is true that the policy of Protection in all its phases was responsible for the serious reduction in the numbers of our mercantile vessels between the two wars and the reduction in the numbers of our sailors in merchant vessels and fishing fleets by over eighty thousand.

Even agriculture must rank second to the mercantile marine, for, though we are convinced that agriculture can flourish under Free Trade, we are equally convinced that our lands and cattle will not for ever remain in British hands without the reserve defence services of men and ships provided by a powerful mercantile marine.

We emphasise these points particularly for the younger people amongst us. In the past thirty years the young people have heard little of the policy and benefits of Free Trade. And, if further justification for our campaign were needed, we would emphasise the importance of making good the gap in the knowledge of the rising generation. In the coming years great decisions will have to be taken by people who are now in their early youth. It is the duty, therefore, of the older people who know of the happy conditions which prevailed under Free Trade to pass down their knowledge and experience.

We invite old and young to join with us in a cheerful crusade for the revival of all the greatest elements in our national life so that the British people may proudly carry on the good work of their forefathers in their service to all mankind.

Send for the Manifesto of the Free Trade Legion, 38, Bedford Street, Strand, W.C.2.

President—Major HON. L. H. CRIPPS, C.B.E.; *Honorary Secretary*—Commander GEOFFREY BOWLES, R.N.

The Free Trade Legion stands for Free Trade, retrenchment and reform, private enterprise, individual responsibility and sanctity of contract.

We send greetings to all those who have written to us from South Africa, the United States and Canada, the Argentine and Brazil. All letters received have been answered.

2s. 6d. a week to a maximum of 62s. 6d. a week at 32 years of age. The employees benefiting from the Tribunal's award are (a) those in receipt of a basic weekly wage of less than £3, numbering some 195,000 men and 750 women in the conciliation grades and 3,500 men and 10,000 women in the salaried staff; (b) those standing at the maximum rates of Class 5 in the clerical, stationmaster and supervisory grades and at the maximum rate of Class 2 in the case of female staff, numbering together about 19,600 persons; and (c) women clerks performing duties similar in character and value to those of male clerks. In view of the fact that wages in the lower ranks of railway workers have hitherto been comparatively low—even agricultural workers now receive a minimum weekly wage of £3—the Tribunal's award does not appear unreasonable. The increase in wages does not affect the position of shareholders, for the railway companies now receive a fixed annual sum for their services from the Government.

Progress of Scrap Campaign

In a Note on page 336 of *The Economist* of last week, it was pointed out that there was then still little news concerning the progress of the new iron and steel scrap campaign. Since then the Ministry of Works and Buildings, which is in charge of the collection of scrap, has released information which suggests that a fairly good start has been made. During the first seven weeks of the campaign, up to the end of February, the quantity collected was 176,000 tons, equivalent to about 25,000 tons per week. Moreover, it is understood that the weekly rate of collection is now gradually rising towards the 40,000-ton mark, which is the target originally set and which will presumably be required in addition to last year's supplies if the output of steel is to be raised sufficiently to offset the reduction in supplies of scrap and steel from the United States. Moreover, there have been indications of an improvement in the output of iron ore, which is scarcely less vital than an increase in deliveries of scrap.

Retail Trade in January

The average daily value of retail sales, calculated by the Bank of England, usually shows a recession in January from the seasonally high December figures. This year the peak in December was not as high as usual, and the index for all sales (1937 = 100) fell by 16 per cent from 126 to 106, compared with a decline of 23 per cent, from 132 to 102, a year earlier. The value of sales in January was, however, relatively high, being 4.1 per cent greater than in January, 1941. The main classes of sales responsible for the increase compared with a year ago were: men's and boys' wear, with a rise of 20.1 per cent; boots and shoes, in which turnover rose by 32.6 per cent; the furnishing departments, where the rise was 32.4 per cent; and household piece-goods, with an increase of 28 per cent. In general, it is probable that these rises indicate the relatively large advance in prices which has taken place in these departments. The index of sales of food and perishables which stood at 110 in January and 123 in December, 1941, was 108 for January last. The slight decline on the year of 1.1 per cent was close to the average monthly decline in 1941 of 1.5 per cent. The smallest increase since June in the total value of stocks at cost was recorded in January, when the rise was 7.9 per cent on the year. Retailers did not in general follow their peace-time policy of reducing stocks in January. Such "sales" as took place were limited, and the tendency was to conserve rather than to clear stocks.

Traders' Coupon Vouchers

The Board of Trade has devised a new system for the arrangement whereby traders' clothing vouchers of 500 coupons may be obtained from post offices. Clothing traders have been permitted to exchange 490 loose coupons for 500-coupon vouchers at post offices on presentation of sealed envelopes endorsed with their name and address and a declaration that the envelopes contain the requisite number of coupons. After the issue of the vouchers, the envelopes went to the Board of Trade for examination and checking. Inevitably, some envelopes contained nothing but waste paper and bore false names and addresses. Some offenders were traced and sent to prison. But since the announcement that banking facilities for clothing coupons are to be established, the fraud has shown signs of spreading. The Board

of Trade has stated, however, that the fraud is not widespread and has in no way reached a scale which threatens to undermine the rationing system. Since last Monday vouchers are no longer issued until the contents of the envelopes have been examined. To enable this to be done, the envelopes will have to be deposited two days before the vouchers are claimed. The banking system for coupons, which is expected to start in a few months' time, would in any case have killed this gratuitous source of supply. The Board of Trade is to be congratulated on having closed a door to the black market, for it seems to have put a faith in human nature which was not found to be justified. In any case, the number of coupons in the envelopes had to be checked, and it seems unlikely that much additional administrative work would have been required to operate the new system from the beginning.

Cotton Trade Wages

There are no signs that the claim for higher wages in the cotton industry will be settled by negotiation between the employers and the trade unions. The application of the operatives in the spinning branch is for an advance of 3s. 4d. in the £ on current wages, and in the weaving section the claim is for a flat increase of 8s. 0d. a week for each operative. The Master Spinners' Federation has rejected the demand of the Operative Spinners' and Card-room Amalgamations, the president of the Federation having stated that his committee has not found anything in the reasons for the application which justifies the granting of an increase other than that provided by the cost of living agreement of March, 1940. The Manufacturers' Association have reached a decision, but they have not made known what it is; it may be taken for granted, however, that the claim will be refused. It is believed in trade circles that both these applications will be settled by arbitration by the National Arbitration Tribunal for the spinning section, and by a decision of the Joint Conciliation Committee, of which Sir Charles Doughty, KC, is chairman, in the weaving branch. As since the outbreak of war the operatives throughout the industry have received advances amounting to 35 per cent on the wages existing in September, 1939, there is a feeling that the present movement is not justified. Should any concession be secured as a result of arbitration proceedings, then the spinning employers will undoubtedly make a request to the Cotton Controller for an increase in price margins. Broadly, the cost of any wages advance would indirectly have to be met by the Government, either through a reduction in payments of EPT by individual firms or by an increase in the prices of cotton goods purchased by the Service Departments.

Manganese

In view of the potential threat to communications with India, the problem of Allied supplies of manganese, essential to the production of iron and steel, has acquired a new significance. In recent years, world production of manganese ore fluctuated between 5,000,000 and 6,000,000 tons per annum, with a manganese content of slightly less than 50 per cent. To this total, Russia contributed some 3,000,000 tons and India between 900,000 and 1,200,000 tons. Russia has been exploiting two large deposits, the Nikopol deposits in the Ukraine and the Tshiatury deposits on the southern slopes of the Caucasus. The one, which provided about one-third of Russia's supplies, is in the hands of the Nazis, and exports from the other, formerly shipped from the Black Sea port of Poti, are now limited through lack of adequate transport facilities. In India, manganese ore is mined in the Central Provinces and shipped from Bombay, Calcutta and Vizagapatam. But even if the threat to communications with India should become serious, the Allies would still be in a better position than during the last war, when Russia and India were the only large producers. During the interval, production in South Africa and the Gold Coast has been increased very considerably to a capacity of about 1,500,000 tons per annum; some 500,000 tons can now be supplied annually by Latin America, mainly from Brazil, Cuba and Chile, and a further 200,000 tons by the Sinai Peninsula in Egypt. Moreover, a good deal of technical progress has been made in recent years in the treatment of low-grade ores which are found in abundance in the United States. The United Nations are therefore unlikely to experience a decisive shortage of manganese.

COMPANY MEETINGS

LONDON MIDLAND AND SCOTTISH RAILWAY COMPANY

REVISED CONTROL AGREEMENT

SIR THOMAS ROYDEN'S SPEECH

The nineteenth annual general meeting of the London Midland and Scottish Railway Company was held, on the 6th instant, at Friends House, Euston Road, London, N.W. 1.

Sir Thomas Royden, Bart, CH, chairman of the company, who presided, said: In the report before you a brief description is given of the terms of the revised financial arrangements with the Government for their use of our undertaking.

We had supposed that the original agreement would be left undisturbed, as the whole object of the scheme of control is to assist the Government in the efficient prosecution of the war and the maintenance of supplies and services essential to the life of the community, and this object was being achieved quite successfully. In this hope and belief we were mistaken.

The Government told us that as from January 1, 1941, it was proposed to substitute for the existing scheme a guarantee of revenue. After much negotiation it was agreed that beginning January 1, 1941, the Government would pay to the four main line companies and the LPTB an annual sum of £43,000,000 to the end of control. This payment of a fixed amount was in substitution for the pooling arrangements. We were further informed that the Government had decided that the new war damage scheme was to apply from the beginning of control. During negotiation it was made perfectly clear that £43,000,000 was the maximum that the Government was prepared to pay, and in all the circumstances your Board, in common with those of the other companies and the LPTB, having heard the proposals of the Government, agreed to accept them. The payment which we shall receive under the new scheme, leaving aside for the moment the question of war damage, is a fixed sum of £14,749,698 per annum instead of a minimum sum of £13,465,624, the latter carrying with it in addition a participation in the net revenue of the Pool above that minimum. In neither case do these amounts include the net revenue from our holdings in Irish railways or investments in road transport undertakings. The actual profit earned by any railway for 1941 is not ascertainable, but the LMS amount is certainly substantially greater than the amount payable to us under the new agreement.

PROVISION FOR CHARGES REVISION

The agreement further notes the standard revenue of £20,579,930 which was settled by the Railways Act of 1921, and, to meet the changed conditions, provides that, before the end of control, time will be given for adjustment of the level of charges. In addition, records will continue to be kept of the increased costs due to war conditions, and these will enable a close estimate to be made of the true net revenue of the controlled undertakings as a whole. These obligations of the Government will have an important value after the war, and are some recompense for the retention by the Government of a substantial proportion of our profits during the war period.

The provisions for war damage on the railways are by the new agreement brought into line with those affecting other public utility undertakings, and will in due course be embodied in an Act of Parliament. The scheme has not been completed, but broadly, it will provide that not more than one-half of the damage will be borne, in agreed shares, by the railway undertakings concerned, the balance being borne by the Exchequer. This may or may not be to our advantage. It depends on the total amount of the damage, as under the original agreement the amount payable by the railways was the damage in excess of £10,000,000 per annum. The liability falling upon us, whatever it will be, will not be a charge in ascertaining net revenue, as Parliament has decided that for all purposes it is of a capital nature. In due course proposals for dealing with it will be placed before you, but not until the war is over. Various ways and means are under consideration, but it is not intended to make large reserves during the war for that purpose. Meanwhile, following a provision of £300,000 in 1940,

£400,000 has been set aside this year to meet war-time contingencies generally.

RESULTS OF THE YEAR

The result to us of the year's working is an improvement of the net revenue compared with 1940 of £544,000. The portion of this in respect of the net revenue accruing under the Government agreement, after meeting various items not chargeable to the Government account, shows an increase of £340,000, and there are gratifying increases of £172,000 from the Northern Counties Committee and £32,000 from road and other transport investments.

Of this increase of £544,000, the additional provision for war-time contingencies which I have mentioned absorbs £100,000, and the proposed dividend of 2 per cent., compared with 1½ per cent. in 1941, requires £476,000.

During the past year action has been taken on many matters on directions from the Minister. These directions, although limited to the period of Government control, may affect the value of our post-war assets or the earning capacity of the company and must, therefore, and they will, be kept under close and continuous review in case it may prove necessary to take steps to protect our position after the war.

TRAFFIC RECORD

We have successfully carried a larger volume of traffic than ever before in our history in the face of many acute operating difficulties. In the first place, there has been a very considerable reduction in new locomotive construction, owing to the shortage of labour and materials. The position has been further adversely affected by the demands of Government Departments for locomotives for use in their establishments and for service overseas. We have, therefore, had to meet abnormally large requirements with considerably less motive power. To meet these abnormal conditions, methods have been adopted to increase the availability of the locomotives at our disposal by speeding up repairs, revising the regulations governing the maintenance and servicing of locomotives at the depots, reallocating engine duties so as to release the heavier types of locomotives for freight work, and by mutual arrangement with the other railways for transfer of locomotives to one another. Some of these steps have required heavy expenditure which would not be justifiable in normal conditions, but they have been justified by the present national circumstances.

With altered conditions of imports and exports there has been a great change in the flow of traffic from those obtaining before the war, and there is not the same regularity in such flows. In order to meet this new demand a quick turn-round of freight rolling stock is essential, and in March, 1941, an Inter-Railway Freight Rolling Stock Control was set up in order that the whole of the combined railways' rolling stock might be distributed in accordance with the immediate needs of the traffic offering. Whilst each railway continues its own internal control and distribution of rolling stock, the Inter-Railway Control adjusts daily the distribution of the stock between the respective railways to meet the ascertained needs of the traffic to be conveyed. The new organisation has proved very satisfactory and enables the available freight rolling stock to be placed as quickly as possible at the points needed, and improves the turn-round of all the wagons and their equipment. An example of its useful work is the supply of wagons to the collieries. There has been a very great improvement in this respect; even during the recent spell of very bad weather it was possible to keep the pits adequately supplied with wagons, and the collieries have expressed to us their appreciation of the arrangements.

Passenger travel increased substantially, owing, in the main, to much new workmen's traffic and a growth in movement of members of His Majesty's Forces.

There was also a considerable increase in merchandise carried, and the loaded wagon miles run were considerably greater than those in the pre-war peak year of 1929.

REGULAR CONTACT WITH GOVERNMENT DEPARTMENTS

Regular contact has been maintained with Government Departments and trade organisations to enable traffic to be worked evenly and to avoid congestion and wagon detention. No less than 258 of our officers are working in liaison with Government Departments, and still more can be done to improve the turn-round of wagons and thus secure an even flow of traffic for production requirements.

To effect a saving in locomotive power and to increase track capacity for working Government and other traffic of national importance, the train services are under constant review so that essential services, whether for passenger or freight traffic, shall have priority. It has thus been found necessary to withdraw a number of passenger trains, mainly of a local character, and this has produced a definite benefit to other services, including new daily trains for the large additional influx of workers to Government and other factories.

Owing to the congestion of passenger traffic on certain sections of the railways in the London area at peak periods, the Minister decided, in order to provide the maximum accommodation in the available trains, that first-class accommodation on all passenger services operating inside the London area, and between London and certain places outside that area, should be withdrawn and one class trains should be provided.

CURTAILMENT OF PASSENGER FACILITIES

There are some people who seem unable to understand why we have been forced to the regrettable necessity of curtailing passenger facilities in this way. I have already explained to you the problems we are faced with so far as the shortage of locomotive power is concerned, and the need for dealing with a vast increase in Government and other traffic of vital importance for the successful prosecution of the war. The decision to curtail passenger facilities has not been welcome to us, though we receive letters from some who seem to think we are doing it for the sake of doing it. Even now there are people who do not understand what total war requires, and that if we are to win through all considerations of personal comfort must be put on one side, and we must devote ourselves to the main task of organising our resources—of which the railway is a major one—so as to bring the highest striking power to bear on the enemy. If people are asked to stay at home unless they have to travel for essential purposes, that surely is a reasonable request. If they are asked to take their own food with them on a journey, that is not much to ask. We all remember pre-war standards, but the only standard now is that we must all pull together to win this war.

Throughout the year the special trains required for the conveyance of troops and military equipment were numerous, and I am glad to say were moved without a hitch. These trains often interfered with the running of many ordinary long-distance trains, which in turn affected the working of local trains far away, but this reaction is avoided wherever possible.

The report was adopted.

GENERAL INVESTORS AND TRUSTEES, LIMITED

The thirty-fifth annual general meeting of General Investors and Trustees, Limited, was held, on the 12th instant, in London. Mr Gerald T. Moody (chairman of the company) presiding.

The following is an extract from the statement of the chairman circulated with the report and accounts:

This company has so far weathered the storm, and the revenue allows the board to recommend a final dividend on the Ordinary stock of 6 per cent., making 9 per cent. for the year, the same as in the previous year. The maintenance of the revenue shows that prudence has been exercised in the past, and that the securities selected were of a substantial character. The strength of our investment position is upheld by the fact that at January 31st last we owned £100,000 British Government Securities in addition to cash balances amounting to £54,298.

In the year now current our revenue is likely to be adversely affected by the war in the Far East. Our portfolio being widely spread, the loss may, however, be made up in part by improvement in other quarters.

The report was adopted.

SOUTHERN RAILWAY COMPANY

WARTIME PROBLEMS

The annual general meeting of the Southern Railway Company was held, on the 12th instant, in London.

Mr Robert Holland-Martin, CB (the chairman), first dealt in detail with the revision of the financial arrangements with the Government in the form of a fixed annual payment by the Government to the controlled undertakings instead of the pooling and sharing arrangement established by the original agreement. The four main line companies and the London Passenger Transport Board, after due consideration, had decided that the Government's offer of a fixed annual payment of £43,000,000 was one that should be accepted. The Southern Railway's share of that payment was £6,607,639. The railways by accepting this payment had not by implication in any way abandoned the principle of standard revenue. Any anxiety, therefore, which stockholders might feel as to whether the agreement had jeopardised the statutory background in relation to standard revenue might be set at rest.

Dealing with the accounts, the chairman said that the net revenue for the year amounted to £6,934,260, an increase of £178,470. After meeting the interest on debenture stocks and dividends on guaranteed and preference stocks, the balance available for dividend on ordinary stock was £2,031,745. After deducting the full 5 per cent. on the preferred ordinary stock there remained £652,415, which would enable them to pay a dividend on the deferred ordinary stock of 1½ per cent. for the year and carry forward £101,336.

YEAR OF DOGGED ENDEAVOUR

He had to record the work of a year of dogged endeavour and skilled application necessary to surmount the hundred and one problems that daily beset the war-time operation and maintenance of the railway. In times of peace the Southern had been predominantly a passenger line. War and the national interest today compelled the movement of freight to take precedence of the convenience of passengers. The efficient handling of that vast and growing freight traffic—so essential for the successful prosecution of the war—was a tremendous task. It was not to be wondered at that the requirements of freight traffic sometimes impinged on the regularity of their passenger trains.

The elimination of first-class accommodation in their London suburban services had incommenced a large number of their regular passengers. The change had been accepted loyally and with few complaints, their regular first-class travellers appreciating that it was one more personal sacrifice in the interest of the nation.

The maintenance of the way and works in a condition to take the heavy burden of war-time traffic was no easy task. It was a job, however, tackled with energy and skill. He wished that it was possible for him to detail some of the many marvellous repairs of war damage that had been achieved. It had indeed been a wonderful performance on the part of all.

ELECTRIC LOCOMOTIVES

From a railway point of view one of the most interesting events of the past year had been the completion of the first of two electric locomotives. Up to the present the whole of their electric rolling stock had consisted of multiple unit trains and they had retained steam engines to work goods trains and also passenger trains going beyond the electrified area. They had always realised, however, that the full benefit of electric traction could only be secured if all traffic over electrified lines could be worked electrically. The first electric locomotive had been successfully tested on 750 tons passenger trains and 1,000 tons freight trains.

Suggestions had been made that they did not plan ahead their war policy. Nothing now could be further from the facts in regard to transport. Their railway experts, knowing intimately the special features and considerations affecting their own systems, sat down with the officers of the Ministry who had knowledge of Government policy and the likely development of the war machine. Along with representatives of other forms of transport there were mapped out the requirements for ports, factories, service depots, aerodromes, months ahead and now, as various complementary railway works came to fruition, they realised to the full the value of that planning.

The report was adopted.

GREAT WESTERN RAILWAY COMPANY

REVISED GOVERNMENT SCHEME

SIR CHARLES HAMBRO'S ADDRESS

The annual general meeting of the Great Western Railway Company was held, on the 11th instant, at Paddington Station, W.

Sir Charles J. Hambro, KBE, MC (the chairman), who presided, in the course of his speech said: The net revenue for the year amounted to £6,931,767, of which £6,670,603 is our fixed annual payment under the revised financial arrangement with HM Government, to which I shall refer later. The balance of £261,164 represents, subject to minor adjustments, the net income from sources not coming within the scope of the fixed payment. The balance brought forward from last year amounted to £289,129, and after allowing for an appropriation of £250,000 to the contingency fund, it is proposed that a dividend of £2 10s. be paid on the Consolidated Ordinary stock for the half-year to December 31st last, making £4 per cent. for the year.

In present circumstances, with so many uncertainties in regard to the future, we thought it prudent to make this allocation of £250,000 to the contingency fund, which now amounts to £4,069,095. This is a free reserve and is, of course, available to meet any abnormal position that may arise in the future.

REVISION OF FINANCIAL ARRANGEMENTS

When I addressed you last year I told you of the intimation which had been given to us by the Government that in their view some modification of the financial arrangements then in operation would be necessary on account of the war damage compensation proposals of the Government. The Chancellor of the Exchequer in his Budget speech shortly after our meeting also referred to the desire of the Exchequer to avert further increases in railway rates and fares, with a view to checking the upward movement in prices, which the Government were anxious to stabilise.

These were the new considerations which necessitated a revision of the financial arrangements previously agreed, and in the negotiations which followed the Government indicated their desire that the new basis should be a fixed annual payment to the companies and the London Passenger Transport Board in lieu of the previous arrangement.

This proposal was readily accepted by the companies, who had previously pointed out the difficulties and objections, both political and practical, which were likely to arise under the old agreement, and the only point at issue was the amount of the fixed annual payment which should be made.

After taking all factors into consideration they decided to accept the Government's final offer of an annual payment to the four main line companies and the London Passenger Transport Board of £43,000,000 to operate from December 31, 1940, for the remaining period of control, which is to be continued for a minimum period of one year after the cessation of hostilities. Our share of the £43,000,000 is £6,670,603.

Prominently in the minds of those who conducted the negotiations was the preservation of the statutory rights of the companies with regard to the earning of their standard revenues. These revenues are a factor in the pooling and sharing provisions which apply up to December 31, 1940, and are noted in Appendix C to the new agreement, which also contains an express paragraph (Article 33), the effect of which is that, subject to any action which the Legislature may take in the meanwhile (a contingency against which we obviously cannot provide), time will be given for the operation of any statutory machinery governing the level of rates, fares and charges before control comes to an end, and in this way the pre-war rights of the companies in this important matter are confirmed and kept alive. The protection thus afforded will, I hope, remove the anxiety felt by certain of the proprietors, who feared that the acceptance of a fixed guaranteed payment might jeopardise the application of the standard revenue principles after the expiration of Government control, or be regarded as an implied admission that these principles have for all practical purposes ceased to be effective.

WAR DAMAGE PROVISION

With regard to war damage, the new agreement provides that after December 31, 1940, no charge shall be made in the

net revenue account of any accounting period in respect of war damage, and cancels the earlier arrangement under which the cost of restoring such damage up to a maximum of £10,000,000 in any year was to be charged to revenue expenditure.

The future position as regards war damage is still the subject of negotiation. Under the proposed scheme it is understood that public utility companies are to be grouped, and presumably one such group will embrace all the railway undertakings.

The suggested contributions of the members in each group will be 50 per cent. of the aggregate war damage payments made to the members of the group payable in four annual instalments, the first to fall due on July 1st next. As I have previously mentioned, there are preliminary difficulties to be surmounted before the scheme matures. You will appreciate that until the discussions with the Government assume more definite shape, and hostilities have ceased, we cannot form any estimate of the ultimate scope of the liability which we shall have to meet.

The directors fully recognise that at first sight the new agreement may appear to be much less favourable to the stockholders than the former agreement. This is certainly true if regard is had only to the financial results of the past year, but as I have previously indicated, there can be no assurance that railway earnings will remain at the present high level during the whole of the control period. No one can foretell what may happen to our traffics during the course of the war or in the period immediately following the cessation of hostilities. The matter was, therefore, not one which could be dealt with on ordinary commercial lines, and we made it clear in our discussions with the Government that we could not regard any settlement which might be reached as in any way reflecting the existing or potential value of our undertakings either individually or as a whole. In the view of your directors, the offer finally made by the Government, while not generous, could not be regarded as unfair to the stockholders if full recognition was given to the national interests as represented by the Government spokesman.

The agreement takes effect as from September 1, 1939, and the revisions to which I have alluded operate from December 31, 1940. Thus, the pooling and sharing scheme under the original arrangements is recorded in the revised agreement as having effect up to December 31, 1940. I should perhaps also explain that the revised agreement retains all the original arrangements in relation to maintenance charges, trust funds and other detailed matter. The trust fund has not yet been constituted, but its provisions will ensure that money is available for carrying out all maintenance and renewal work on pre-war standards, although the arrears can only be overtaken as circumstances permit.

POST-WAR PROBLEMS

With regard to the post-war position, you have no doubt seen in the press the recent announcement that the boards of the four main-line companies and the London Passenger Transport Board have set up a commission to consider post-war problems. As you are aware, post-war planning is now a part of our national policy and we understand the Minister of Works and Buildings will be largely responsible for the work, which must inevitably involve questions of transport; it will be one of the main objects of the commission to keep closely in touch with the various Government departments and other bodies considering the problems of reconstruction and development.

During the year the four main-line railway companies have concluded an arrangement in conjunction with Hay's Wharf Cartage Co., which is controlled by the railway companies, for the purchase of the share capital of the well-known tourist agency business of Thos. Cook and Son, Ltd. These shares became vested in the Custodian of Enemy Property, and the activities of the company under normal conditions lend themselves to closer co-operation with the railway companies in view of the interests which they already possess in similar businesses and of the working economies which can be effected.

The report was adopted.

LONDON AND NORTH EASTERN RAILWAY COMPANY

REVISED CONTROL AGREEMENT

The nineteenth ordinary general meeting of the London and North-Eastern Railway Company was held, on 6th instant, in London.

Sir Ronald W. Matthews (the chairman) said that once more stockholders were deprived of the review of the company's business which in normal times accompanied the report and accounts. It would be a matter for satisfaction to all railway stockholders that there was today, by Press and public, a fuller appreciation of the services being rendered by the railways to the community and a better understanding of the difficulties with which the companies were faced. The reasons for the comparatively minor inconveniences which the travelling public had to suffer after two and a half years of war had been fully explained and there was little for him to add except a warning that as freight movements by rail increased, as they inevitably must, so of necessity must passenger facilities be curtailed.

It was, he thought, worth impressing on the public that there were in these days journeys of great urgency to be undertaken and that a thoughtless traveller, journeying without due cause, might well exclude another whose inability to travel might have far-reaching effects.

INCREASED NET REVENUE

The company's share in the "Pool" for the past year was £10,136,355 and the total net revenue was £10,647,027, an increase of £296,035 over the net revenue of 1940. After providing for all fixed charges and setting aside £300,000 to the fund for contingencies, the directors proposed to pay full dividends on the first and redeemable preference stocks and two and three-eighths per cent. on the four per cent. second preference stock.

In June of last year the Minister of War Transport had approached the four main line companies and the Transport Board with a view to a revision of the original financial arrangements, because war damage was now dealt with on a national basis and because the Government's declared policy of stabilisation of prices cut at the basis of the existing arrangements for the adjustment of fares, rates and charges to meet variations in working costs and certain other conditions arising from the war. The railway companies and the Transport Board had recognised that changes in the existing agreement were inevitable, and in the negotiations which followed the Government had insisted that any revision must take the shape of a fixed annual payment by the Government to the controlled undertakings in lieu of the pooling or sharing arrangement established by the existing agreement.

After prolonged discussion a final offer was received from the Government to fix the annual payment to the four main line companies and the Board at £43,000,000. The Boards of the undertakings had decided that the offer was one which must be accepted, it being agreed that that annual sum would be divided among the five undertakings in certain proportions.

STOCKHOLDERS' POSITION SAFEGUARDED

As to whether the railways, by accepting that figure, had not by implication admitted that the principles of standard revenue had ceased to apply to railways for all time, he was advised that express provision had been made in the revised agreement amply safeguarding the position of the stockholders in that respect. Any anxiety which stockholders might feel as to whether the agreement had jeopardised the statutory background in relation to standard revenue might be set at rest, for, so far from the agreement prejudicing that position, it confirmed the undertakings in their statutory rights before the cessation of control.

With regard to war damage, the agreement expressly provided that the cost of restoring war damage would not be charged to the control account, so that the burden of the railway companies' contributions, as they might be determined by future legislation, would fall to be discharged by each railway undertaking concerned.

In conclusion he dealt with the acquisition by Hay's Wharf Cartage Company, Limited, which was controlled by the four main line companies, of the shares in Thos. Cook and Son, Limited, at present vested in the Custodian of Enemy Property—but not the banking business of that company—saying that the companies would among other advantages be able to effect substantial economies in ticket-booking facilities generally.

The report was adopted.

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

IMPROVED PREMIUM INCOME

MR KENNETH MURRAY'S ADDRESS

The one hundred and twenty-eighth stated annual meeting of the Scottish Widows' Fund and Life Assurance Society was held in the society's head office, Edinburgh, on the 10th instant, Mr Kenneth Murray, WS (chairman of the ordinary court of directors), presiding.

In moving the adoption of the report and accounts, the chairman said: It is inevitable that, so long as the country is at war, the effect on the society's business will become more pronounced as time goes on, and increasing difficulty will be met with in the conduct of its affairs. About 60 per cent. of the male staff are now away on full-time national service, as compared with a little over 40 per cent. a year ago, and further calls are to be expected in the coming year not only on the remaining male staff but also on the female staff.

The new business completed during 1941 amounted to £2,301,000 gross and £2,229,000 after deduction of reassurances. This net total is only about £160,000 less than last year, and reflects great credit on our branch secretaries and the reduced staffs working under them. It is also a testimony to the loyalty of our agents, to whom our thanks are due.

You will see from the accounts that the total premium income for the year was £2,200,000, and nearly £25,000 higher than in 1940. Interest income, on the other hand, both before and after deduction of income-tax, was lower, but the average net rate on the whole of the assurance and annuity funds at £3 10s. 7d. per cent. was only 2s. 6d. less than in the preceding year.

Claims by maturity were lower, and so also were the claims by death, although these included cases for a total of £126,000, which were the direct result of war operations.

FAVOURABLE "W" PLAN RESULTS

The experience under the society's "W" plan, which normally extends civilian war risks cover to new with-profits policies without extra charge, is again favourable. Only one claim for a sum assured of £250 has arisen since our last meeting, and so in the two years, during which the plan has been in operation, there have been only four claims with original sums assured amounting in all to £1,350—a total far below what was expected when the plan was introduced. In the middle of a war, which may yet last a long time, it would be imprudent to assume that this favourable experience will continue, but we can again record our satisfaction with the plan. The good response to the plan is ample evidence of its attractiveness and of the valuable service which the society is rendering to the public.

The assurance and annuity funds increased during the year by nearly £700,000 and now stand in the balance-sheet at £35,400,000.

SUPPORT TO WAR EFFORT

It was explained from this chair at our last meeting that British Government securities must, in war-time, be the principal form of investment for our new funds. This is reflected in the balance-sheet by an increase over the year of nearly £1,300,000 in these securities. Not only has the whole of the increase in funds been invested in new war loans, but the greater part of all other sums which became available has been applied in the same way, and so your society continues to give the maximum support, on the financial side, to the national war effort.

The balance-sheet contains the usual statement, which it has for many years been the society's custom to give, that the Stock Exchange securities stand at or under their market selling prices at December 31st. It is gratifying to be able to state that the general rise in prices of securities over the year has increased substantially the already large margin between the market values of the securities and the values at which they appear in the balance-sheet. This margin enables the directors, even in these difficult times, to look forward with confidence to the continued success of the society.

The directors' report and accounts, as audited, were adopted unanimously.

LANCASHIRE ELECTRIC LIGHT AND POWER COMPANY, LIMITED

SIR JOSEPH NALL'S ADDRESS

The annual general meeting of The Lancashire Electric Light and Power Company, Limited, was held, on 11th instant, in London. Sir Joseph Nall, MP (the chairman), after expressing regret at the death of the late chairman, Mr George Balfour, said that all proper maintenance of plant had been carried out and charged to revenue as usual, adequate provisions for depreciation and taxation had been taken care of and the fullest possible use made of their productive capacity throughout the year.

Notwithstanding the fact that they were engaged and scheduled in an essential industry, no less than 25 per cent. of their regular employees had joined the Armed Forces. Their demonstration show rooms and depleted staffs were at the disposal of the Ministry of Food for instructing the public in war-time cooking and were much appreciated.

Of the future he need only say that this company, in common no doubt with the vast majority of company-owned Public Utilities, whilst concentrating on giving the best possible service required under war conditions, was giving careful thought to the problems which would undoubtedly arise when peace was once more restored.

Company-owned Public Utility undertakings had no need to apologise for their existence; they presented a very fine record of enterprise and achievement in times of peace, and of resourcefulness and readiness to meet the emergencies of war.

They would be failing in their duty as custodians of those great enterprises if they did not give the general public every opportunity of understanding and fully appreciating all that British industry and commercial supremacy owed to the great company enterprises of this country. It was essential to the post-war re-establishment of British industry that they should in due course be enabled to resume their normal activity and progress, with reasonable freedom from any extension of the deadening hand of bureaucracy.

The report and accounts were adopted.

BRITISH ASSETS TRUST LIMITED

SATISFACTORY RESULTS

MR W. H. FRASER'S ADDRESS

The forty-fourth annual general meeting of British Assets Trust, Limited, was held, on the 12th instant, at the offices of the company, 9 Charlotte Square, Edinburgh. Mr W. H. Fraser (the chairman) presided.

The chairman, in moving the adoption of the report and accounts, after referring to his own appointment as a director and chairman of the company and to the great loss which the company had suffered by the death of Mr A. W. Robertson-Durham, said:

From the accounts you will see that the gross income for the past year amounted to £332,949, against the previous year's figure of £337,165. A year ago it seemed that there must be a very considerable reduction in our revenue, and I am glad to report that this has materialised to such a small extent. The reduction is more than accounted for by two causes. In the first place, certain dividends, amounting to some £3,500, which we might fairly have expected to receive during our financial year, were not received until after the close of the accounts owing to delay in the issue of annual reports; and, in the second place, an additional £3,600 has had to be provided for United States Withholding Tax, the rate of which for 1941 was increased from 16½ per cent. to 27½ per cent. It seems very likely that there will be a further substantial increase in the rate for 1942.

DIVIDEND AND BONUS

On the payments side, management expenses are lower as the result of a saving on our American expenditure. As might be expected, taxation is again higher. After deducting management and other expenses, income-tax, debenture interest and preference dividends, there remains £42,534, which is equivalent to earnings on the ordinary stock of 17.3 per cent., against 17.5 per cent. for the previous year, which, I think you will agree, is a very satisfactory result. We again recommend payment of a dividend of 10 per cent. for the past year, and in addition a bonus of 2 per



PEARL ASSURANCE COMPANY LIMITED

Facts and Figures from the Statement by
SIR GEORGE TILLEY, F.C.I.I.
President and Chairman of the Company on
the Annual Report and Balance Sheet for the
year ending 31st December, 1941.

FUNDS - £117,248,840
INCOME - £20,585,003

INVESTMENTS

The funds show an increase of £4,859,697. The market value of the investments exceeded the price at which they stand in the balance sheet.

LIFE BRANCHES

In the Ordinary Branch sums assured under new policies issued during the year amounted to over £9,500,000. Premium income in the Industrial Branch exceeded £9,830,000, an increase of £317,000.

FIRE AND GENERAL

In these Branches the premium income exceeded £1,693,000.

BONUSES

In the Ordinary Branch a bonus of £1 per £100 assured was declared on policies entitled to participate in full profits that become claims by death or maturity during 1942.

In the Industrial Branch a bonus has been declared on policies, with certain exceptions, effected before 1st January, 1935, that become claims by death or maturity during 1942. Up to date a total sum of over £6,900,000 has been allocated for bonuses to policyholders in this Branch.

The bonus for 1940 in both Branches is continued unchanged for claims during 1942.

TOTAL CLAIMS PAID EXCEED £155,000,000

Chief Offices: High Holborn, London, W.C.1.

cent. Although we are proposing to distribute this bonus for the third year in succession, I should like to emphasise once again that this must not be looked upon as a regular dividend, as while the war lasts income prospects must remain very uncertain. These payments will leave a surplus of £13,015, and after the addition of £10,000 to the income reserve fund the sum carried forward will be increased by £3,015.

From the balance-sheet you will see that we have again reduced the amount of our terminable debentures from £450,707 to £381,827; deposits and loans are higher.

Investments, after deducting the capital reserve fund and contingent fund, stand at £6,829,796 and compared with market value show a depreciation of 4.09 per cent., as against a depreciation of 12.81 per cent. a year ago.

THE FUTURE

Looking to the future, the course of the war in the Pacific is bound to have an adverse effect on our income during the current year. Although the company has very little invested directly in rubber and tin shares, we hold considerable investments in home companies, part of whose interests are in the East and whose dividends are likely to be reduced. Last year the chairman warned you that increased taxation and the limitation of supplies would lead to a reduction of revenue, and these two causes seem to be having increasing effect at the present time. For these reasons it seems likely that our income will show some falling off in the current year, but not, I hope, to such an extent as to preclude us from again submitting a satisfactory report.

The motion was seconded and adopted.

New York Prices

STANDARD STATISTICS INDICES
(1935-36=100)

WEEKLY AVERAGES

	1942	1942	1942	1942	1942
	Low	High	Feb. 18	Feb. 25	Mar. 4
	Feb. 11	Jan. 14	1942	1942	1942
347 Industrials	69.40	75.00	69.5	69.4	69.8
32 Rails	66.34	71.00	67.4	68.2	67.9
40 Utilities	65.94	67.44	64.1	64.0	63.9
418 Stocks	68.50	73.30	68.5	68.5	68.8
Av. yield*	6.00%	7.65%	7.90%	7.91%	7.67%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4.
(c) Feb. 25. (d) Mar. 4.

DAILY AVERAGE OF 50 COMMON STOCKS

Feb. 26	Feb. 27	Feb. 28	Mar. 2	Mar. 3	Mar. 4
85.1	85.9	85.9	84.7	86.1	85.2

1942 High: 91.2, Jan. 5. Low: 84.4, Feb. 24.

Total share dealings: Mar. 5, 450,000;
Mar. 6, 640,000; Mar. 7, 270,000;
Mar. 9, 310,000; Mar. 10, 330,000;
Mar. 11, 410,000.

* Two-hour session.

Capital Issues

Week ending	Nominal	Con-	New
March 14, 1942	Capital	versions	Money
By Permission to Deal...	20,000	...	10,825
Particulars of Government issues appear on page 378.			

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE collapse of resistance in Java and the fall of Rangoon, like earlier military reverses, had already been largely discounted by the markets. Nevertheless, sentiment was depressed, and in the absence of adequate support small declines were general throughout all sections other than gilt-edged and some railway and other prior charges. Some scattered realisations, mainly of irredeemable and long term issues before the week-end in the gilt edged market, were followed by rather steadier conditions in the early part of the current week, 2½ per cent Consols reversing the previous day's loss of ½ on Tuesday, but movements were few and slight. Earlier support for Chilean bonds in the foreign bond market was not fully maintained at the reopening, when Mexican issues weakened slightly, and the German Potash bonds both fell a point. Tuesday witnessed a small but general decline among Brazilian bonds, while the 5½ per cent Japanese loan of 1930 rose a point, the 5 per cent Chinese loan of 1913 losing the same amount. The chairman's statements on the question of war damage reversed the earlier movements in the home rail market for the junior issues, which with the exception of the "Berwick" stocks, all advanced ¼ at the reopening, while larger gains were registered the next day for LMS ordinary and Southern preferred. Senior stocks were steady. In the foreign rail market, Argentine issues lacked support on the realisation that no benefit would accrue to the companies from the increased tariff rates. Losses were small but persistent, although BA Pacific debentures were especially weak in the early part of the week. In midweek the rise in Funds was resumed with several improvements of ½, while the home rail market was also firm.

Withdrawal of support in the industrial market before the week-end occasioned a widespread decline in prices, although the actual volume of selling was slight. Some improvement was evident at the beginning of the current week, but conditions were generally unsettled. In the motor and aircraft group Leyland Motors and Lucas both eased ¼ on the previous Friday, but the news of the further delay in the accounts of the former company occasioned further declines in the current week. A marked improvement in brewery shares was registered on Tuesday, but in general the earlier losses, including 1s. 9d. for Guinness on Friday, were not fully recovered. Heavy industrial issues suffered small but well spread losses on Monday, but the following day a steadier tone was noticeable. Stores issues moved to slightly lower levels during the early part of this week, although Marks and Spencer recovered some of the previous day's loss on Tuesday. The shipping group was dull, Cunard ordinary suffering small but persistent losses both before and after the week-end. Textile shares reflected the general tone of the market with small but general declines at the reopening, but showed some improvement later. In the tobacco group BAT and Imps recovered earlier losses in the early part of this week, but Godfrey Phillips weakened. Elsewhere Cable and Wireless suffered sharp losses, the ordinary stock falling 5 points in the first two days of the week, after a fall of 2 points on the previous Friday. The preference issue lost ½ points over the same period. Later the industrial market was quietly firm with some rises in textile shares and heavy industrials.

Fears regarding the maintenance of gold production and the war news occasioned substantial declines throughout the kaffir market. Despite the denial of the former proposal, prices continued to fall sharply at the reopening, East Geduld and Rand

Mines losing ¼ among other smaller losses. On Tuesday, however, the tone became steadier. Many small declines were registered at the reopening in the tin market, but conditions later improved. The rubber and tea markets witnessed scattered selling, but the volume of business was slight. Despite the war news, the oil market reflected very little selling in the early part of this week, and leading issues, including Burmah oil, improved slightly on enquiry. Canadian Eagle ordinary, however, eased slightly on the decreased earnings. In midweek the kaffir market was strong on Cape support and the Anglo-American dividend.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corrs. Day 1941	Security Indices	30 Ord. shares*	20 Fixed Int.*
Mar. 5	3,129	2,917	76.9	134.1	134.1
" 6	2,761	2,280	76.6	134.1	134.1
" 9	3,267	2,398	76.2	134.3	134.3
" 10	2,970	2,831	76.1	134.3	134.3
" 11	2,847	2,380	76.4	134.4	134.4

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 76.1 (Mar. 10). 20 Fixed Int., 1942; highest, 134.4 (Mar. 11); lowest, 132.2 (Jan. 5).

New York

FURTHER Japanese successes and the prospect of increased taxation depressed sentiment on Wall Street, and in mild selling on the previous Friday, Du Pont, Eastman Kodak and US Rubber all fell to the year's lowest levels. Some selective buying of leading issues in the early part of the current week gave rise to more stable conditions, but the war news continued to depress activity. Later there was a sharp reverse in electric, chemical and tobacco issues.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

AUTHORISED CAPITAL - - - \$50,000,000
ISSUED AND FULLY PAID-UP - - - \$20,000,000
RESERVE FUNDS (STERLING) - - - \$6,500,000
RESERVE FUNDS (HONGKONG CURRENCY) \$10,000,000
RESERVE LIABILITY OF PROPRIETORS \$20,000,000

Head Office, HONGKONG, temporarily transferred to LONDON OFFICE, 9, Gracechurch Street, E.C.3. Acting Chief Manager: A. MORRIS.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9 Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases. Full particulars may be had on application.

LONDON AND MANCHESTER ASSURANCE CO., LTD.

Life, Annuity, Accident, Fire, Motor, Burglary

Chief Office: Finsbury Square, LONDON, E.C.2

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £74,000,000
CLAIMS PAID EXCEED - £133,000,000
(1940 Accounts)

COMMODITY AND INDUSTRY NEWS

"Coupons and Quotas."—The Board of Trade has issued a booklet, which explains in simple terms the provisions of the Consumer Rationing Order and the Cloth and Apparel Order from the point of view of manufacturers, wholesalers, makers-up and retailers. It revises the previously published Explanatory Notes for Traders. It contains new material and presents a complete and up-to-date picture of the limitation and rationing schemes for cloth and clothing. The utility clothing scheme is described in detail and the full range of controlled goods, together with their general and utility quotas, is included. There is a full index to the booklet.

Raw Cotton.—The Controller informed Liverpool and Manchester raw cotton merchants that those desiring to offer their services in connection with the sale of raw cotton to consumers should inform the Control on or before March 12th. Firms will be required to perform the following duties to the satisfaction of the Controller: (1) to sell cotton to consumers out of the quantity allotted before arrival of the vessel; (2) to render returns of cotton sold and its destination; (3) to sample at mill or warehouse, examine samples, and advise if any claim should be made on the shipper; (4) to invoice and see that payment is made, keeping ledger accounts for the Control; (5) to investigate claims received from spinners; and (6) to return complete records of each cargo handled.

Cotton Trade.—Makers of cloth suitable for war purposes are busy and a fair amount of fresh buying has taken place, not only for the Home Government, but also for the Dominions and the Allies. On the other hand, export buying has been restricted and some producers' order lists are shortening. Many employers are still harassed by the shortage of labour, and it is expected that the overtime working in the mills will be continued. The spinning employers have rejected the application of the operatives for an increase in wages of 16½ per cent on current earnings. The claim will probably go to arbitration. The Cotton Board has issued a list of cotton and mixture cloths to be proposed to the Board of Trade for the forthcoming utility schedule. Though these lists are not final and there may be further amendments, they give a forecast which is bound to prove fairly accurate. For production reasons most cotton utility cloths have had to be planned in yards below 26's.

Paper Control.—Direction No. 6 under the Control of Paper (No. 36) Order, issued by the Ministry of Supply, limits the quantity of paper to be consumed in the production of any news-bulletin, magazine or periodical in the four months March to June, to 19½ per cent of the quantity consumed in the corresponding period of 1939, except under licence. This generalises the limitation already in force for the principal periodicals.

"Coupons and Quotas." Issued by the Board of Trade. Published by H.M. Stationery Office. 84 pages. Price 1s. net.

Canners' (War Time) Association.—The food canning industry has formed the Canners' (War Time) Association. The constitution and rules have been prepared and approved by a fully representative meeting of canners, and an executive committee has been elected. Licences will only be granted by the Ministry of Food to members of the Association, and canners may apply to the Ministry for membership.

Export Licensing.—Under a Board of Trade Order, which becomes operative on March 24th, control is extended to cover internal combustion engines (and parts), tobacco, cigar and cigarette making machinery and plant, roof capping or ridging, flushing and guttering of iron and steel, hair combs of non-precious metal, machinery belts and belting (including conveyor and elevator bands) wholly or partly of natural or synthetic rubber, rubber latex, balata or gutta-percha, brushmaking fibres, lead acetate, sodium acetate, and in the case of certain destinations, to rabbit and hare skins (dressed or undressed). The control in respect of rubber latex is intended to cover manufactures wholly or mainly of this material. Sewing-machine needles, the exportation of which was previously controlled to all destinations, may now be exported without licence to destinations within the British Empire. The existing control in respect of perambulators, mail carts and invalid carriages is extended to cover all types of these vehicles, irrespective of the proportion of metal content.

Drapery Trade Wages.—A supplementary agreement has been reached by the Joint Industrial Council for the Retail Drapery, Outfitting and Footwear Trades, to the one reported on page 423 of *The*

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	Mar. 5, 1942	Mar. 6, 1942	Mar. 9, 1942	Mar. 10, 1942	Mar. 11, 1942
Crops	116.2	116.2	116.2	116.2	116.2
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	141.7	141.7	141.7	141.7	141.7
	Mar. 31, 1937	Aug. 31, 1939	Mar. 11, 1941	Feb. 11, 1942	Mar. 4, 1942
Crops	147.9	32.2	109.5	116.6	115.9
Raw materials	207.5	122.9	171.0	172.7	172.7
Complete Index	175.1	108.4	136.9	141.9	141.5

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937	Aug. 31, 1939	Mar. 4, 1941	Feb. 17, 1942	Mar. 3, 1942
Cereals and Meat	93.0	66.9	96.9	107.2	109.2
Other food	70.4	61.1	92.2	99.0	99.5
Textiles	74.2	54.3	88.7	94.3	93.9
Minerals	113.2	95.4	129.7	130.7	130.7
Miscellaneous	87.0	77.6	111.9	118.1	118.3
Complete Index	87.2	70.3	103.5	108.9	110.3
1913=100	119.9	96.8	142.3	151.2	151.8

* Highest level reached during 1932-37 recovery.

Year†	Including Conversions	Excluding Conversions
1942	281,402,549	277,400,490
1941	242,975,206	242,975,206

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942	277,195,170	178,320	27,000
1941	240,426,103	2,549,103	Nil

Nature of Borrowing (Conv. Excl'd.)

Year†	Deb.	Pref.	Ord.
1942	276,150,361	89,529	1,160,600
1941	240,426,103	8,541	2,180,568

† Includes Government issues to Mar. 3, 1942, only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

Glasgow Corporation.—This Corporation will repay £1,250,000 promissory notes on maturity in London on March 17th. No reissue will be made meantime.

RETAIL FOOD PRICES.

	Average price per lb. at			Per cent. increase since Sept. 1st, 1939
	Sept. 1, 1939	Jan. 1, 1942	Jan. 31, 1942	
Beef, British—	s. d.	s. d.	s. d.	
Ribs	1 2½	1 3½	1 3½	11
Thin flank	0 7½	0 9½	0 9½	27
Beef, ch'd or frozen	0 9½	1 0½	1 1	34
Ribs	0 4½	0 6	0 6	23
Mutton, British—	1 3½	1 5½	1 5½	13
Legs	0 7½	0 8	0 8	8
Mutton, frozen—	0 10½	1 0	1 0	15
Legs	0 4	0 4	0 4	—
Bacon	1 3	1 8½	1 8½	36
Fish	1 1½	1 3½	1 3½	15
Flour (per 7 lb.)	0 8½	0 8	0 8	-3
Bread (per 4 lb.)	2 4	2 6	2 6	7
Tea	0 3	0 3	0 3	-1
Sugar (gran.)	0 6½	0 9	0 9	33
Milk (per qt.)	1 4½	1 7	1 7	15
Butter, fresh	1 3½	1 1	1 1	24
Butter, salt	0 10	1 1	1 1	30
Cheese	0 6½	0 9	0 9	12
Margarine, special	0 5	0 5	0 5	—
Standard	0 2	0 2½	0 2½	26
Eggs, fresh (each)	0 6½	0 8½	0 8½	28
Potatoes (per 7 lb.)	0 6½	0 8½	0 8½	28

Index all foods weighted (July 1914=100) 138 163 163 18

Source: Ministry of Labour Gazette.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE.

	Daily Average Sales		Stks. (at cost) end of	
	1941	1942	Nov. Jan.	Dec. Jan.
(a) By Commodities				
Non-food Merchandise	- 0.2	+ 16.7	+ 10.3	+ 15.4
Piece-goods	- 9.4	+ 17.5	+ 9.3	+ 15.6
Women's Wear	- 4.5	+ 16.0	+ 20.1	+ 15.9
Men's and Boys' Wear	- 5.7	+ 5.2	+ 32.6	+ 15.7
Boots and Shoes	+ 20.0	+ 28.7	+ 32.4	+ 7.7
Furnishing Departments	- 3.0	+ 1.8	+ 9.8	+ 0.3
Hardware	+ 5.7	- 0.2	+ 3.2	+ 0.9
Fancy Departments	- 1.1	+ 25.4	+ 2.4	+ 14.5
Sports and Travel	+ 5.5	+ 3.4	+ 3.3	+ 8.0
Miscellaneous	- 2.3	+ 7.4	+ 12.0	+ 9.1
Non-food Merchandise Food and P. & S. (at cost)	- 0.4	+ 1.4	+ 1.4	+ 0.4
Total	- 1.2	+ 4.6	+ 4.1	+ 7.9

	By Districts	
	1941	1942
Scotland	+ 0.2	+ 0.8
North-East	- 2.6	+ 1.4
North-West	- 3.0	+ 0.1
Midland and S. Wales	- 2.7	+ 1.9
South England	- 7.2	+ 3.9
Central and West End London	+ 21.6	+ 10.3
Suburban London	+ 7.6	+ 6.1

Source: Board of Trade Journal

Finance

GOVERNMENT RETURNS

For the week ended March 7, 1942, total ordinary revenue was £54,132,000, against ordinary expenditure of £102,735,000, and issues to sinking funds of £2,195,000. Thus, including sinking fund allocations of £11,501,795, the deficit accrued since April 1st is £2,509,055,000 against £2,270,412,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1941-42	April 1, 1941, to Mar. 7, 1941	April 1, 1941, to Mar. 7, 1942	Week ended Mar. 7, 1941	Week ended Mar. 7, 1942
ORDINARY REVENUE					
Income Tax	756,000	475,100	701,783	18,831	29,379
Sur-tax	80,000	67,987	67,127	3,090	2,800
Estate, etc.	82,000	75,160	84,226	4,583	2,080
Duties	14,000	12,218	12,543	350	350
Stamps	210,000	21,855	19,654	330	380
N.D.C.	1,000	739	707	40	20
Other Ind. Rev.	1,000	739	707	40	20
Total Ind. Rev.	1143,000	715,702	1,117,164	29,634	41,809
Customs	310,700	285,053	342,045	6,991	8,304
Excise	266,660	194,600	309,198	3,223	1,798
Total Customs & Excise	577,360	479,653	651,243	10,214	10,102
Motor Duties	39,000	37,675	38,030	319	277
P.O. (Net Receipts)	3,300	9,700	11,200	800	500
Crown Lands	1,100	1,050	910	...	...
Receipts from Sundry Loans	2,600	1,894	5,127	1	30
Miscell. Receipts	20,000	25,570	78,493	396	1,414
Total Ord. Rev.	1,786,360	1,271,244	1,902,167	41,364	54,132
SELF-BALANCING P.O. & Brdcastg.	99,346	84,600	96,500	1,500	1,500
Total	1,885,706	1,355,844	1,998,667	42,864	55,632

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1941-42	April 1, 1941, to Mar. 7, 1941	April 1, 1941, to Mar. 7, 1942	Week ended Mar. 7, 1941	Week ended Mar. 7, 1942
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	219,649	250,905	...	9,534
Payments to N. Ireland	9,200	8,455	8,076	498	544
Other Cons. Fund.	7,800	7,121	7,509	58	...
Serv.	7,800	7,121	7,509	58	...
Total	272,000	235,225	266,490	556	10,078
Supply Services	443,495	329,512	413,520	95,605	92,657
Total Ord. Exp.	470,995	353,041	439,972	96,161	102,735
SELF-BALANCING P.O. & Brdcastg.	99,346	84,600	96,500	1,500	1,500
Total	480,341	361,501	446,472	97,661	104,235

After increasing Exchequer balances by £519,530 to £3,003,394, the other operations for the week (no longer shown separately) raised the gross National Debt by £52,324,142 to about £13,876 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	300
War Damage Act	861
Overseas Trade Guarantees	5
Total	1,166

NET RECEIPTS (£ thousands)	
Tithe Act	160

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between the 7th and Mar. 13th. (Figures in brackets are par of exchange).

United States	\$ (4-88) 4-02-03; mail transfers 4-02-03
Canada	\$ (4-88) 4-43-47; mail transfers 4-43-47
Switzerland	Francs (25-22) 17-30-40
Sweden	Krona (18-159) 16-85-95
Argentina	Peso (17-45) 16-95-17-15; mail transfers 16-95-17-15
Dutch West Indies	Florin (12-11) 7-58-62; mail transfers 7-58-64
Portugal	Escudos (170) 99-80-100-20
Panama	\$ 4-02-04; mail transfers 4-02-04

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain, Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey, Piastres (110) 520. Italy, 71.25 lire.

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap				
1941						
Mar. 8	845-0		Not available			
Nov. 29	975-0	1575-0	128-9	26-2	723-0	3428-1
Dec. 6	975-0		Not available			
" 13	975-0		"			
" 20	975-0		"			
" 31	2547-0		186-3	66-0	811-5	3610-8
1942						
Jan. 10	975-0		Not available			
" 17	970-0		"			
" 24	960-0		"			
" 31	945-0	1584-0	191-0	9-2	764-5	3493-7
Feb. 7	930-0		Not available			
" 14	915-0		"			
" 21	905-0		"			
" 28	905-0	1612-7	215-4	21-7	677-5	3432-5
Mar. 7	905-0		Not available			

TREASURY BILLS

Date of Tender	Amount		Average Rate of Allotment	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1941				
Mar. 7	65-0	151-2	65-0	20-0-17
Dec. 12	75-0	155-7	75-0	20-0-19
" 19	75-0	133-2	75-0	20-2-14
" 26	75-0	146-7	75-0	20-2-30
1942				
Jan. 2	75-0	157-8	75-0	20-1-85
" 9	75-0	161-6	75-0	20-2-00
" 16	70-0	143-2	65-0	20-1-85
" 23	65-0	142-9	60-0	20-1-78
" 30	60-0	144-6	60-0	19-11-91
Feb. 6	60-0	148-6	60-0	20-0-20
" 13	65-0	139-9	65-0	20-0-22
" 20	75-0	153-7	75-0	20-0-26
" 27	75-0	142-6	75-0	20-0-18
Mar. 6	75-0	139-4	75-0	20-0-31

On March 6th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 38 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on March 13th. For the week ending March 14th the banks will be asked for Treasury deposits to a maximum amount of £25 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS, SUBSCRIPTIONS

Week ended	N.S.C.		3% Defence Bonds		3% Savings Bonds		2½% War Bonds	
	£ thousands	£ thousands	£ thousands	£ thousands	£ thousands	£ thousands	£ thousands	£ thousands
Jan. 27	4,021	2,070	8,485	10,308	...	...	...	...
Feb. 3	4,649	2,388	9,536	7,765	...	...	...	...
" 10	5,003	3,780	9,182	18,260	...	...	...	...
" 17	5,816	3,700	11,362	9,546	...	...	...	...
" 24	6,385	4,119	11,294	13,093	...	...	...	...
Mar. 3	6,804	4,772	28,694	15,019	...	...	...	...
" 10	...	...	19,872	16,367	...	...	...	...
Totals to date	470,409	406,617	565,798	284,235	...	...	...	...

* 119 weeks. † 62 weeks. ‡ 22 weeks.
§ Including series "A." ¶ Including Series "A" and "B."
Interest free loans received by the Treasury up to Mar. 10th amounted to a total value of £45,456,601. Up to Feb. 28th, principal of Savings Certificates to the amount of £57,322,000 has been repaid.

Market Rates.—The following rates remained unchanged between Mar. 7th and Mar. 13th.
Egypt, Piastres (97) 97-4. India, Rupee (18d. per rupee) 17-18-4. Belgian Congo, Francs 176-3-4.
China, National 3-3-4.
Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.
Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States, 3 cent pm-par. Canada, 3 cent pm-par. Switzerland, 3 cent pm-par. Sweden, 3 ore pm-par. Dutch East Indies, 1½ cent pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Mar. 7th and Mar. 13th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates 1½%. Discount deposit at call 1½% at notice 2½%.

BANK OF ENGLAND RETURNS

MARCH 11, 1942
ISSUE DEPARTMENT

Notes Issued:		Govt. Debt	11,015,100
In Circulation	753,574,490	Other Govt.	767,209,000
In Bank, Department	26,667,085	Securities	1,762,331
		Other Secs.	12,269
		Silver Coin	...
		Amt. of Fid. Issue	780,000,000
		Gold Coin	...
		Bullion	...
		168s. per oz.	241,575
		(ine)	780,241,575

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	154,022,539
Res. & Prof.	3,475,236	Other Secs.	4,168,012
Public Depts.	20,388,617	Advances & Securities	23,613,780
		Notes	27,681,796
Other Depts.	117,635,266	Gold & Silver	351,988
Bankers	117,635,266	Coin	208,723,710
Other Accts.	20,881,391		208,723,710
	169,706,857		
	208,723,710		

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

COMPARATIVE ANALYSIS

	1941				1942			
	Mar. 12	Feb. 25	Mar. 4	Mar. 11	Mar. 12	Feb. 25	Mar. 4	Mar. 11
Issue Dept.								
Notes in circulation	608-4	749-6	751-5	753-6	608-4	749-6	751-5	753-6
Notes in banking department	21-8	30-7	28-8	28-7	21-8	30-7	28-8	28-7
Government debt and securities	627-0	778-2	778-2	778-2	627-0	778-2	778-2	778-2
Other securities	3-0	2-3	1-8	1-8	3-0	2-3	1-8	1-8
Silver Coin	0-0	0-2	0-0	0-0	0-0	0-2	0-0	0-0
Gold, valued at s. per fine oz.	168-0	168-0	168-0	168-0	168-0	168-0	168-0	168-0
Deposits:								
Public	13-4	11-5	12-2	12-0	13-4	11-5	12-2	12-0
Bankers	110-1	136-7	128-8	117-6	110-1	136-7	128-8	117-6
Others	54-0	51-7	55-8	52-1	54-0	51-7	55-8	52-1
Total	177-5	200-0	196-8	190-7	177-5	200-0	196-8	190-7
Banking Dept. Secs.								
Government	146-3	161-3	155-4	154-0	146-3	161-3	155-4	154-0
Discounts, etc.	6-0	4-2	6-1	6-1	6-0	4-2	6-1	6-1
Others	20-3	18-0	18-5	17-7	20-3	18-0	18-5	17-7
Total	172-6	183-5	179-9	177-8	172-6	183-5	179-9	177-8
Banking depart. res.	23-1	31-0	29-1	27-0	23-1	31-0	29-1	27-0
" Proportion "	13-0	15-8	14-8	14-1	13-0	15-8	14-8	14-1

* Government debt is £11,015,100; £14,553,000. Fiduciary issue raised from £750 millions to £780 millions on December 3, 1941.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
March 5	234	234
" 6	234	234
" 9	234	234
" 10	234	234
" 11	234	234

NEW YORK EXCHANGE RATES

New York on	Mar. 5	Mar. 6	Mar. 7	Mar. 9	Mar. 10	Mar. 11
Cables	Cent 403½	Cent 403½	Cent 403½	Cent 403½	Cent 403½	Cent 403½
London	88-500	88-375	88-375	88-250	88-125	88-125
Montreal	23-30	23-30	23-30	23-30	23-30	23-30
Zurich	23-60	23-60	23-60	23-60	23-60	23-60
B. Aires	5-14	5-14	5-14	5-14	5-14	5-14
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills.

PROVINCIAL BANK CLEARINGS

	Week Ended		Aggregate from Jan. 1 to	
	Mar. 8, 1941	Mar. 7, 1942	Mar. 8, 1941	Mar. 7, 1942
Working days—				
Birmingham	2,415	3,273	22,932	27,611
Bradford	2,060	2,290	21,711	22,967
Bristol	2,031	2,344	18,608	22,022
Hull	685	851	6,766	8,413
Leeds	980	1,387	10,950	13,622
Leicester	836	1,098	8,596	9,147
Liverpool	5,333	5,763	54,451	46,022
Manchester	13,749	14,093	118,470	126,606
Newcastle	1,472	2,216	13,857	16,593
Nottingham	536	565	5,024	5,105
Sheffield	944	1,174	6,267	10,333
Southampton	120	150	1,039	1,235
12 Towns	31,161	35,194	288,671	309,744
Totals*	5,880	6,259	56,574	65,767

* Mar. 1, 1941, and Feb. 28, 1942.

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.																																													
Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Mar. 3, 1942	Yield, Mar. 10, 1942	Prices, Year 1942		Last two Dividends	Name of Security	Price, Mar. 3, 1942	Yield, Mar. 10, 1942	Yield, Mar. 10, 1942																																
High	Low	High	Low				High	Low						(a)	(b) (c)																														
British Funds																																													
82½	76½	83½	82½	Consols 2½% (after 1957)	83½	3 s. d.	45/9	43/	7 b	4 a	Iron, Coal and Steel	43/1½	43/9																																
113½	110	112½	111½	Conv. 2% 1944-45	112½	3 11/16	49/	46/6	3½ a	11½ b	Babcock & Wilcox £1	48/9	48/1½																																
100	98½	100½	99½	Conv. 2½% 1944-49	99½	2 12/5	22/9	18/3	7½ a	7½ b	Bolover Colliery Ord. £1	27/6	27/3																																
100½	98½	100½	99½	Conv. 3% 1948-53	99½	2 12/5	22/9	18/3	7½ a	7½ b	Brown (John) Ord. 10/-	18/6	18/3																																
103½	101½	103½	101½	Conv. 3½% (after 1961)	101½	2 14/0	20/8½	14/	7 c	Nil c	Colvilles Ord. £1	16/3	16/3																																
106½	102½	107½	105½	Conv. 5% 1944-64	106½	3 5/10	22/6	20/	12½ b	4 a	Dorman Long Ord. £1	21/	21/																																
108½	104½	105½	103½	Funding 2½% 1956-61	105½	2 2/0	27/9	26/3	15 b	7 a	Guest Keen & Co. Ord. £1	26/3	26/3																																
100½	98½	100½	98½	Funding 2½% 1952-57	99	2 16/6	45/6	42/6	14 b	12½ a	Hadfields Ord. 10/-	42/6	42/6																																
95½	91½	96½	93½	Funding 2½% 1959-69	101	3 0/0	35/0½	31/10½	6 b	4 a	Staveley Coal Ord. £1	45/7½	45/3																																
101½	97½	100½	98½	Funding 4% 1960-90	101	3 0/0	35/0½	31/10½	6 b	4 a	Stewarts and Lloyds £1	32/6	31/10½																																
116½	111½	114½	112½	Nat. Def. 2½% 1944-48	115½	2 18/0	23/7½	22/1½	5½ b	2 a	Swan, Hunter Ord. £1	22/3½	22/3																																
101½	100	101½	99½	Nat. Def. 3% 1954-58	100	2 10/0	17/6	16/	6 b	4 a	United Steel Ord. £1	16/3	16/3																																
102	100	101½	100½	War Bonds 2½% 1945-47	101	2 18/0					Vickers Ord. 10/-																																		
100½	99½	100½	99½	War Bonds 2½% 1946-48	99½	2 10/6	10/10½	8/	Nil c	Nil c	Bradford Dyes Ord. £1	8/4½	8/1½																																
101	100	100½	99½	Savings Bds. 3% 1955-65	99½	2 10/6	8/	6/4½	Nil c	Nil c	British Celanese Ord. 10/-	36/	35/																																
114½	110½	114½	110½	Victory Bonds 4½%	100½	2 18/6	39/1½	34/1½	6½ b	3½ a	Coats, J. & P. Ord. £1	31/9½	31/6																																
101½	100½	101½	100½	War Loan 3½% 1955-59	101½	3 0/9	36/3	31/	2½ a	5 a	Courtaulds Ord. £1	25/3	24/9																																
106½	102½	105½	104½	War Loan 3½% aft. 1952	105½	3 6/6	26/3	22/9	7½ c	7½ c	Lanes Cotton Corp. £1	72/6	72/6																																
96½	89½	97	95½	Local Loans 3%	97½	3 2/0	73/9	72/	10 b	5 a	Callenders Cable, &c. £1	22/6	22/6																																
99½	93½	100½	98½	Redemption 3% 1986-96	99	3 1/0	22/9	20/9	7½ a	12½ b	Crompton Park 'A' 5/-	38/9	38/9																																
102	100	101	101	Austria 3% 1933-53	101	2 17/10	40/6	37/6	10 c	10 c	English Electric Ord. £1	82/6	82/6																																
101½	96	101½	100½	India 5½%	101½	3 9/4	83/7½	78/4½	20 c	17½ c	General Electric Ord. £1	37/6	37/6																																
Dom. & Co. Govts.																																													
105½	102	102	101	Australia 5% 1945-75	102	4 5/6	38/7½	34/6	3 a	5 a	County of London £1	28/6	28/6																																
106	100	102	100	New Zealand 5% 1946	101½	4 11/6	29/	28/	3½ b	2½ a	Edmundsons Ord. £1	14/3	13/9																																
111	107½	109	107½	Nigeria 5% 1950-60	108	3 15/0	14/7½	12/7½	4½ c	2½ a	Gas Light & Coke Ord. £1	30/7½	30/7½																																
Corporation Stocks																																													
108½	106	108½	106	Birmingham 5% 1946-56	106½	3 7/4	39/9	38/6	24 a	5½ b	North-East Electric £1	39/4½	39/4																																
93½	84½	93½	83½	L.C.C. 3%	93½	3 2/0	40/3	39/	5 a	5 b	Scottish Power Ord. £1	15/7½	15/7½																																
99	93	99	93	Liverpool 3% 1954-64	99	3 2/0	17/3	15/	10 c	10 c	Austin 'A' Ord. 5/-	20/6	20/6																																
106	100½	106½	105	Middlesex 3½% 1957-62	106½	3 1/6	21/3	20/1½	7½ c	7½ c	B.S.A. Ord. £1	10/3	9/9																																
Foreign Governments																																													
99½	77	99½	77½	Argentina 4½% Stg. Bds.	97½	4 12/4	11/4½	9/6	6 b	4 a	Bristol Aeroplane 10/-	13/	13/																																
48½	31	48½	31	Brazil 5% Funding 1914	50	51	14/9	12/9	110 c	18 c	Fairley Aviation Ord. 10/-	25/	25/																																
27½	11½	28½	23½	Chile 6% (1929)	24½	6 2/5	28/4½	24/3	6 c	3 c	Ford Motors Ord. £1	12/3	12/3																																
84	71½	84	71½	Egypt (Unified) 4%	85½	4 13/7	13/1½	11/4½	15 a	17½ b	Hawker Siddeley 5/-	68/9	68/9																																
42	9	42	9	Japan 5½% 1930	81	81	69/6	65/	2½ a	2½ a	Lucas (Joseph) Ord. £1	30/7½	30/7½																																
73	58	73	58	Portuguese 3%	74½	4 0/6	33/	30/	17½ b	110 a	Morris Motors 5/- Ord.	85/	85/																																
45	27	45	27	Spanish 4%	33½	5 19/5	90/11½	82/6	20 c	20 c	Rolls-Royce Ord. £1	15/	14/																																
Shipping																																													
15½	14½	15½	14½	Canard Ord. £1	15½	15/	Nil c	Nil c	Nil c	Nil c	Canard Ord. £1	15½	14½																																
22½	22½	22½	22½	Furness, Withby Ord. £1	22½	22½	5 c	5 c	5 c	5 c	Furness, Withby Ord. £1	22½	22½																																
26½	26½	26½	26½	P. & O. Def. £1	26½	26½	5 c	5 c	5 c	5 c	P. & O. Def. £1	26½	26½																																
17½	17½	17½	17½	Royal Mail Lines Ord. £1	17½	17½	5 c	5 c	5 c	5 c	Royal Mail Lines Ord. £1	17½	17½																																
17½	17½	17½	17½	Union Castle Ord. £1	17½	17½	5 c	5 c	5 c	5 c	Union Castle Ord. £1	17½	17½																																
Tea and Rubber																																													
4/4½	4/4½	4/4½	4/4½	Allied Sumatra Rbr. £1	4/4½	4/4½	Nil c	Nil c	Nil c	Nil c	Allied Sumatra Rbr. £1	4/4½	4/4½																																
10½	10½	10½	10½	Anglo-Dutch of Java £1	10½	10½	4 c	4 c	4 c	4 c	Anglo-Dutch of Java £1	10½	10½																																
20½	20½	20½	20½	Jokai (Assam) Tea £1	20½	20½	2 a	2 a	2 a	2 a	Jokai (Assam) Tea £1	20½	20½																																
104½	104½	104½	104½	London Asiatic Rbr. £1	104½	104½	10 c	10 c	10 c	10 c	London Asiatic Rbr. £1	104½	104½																																
107½	107½	107½	107½	Rubber Plims. Trust £1	107½	107½	10 c	10 c	10 c	10 c	Rubber Plims. Trust £1	107½	107½																																
104½	104½	104½	104½	United Serdang Rbr. 2/-	104½	104½	5 c	5 c	5 c	5 c	United Serdang Rbr. 2/-	104½	104½																																
Oil																																													
40/	40/	40/	40/	Anglo-Iranian Ord. £1	40/	40/	10 b	10 b	10 b	10 b	Anglo-Iranian Ord. £1	40/	40/																																
30/7½	30/7½	30/7½	30/7½	Burmah Oil Ord. £1	30/7½	30/7½	10 b	10 b	10 b	10 b	Burmah Oil Ord. £1	30/7½	30/7½																																
37/6	37/6	37/6	37/6	Shell Transport Ord. £1	37/6	37/6	12½ a	12½ a	12½ a	12½ a	Shell Transport Ord. £1	37/6	37/6																																
70/	70/	70/	70/	Trinidad Leaseholds £1	70/	70/	5 a	5 a	5 a	5 a	Trinidad Leaseholds £1	70/	70/																																
Miscellaneous																																													
48/9	47/6	48/9	47/6	Assoc. P. Cement Ord. £1	48/9	47/6	5 b	5 b	20 a	10 c	Assoc. P. Cement Ord. £1	48/9	47/6																																
40/	40/	40/	40/	Barker (John) Ord. £1	40/	40/	10 c	10 c	10 c	10 c	Barker (John) Ord. £1	40/	40/																																
32/6	32/6	32/6	32/6	Boots Pure Drug Ord. 5/-	32/6	32/6	24 c	24 c	10 c	10 c	Boots Pure Drug Ord. 5/-	32/6	32/6																																
44/4½	44/4½	44/4½	44/4½	British Aluminium £1	44/4½	44/4½	7 b	7 b	3 a	3 a	British Aluminium £1	44/4½	44/4½																																
77/6	77/6	77/6	77/6	Brit. Amer. Tobacco £1	77/6	77/6	17½ c	17½ c	14½ c	14½ c	Brit. Amer. Tobacco £1	77/6	77/6																																
67/6	67/6	67/6	67/6	British Oxygen Ord. £1	67/6	67/6	10 c	10 c	10 c	10 c	British Oxygen Ord. £1	67/6	67/6																																
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57½	57½	57½	57½	Cable & W. Hig. Stk.	57½	57½	4 c	4 c	4 c	4 c	Cable & W. Hig. Stk.	57½	57½																																
110/	110/	110/	110/	Caracas 'A' Ord. £1	110/	110/	15½ b	15½ b	11½ a	11½ a	Caracas 'A' Ord. £1	110/	110/																																
26/3	26/3	26/3	26/3	Dunlop Rubber Ord. £1	26/3	26/3	12 c	12 c	10 c	10 c	Dunlop Rubber Ord. £1	26/3	26/3																																
14/3	14/3	14/3	14/3	Elec. & Mus. Ins. 10/-	14/3	14/3	15/3	15/3	12½ a	12½ a	Elec. & Mus. Ins. 10/-	14/3	14/3																																
23/9	23/9	23/9	23/9	Gestetner (D.) 5/-	23/9	23/9	12½ a	12½ a	12½ a	12½ a	Gestetner (D.) 5/-	23/9	23/9																																
23/9	23/9	23/9	23/9	Harrisons & Cros. Def. £1	23/9	23/9	20 b	20 b	20 b	20 b	Harrisons & Cros. Def. £1	23/9	23/9																																
32/6	32/6	32/6	32/6	Imperial Chemical Ord. £1	32/6	32/6	5 b	5 b	5 b	5 b	Imperial Chemical Ord. £1	32/6	32/6																																
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\$41	\$41	\$41	\$41	International Nickel n.p.	\$41	\$41	\$20.00	\$20.00	\$20.00	\$20.00	International Nickel n.p.	\$41	\$41																																
48/9	47/6	48/9	47/6	Lever & Unilever Ord. £1	48/9	47/6	5 c	5 c	5 c	5 c	Lever & Unilever Ord. £1	48/9	47/6																																
25/7½	25/7½	25/7½	25/7½	London Brick Ord. £1	25/7½	25/7½	5 a	5 a	5 a	5 a	London Brick Ord. £1	25/7½	25/7½																																
35/	35/	35/	35/	Marks & Spencer 'A' 5/-	35/	35/	20 b	20 b	15 a	15 a	Marks & Spencer 'A' 5/-	35/	35/																																
38/9	38/9	38/9	38/9	Murex £1 Ord.	38/9	38/9	12½ a	12½ a	12½ a	12½ a	Murex £1 Ord.	38/9	38/9																																
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62/6	61/3	62/6	61/3	Spillers Ord. £1	62/6	61/3	58/9	58/9	12½ b	12½ b	Spillers Ord. £1	62/6	61/3																																
62/6	61/3	62/6	61/3	Tate and Lyle Ord. £1	62/6	61/3	10 b	10 b	10 b	10 b	Tate and Lyle Ord. £1	62/6	61/3																																
30/7½	30/7½	30/7½	30/7½	Triplex Safety Glass 10/-	30/7½	30/7½	10 c	10 c	10 c	10 c	Triplex Safety Glass 10/-	30/7½	30/7½																																
84/4½	81/3	84/4½	81/3	Tube Investments Ord. £1	84/4½	81/3	8 a	8 a	8 a	8 a	Tube Investments Ord. £1	84/4½	81/3																																
68/9	68/9	68/9	68/9	Turner & Newall Ord. £1	68/9	68/9	3½ a	3½ a	7½ b	7½ b	Turner & Newall Ord. £1	68/9	68/9																																
30/	30/	30/	30/	United Molasses Ord. 6/8	30/	30/	12½ b	12½ b	20 a	20 a	United Molasses Ord. 6/8	30/	30/																																
48/9	48/9	48/9	48/9	Woolworth Ord. 5/-	48/9	48/9	47/	47/	20 a	35 b	Woolworth Ord. 5/-	48/9	48/9																																
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<table> <tr> <th>Name</th> <th>Weeks Ending</th> <th>Gross Receipts for Week</th> <th>Aggregate Gross Receipts</th> </tr> <tr> <td></td> <td></td> <td>1941</td> <td>1941</td> </tr> <tr> <td>B.A. and Pacific</td> <td>36 Mar. 7</td> <td>11,720,000</td> <td>50,782,000</td> </tr> <tr> <td>B.A. Gt. Southern</td> <td>36 " 7</td> <td>12,876,000</td> <td>56,535,000</td> </tr> <tr> <td>B.A. Western</td> <td>36 " 7</td> <td>821,000</td> <td>3,363,000</td> </tr> <tr> <td>Canadian Pacific</td> <td>36 " 7</td> <td>54,449,000</td> <td>41,347,000</td> </tr> <tr> <td>Central Argentine</td> <td>36 " 7</td> <td>11,751,850</td> <td>63,410,100</td> </tr> <tr> <td>Sao Paulo (Brazil)</td> <td>36 " 1</td> <td>4,906,625</td> <td>3,033,250</td> </tr> </table>														Name	Weeks Ending	Gross Receipts for Week	Aggregate Gross Receipts			1941	1941	B.A. and Pacific	36 Mar. 7	11,720,000	50,782,000	B.A. Gt. Southern	36 " 7	12,876,000	56,535,000	B.A. Western	36 " 7	821,000	3,363,000	Canadian Pacific	36 " 7	54,449,000	41,347,000	Central Argentine	36 " 7	11,751,850	63,410,100	Sao Paulo (Brazil)	36 " 1	4,906,625	3,033,250
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(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Allowance for exchange. (e) Annas per share. (f) Flat yield. (g) Yield worked on a 2½ per cent. basis. (h) Yield on 1.55% basis. (i) Free of Income Tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1941	+ or -	1941	+ or -
B.A. and Pacific....	36	Mar. 7	11,720,000	- 225,000	50,782,000	+ 2,605,000
B.A. Gt. Southern....	36	" 7	12,876,000	+ 271,000	86,535,000	+ 9,954,000
B.A. Western.....	36	" 7	821,000	+ 65,000	39,363,000	+ 4,172,000
Canadian Pacific.....	36	" 7	84,449,000	+ 977,000	1,347,000	+ 9,082,000
Central Argentine.....	10	" 7	17,751,850	253,900	63,410,100	+ 9,148,000
Sao Paulo (Brazil)...	9	" 1	4,602,25	+ 13,038	304,250	13,727

↑ Receipts in Argentine pesos

It is difficult to be very enthusiastic about either set of definitions. They bear in almost every sentence the trace of compromises. The Labour compromise has been adequately discussed. The Admiralty reservations make a large hole in the Minister's co-ordinating powers (how can he draw up an armour-plate programme, if he has no power over either the design of ships or the naval building programme?). The compromise over the Raw Materials Department, which is under the Minister of Supply but answerable for all important matters to the Minister of Production, is as ridiculous as the judgment of Solomon (neither claimant apparently loves the child sufficiently to prevent it from being cut in two). The arrangements for representation in Washington (which are discussed in detail on another page) have the same air of patchwork. It is disappointing to discover that, even after the last change of Government, it is still apparently necessary to save Ministers' faces, to save their *amour propre* and to spare them from the brutal fate of being faced with a clear decision. The new methods—and the new men—do not reach even as far down as the second rank in the Ministerial hierarchy.

Nevertheless, the immediate need is to make the best of a scheme which, if not perfect, is at least workable. Powers and functions are only means to the end of greater production. How can this be secured? Plans and counter-plans are thick upon the ground, and nearly everybody who is to be met upon the streets or in the clubs knows for certain exactly what needs to be done to raise British production to the peak. Mr Lyttelton will be making a grave mistake if he dismisses all these ideas. It is perfectly true that the present volume of production in the United Kingdom is (with a few exceptions) quite astonishingly large, and that if it were permissible to make the comparison with the output of Germany and the conquered territories, the results would astonish the critics. It is true, too, that (again, with a few exceptions) the quality of the arms that are being produced is excellent. But no successes achieved are any warrant for silencing criticism. The task of the United Nations is not merely to equal the Axis production, it is to exceed it by the largest possible margin in the shortest possible time. There are four long years of Nazi maximum production to be overtaken. The overtaking cannot start until the current rate of production is larger than Hitler's; and if it is to be finished in time for a crushing offensive in 1943, there is not a moment to be lost. Any proposal that would increase production this year must be examined.

There are two particular proposals which have received a great deal of public attention. These are the movement to have Production Committees of workers and managers in every factory; and the various suggestions for increasing the powers and responsibilities of the Regional Boards. In both of these proposals there is a substantial degree of merit; both should be adopted; but neither is very likely to make a major difference to output. Experience with Production Committees (or with the similar bodies which, under different titles, have existed in industry for many years) has been rather varied. A lively and efficient management can use a Production Committee to get the very best out of its labour force, by giving the men frank and intelligible explanations of what is happening and by expounding the reasons for actions which might otherwise appear merely stupid. Where such a management exists, it is unlikely to need the formal mechanism of a committee to keep it awake to the ideas and suggestions that arise in the minds of the workers. On the other hand, where the management is slow and stiff, a Production Committee is unlikely either to satisfy the workers' grievances or to improve the management's methods. This is not, of course, to say that such Committees do no good at all. Particularly in times like these, there is a real, if indirect, benefit to be obtained from anything that fosters the spirit of co-operation, that encourages the atmosphere of team work for a common end. The system adopted for the Royal Ordnance Factories (which is discussed in a Note on page 405) should be generalised to all factories engaged on Government work. But no

miracles should be expected. Broadly speaking, the chief advantage of Production Committees will be to give the management an opportunity to speak to the workers and explain what is happening, rather than *vice versa*, and the effect on production will usually be limited to what follows upon the creation of a better spirit of contentment and comprehension among the workers. But this will not be small; and it should not be neglected.

Much the same can be said about the proposal to promote the Regional Boards to a more prominent place. Local organisation and control have undoubtedly been neglected hitherto, and there has been too much centralisation in the overworked Ministries in London. But the reverse tendency should not go too far. Control must necessarily be very largely at the centre, and the more intense becomes the nation-wide shortage of materials, machinery, manpower and factory space, the more essential does it become to have a central plan and a central allocation (a fact which, incidentally, goes far to explain why regional control cannot develop so far in this war as in the last). But within the field of progressing and of arranging for sub-contracting, there is much useful work that could be done—and can only be done—by strong Regional Boards, representative of all of the Ministries concerned, but endowed with powers of their own to make whatever adjustments, within the central programme, would best promote the efficiency of production or speed up deliveries.

It is probable that a much greater immediate effect could be produced on the volume of output by methods that lend themselves very much less easily to simple generalisation than either Production Committees or Regional Controls. For example, neither of these two can get very far if there are defects in the central planning of the production programme—if the materials, or the labour, or the machine tools are not available when they are wanted, or if one part of the programme has to come to a stop because another part has been allowed to depart too far from the schedule. For an astonishingly long period of the war, production proceeded without anything that could properly be called a plan. At present, the different production Ministries each have their planning staffs, of varying efficiency and authority. But these are only the first rudiments of a plan for production as a whole. The volume of British production is now so large and its variety so wide that a skilful manager could vary the nature of the output much as an organist mixes his stops. But that would require both a much closer correlation of production with strategy and far more agility at the centre than the present rather cumbrous mechanism allows.

Another direction in which much could be done if only it were possible to turn abstract nouns into concrete realities is in the field of management. The Government has from the start possessed the powers to replace any management it chose—but they have hardly at all been used. In wartime, there is a very great deal indeed to be said for a policy of drastic action *pour encourager les autres*. Everybody who has a hand in the production programme knows of instances of proved incompetence or proved selfishness. A few ostentatious displacements would work wonders, especially if they were accompanied by a thorough policy of searching out the efficient managers, wherever they may be, and placing them in the most responsible positions. Far too much tenderness has been shown for far too long to the existing managerial structure of industry. It needs to be quite drastically combed out.

Apart from the perennial question of the controls—a subject to which *The Economist* has devoted continuous attention since the beginning of the war, and to which it will revert in the immediate future—these two lines of action probably provide the most favourable opportunities for immediate progress. Without neglecting either workers' representation or regional organisation, Mr Lyttelton will be well advised to devote his attention first to the central planning of the programme and to the quality of the managements, both in the Ministries and in industry, who will have to execute it.

United Command

ONE issue stood out in each of the recent debates in the Commons on the Service Estimates. This was the need, voiced by speaker after speaker, for combined strategical planning between the Navy, the Army and the Air Force and for combined operation in battle. The reason for this unanimity is plain. The outstanding fact in the successes of the Germans and the Japanese has been the high degree of co-operation between all available forces, strategically and tactically; the outstanding fact in Allied failures has been the absence of this co-operation. The layman speaks, or ought to speak, with the greatest possible diffidence in these matters. But the evidence cannot easily be misunderstood or gainsaid. Apart from the Battle of Britain, which was an air fight pure and simple because the enemy had no sea power, the episodes that are remembered with most pride are those in which co-operation, enforced or arranged, were conspicuous: the evacuation from Dunkirk by a miracle of improvisation when an army was saved after the battle had been decisively lost; the small but stirring raids on Lofoten, Vaagso and Bruneval; the very occasional bombing and shelling of Axis Mediterranean strongholds; and the joint air and land attacks on Italian armies in Libya. These, however, were all exceptional, not routine as they should be; and in North Africa, the advantage was not pushed home, in part at least, because the types of aircraft best suited to combined fighting were lacking. The inquiry into the recent escape of the German warships from Brest has not revealed "any serious deficiencies in foresight, co-operation or organisation." But this is, presumably, within the existing arrangements; the implication of the episode surely is that the arrangements for sea and air co-operation themselves are fallible.

Indeed, the core of the current controversy is in the air. The critics, by no means all amateurs or laymen, contend that the Air Ministry has failed to provide the aircraft, in numbers or kinds, required to co-operate with the Army and the Navy, and this is why, unnecessarily and unfortunately, the discussion has been distorted into a disputation for and against the "dismemberment" of the RAF. Actually, of course, it is the end that matters, not the means, and the desired end is obvious enough. It is that no naval or military unit should go into action without adequate air cover, air reconnaissance, and air artillery, any more than it would fight without its other weapons or without ammunition. The argument against the critics is still the old one of insufficient supplies. But to say that warships or ground troops should fight without air support, because there are no aircraft to spare,

is as reasonable as to say that they should fight without shells, because too few shells are being made. Air support is not an "extra."

One remedy would be to have three air forces, one to work with the Army, one to work with the Navy and one to work alone. It is this suggestion that raises the cry of "dismemberment." But this would be a clumsy and untidy solution. It would multiply the "overheads" of air command and air training, and it would complicate the process of aircraft production. When the need is unity not division, it would be a retrograde step. The point is that this question of air co-operation is only a special case of a much wider and much deeper problem. Its lack is symptomatic of the fact that, from top to bottom, the fighting Services are planned and organised as three separate entities, which by every sign appears, to the lay eye at any rate, dangerously inappropriate to the conditions of modern warfare. The British *Wehrmacht* is tripartite and federal. Logically, the best way to ensure that every fighting unit on land or at sea was trained, equipped and employed as an integrated force, made up of all arms in their due proportions and deployed at the right time and in the right place, would be to integrate the three Services; and the example of Germany and Russia, with their triple-purpose Fighting Forces, would seem to reinforce this argument. But an academic logic in technical matters is the layman's snare. The experts are no doubt biased in favour of the *status quo*; they are military experts, naval experts or air experts, not *Wehrmacht* experts. But they are experts. They know, or should know, what is possible; and it needs no great *expertise* to recognise that it would not be possible to carry through a complete merger of the Navy, Army and RAF in wartime. Nor is this needed; the immediate problem is air co-operation with the Navy and the Army respectively. The analogy with Germany and Russia is imperfect. They are great land-powers, and it was inevitable that they should regard their air and sea forces as ancillary to their armies. The British problem is very different. On the one hand, Britain is primarily a sea-power; on the other, many decisive battles must be fought on land, with the Navy's task merely to keep open communications behind the lines. Obviously, the union of the three arms must be looser than in the case of the continental powers.

To admit this is not to dispute the growing opinion that the three Services must work as one, but simply to state that some solution other than amalgamation must be sought. The requirements are simple: unity in command; co-ordination in training and equipment; and co-operation in action. To secure the first, a "General"

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Staff seems plainly needed, and at present there is none. The day-to-day conduct of the war is directed by the Chiefs of Staff Committee, made up of the professional heads of the three Services, the First Sea Lord, the Chief of the Imperial General Staff (a misnomer which means simply the Chief of the Army Staff) and the Chief of the Air Staff, all men trained exclusively in their own separate services and mainly concerned in their daily duties with their separate administrative problems. There are, it is true, to aid this tripartite and representative body, the Joint Planning and Joint Intelligence Staffs of the three Services, specially selected to consider problems in common. But they, too, are tripartite and representative. There are no "general" officers who belong to no single Service but to all three, though these specially selected officers are the nearest approach; and, in practice, there is no command higher than the Chiefs of the separate Staffs in consultation. There is the Minister of Defence at the very top, with no Service attachments; clearly in a true "General" Staff he would be in supreme charge, under commission from the War Cabinet which directs all phases of war policy. But there is Mr Churchill's own word that he does not in fact interfere much with the Chiefs of Staff in their several and collective work. From day to day, there is neither a Commander-in-Chief nor a General Staff.

The need is that, within the bounds of what is currently feasible, command should be more and more unified—not "co-ordinated." Mr Churchill, in the planning of all operations, should be the opposite number to Mr Lyttelton, in the planning of all production, with his expert and independent staff. In both fields, strategy and production, "co-ordination" by representative committees and liaison officers has not succeeded in producing an integrated policy; the result inevitably tends to be, not a common mind on common problems, but a symposium of separate programmes. A prime lesson of war administration so far is that liaison arrangements are a confession of failure on the part of the departments or Services concerned to dovetail their working. The question is where the "general" officers are to be found to man this "General" Staff and the commands below it. In the Army, officers who reach a certain rank become "general" officers and cease to belong to separate formations and regiments. This principle might be extended to the Defence Forces as a whole, so that no force larger than, say, a brigade was other than a joint force of all three arms, or at least two, officered by commanders drawn initially from one or another of the three Services, but belonging to none and trained in the joint and common problems of all three. By this means, a "General" Staff at the top and "General" Staffs in command of all higher fighting formations could be made and manned. The changeover could not be quick; and there would obviously have to be wide exceptions for the Navy, which necessarily operates from day to day largely in isolation. But the Navy could by no means be exempted from this interlacing of planning

and direction; it cannot range the seas without air aid; and offensive action against the enemy in any theatre must be a combined operation of all three Services. The mere appointment of one of three parallel commanders of the three Services to be Supreme Commander at the top, in a region or theatre of war, is not enough. Under present conditions, this may be necessary and desirable to co-ordinate operations. But, without the "generalisation" of his functions and training, and those of his colleagues and their staffs, he and they will remain military, naval or air men, not over-all and "general" commanders. Gaul will still be divided into three parts, though one may be larger and more important than the other two.

This "generalisation" of command would appear, on the evidence, to be the essential first step. From it could spring the unification in strategic planning—and in production programmes—and the co-operation in all operations that are clearly required. From it, too, would inevitably come plans for much more common training, at any rate of all officers expected to undertake responsibility in the field, in preparation for combined tactical action. Modern war is, admittedly, an unprecedentedly specialised business. The cobbler must stick to his last—the airman to his aircraft, the artilleryman to his gun, the soldier to his weapons and the seaman to his ship. Specialisation of function is obviously as important as unification of command—but no more important; and ways and means of co-operation between all arms in battle are a necessary part of the equipment of all officers in charge of companies, squadrons and naval vessels, no less than of those in the higher commands. Only co-operation in tactical training can make co-operation in strategical planning effective.

There are thus three stages in the reforms that the layman, diffidently, now believes to be necessary. First, the creation of a true General Staff; secondly, the establishment of joint commands under "general" officers; and, thirdly, the interweaving of training and the interchange of personnel. The main obstacle is the hard fact that there are three separate Services in being, the chief inhibition the sectional loyalties upon which *esprit de corps* throughout the British fighting forces has been built for generations. Within a single Service, the Beveridge Committee has recently made it plain that the rigidly sectional and regimental basis upon which the Army is organised is the biggest hindrance to the most efficient and economical use of industrial processes and industrial craftsmen in mechanised operations. Certain loyalties—the disciplined pride of the Guardsman or the regimental soldier, the spirited skill of the air pilot and the quiet efficiency of all ranks and ratings in the Navy—must remain as the foundation of the special contribution which each fighting man has to make to the subtle, complex whole of modern warfare. But they must surely be transcended by a common and wider loyalty. Bound, the bundle of sticks is strong; split up, it is broken with ease.

Reconstruction and Planning

THERE has been no word about the new Government's attitude towards reconstruction and planning, for defence, production and austerity have, inevitably, filled the stage. But the calls for new men and new measures rightly set reconstruction among the most pressing tasks; to-day's zeal is hope for to-morrow. Both reconstruction and planning have new Ministers. The new Paymaster-General, Sir William Jowitt, has taken over Mr Greenwood's responsibility for devising plans for social and economic betterment; education, the social services, industrial and agricultural reorganisation and post-war conditions of life and work are presumably his province. Within this field, rebuilding and planning the use of the land are the duty of the new Minister of Works

and Buildings, Lord Portal, who has taken the place of Lord Reith. The machinery is in position; it is news of its working that is wanted.

Sir William Jowitt's intentions remain a sealed book, while he takes his bearings. He lacks Mr Greenwood's Cabinet status, but, within the War Cabinet, the Lord Privy Seal will probably take a keen personal interest in his work, and the Lord President of the Council, Sir John Anderson, whose responsibility for the home front naturally embraces reconstruction, will be his supervisor. Mr Greenwood and Lord Reith made up a reconstruction committee of Ministers with the Lord President; and this committee, it has been stated, remains, with Sir William Jowitt and Lord Portal in place of the departed. The

committee is a symbol and an instrument of the Paymaster-General's task, which is to make the Government as a whole, and the Ministries one by one, reconstruction conscious. Post-war reconstruction and post-war government will be one and the same thing for a generation. This committee is the parent of all the post-war Cabinets, and Sir William Jowitt's duty now is to draft their programmes.

These are reasons why to set up a Ministry of Reconstruction would be a fatal error, for all the departments will be, or ought to be, Ministries of Reconstruction after the war. A separate Ministry would segregate and sterilise reconstruction, as happened after the last war. Only a Minister is needed, to make all the Ministries who will execute and administer post-war policies realise the importance of laying their plans now. They could not spare any able men to staff a Ministry of Reconstruction in wartime; but Sir William Jowitt can go among them to discuss. He will do well to be informal and unofficial in his approaches, and to bring into sparetime talks the widest possible range of people in all the Ministries, as well as from industry and the professions. Men hard at work on, say, labour problems for the Ministry of Supply, distribution problems for the Ministry of Food, employment and welfare problems for the Ministry of Labour or trade and industrial problems for the Board of Trade, obviously have ideas about reconstruction. But they are too busy to write memoranda or make contributions outside their work unasked. They must be sought out—and many others like them, wherever they can be found, in factories, offices, studies and the Services—for their brief invaluable advice.

Sir William's agenda, then, should be plain. He must keep reconstruction alive in the Cabinet, with the aid of the Lord President and the Lord Privy Seal; he must keep it uppermost in the minds of the Ministries who will apply it; and, casting the widest net, he must pool ideas and prepare the plans. The task does not end in Whitehall; it will be of small use if reconstruction is active there and passive as a public issue. The wish for better things now and after the war, for more justice, greater security, improved economic efficiency and better and broader education, needs no bringing to life; it is, or can be, the dynamo of the war effort itself—which is the final justification for Sir William Jowitt's job at a time like this. He must translate this wish into real terms. The researches of Sir William Beveridge and his helpers into social insurance could be made the basis of a published programme for a National Minimum; this week's news that the General Council of the Trades Union Congress has at last accepted the principle of family allowances, provided they are paid by the State, might well be made the starting-point for a drive to work out in public the detailed application of a policy to secure minimum social standards. A Charter of Education to make full use of all the nation's talents could be announced; and every step to betterment that can possibly be taken while the war is actually on should be taken. Reconstruction will only succeed if it enlists public opinion as well as the support of the departments. Last time, it won neither. This time, Sir William Jowitt, with full Cabinet backing, should have both the climate of opinion and the atmosphere of the Ministries as his special charge.

What in fact he and the Government intend to do is quite unknown. The fear that reconstruction may again be sidetracked is strong. The fact that Mr Greenwood was a member of the War Cabinet, while Sir William Jowitt is not, does not help; and the recent appointment of Sir Alfred Hurst to Sir William's staff came as a distinct shock. At any rate, it revealed the Civil Service view of reconstruction. Sir Alfred was Permanent Under-Secretary at the Department of Mines and, in the present serious coal situation, it is safe to say that no notably efficient member of the Department would have been released at this juncture. This transfer cannot be promotion; it can only be intended to make room for more energy at the Department, which suggests that the official attitude, the attitude of the Head of the Civil Service, is

that reconstruction is a sideline and not particularly important. It suggests, too, that Sir William Jowitt is already having the formal and inelastic values of officialdom imposed upon him; it is a straw in a wind that will blow away all his best endeavours unless he is careful, resolute—and supported in Downing Street.

There have been fears, too, about the future of planning. Lord Reith, who has gone, was no planning expert, but he was a fervent believer; and the transformation of the Ministry of Works and Buildings into a Ministry of Works and Planning, which was announced before the Government changes, has not been made. In fact, however, planning is not likely to suffer from the advent of Lord Portal, who may possibly be able to cope rather more smoothly with other Ministers than his predecessor did. The new Minister's work before the war in the depressed areas of Wales made him sharply aware of the physical problems of redevelopment. He has been given Mr H. G. Strauss as an additional Parliamentary Secretary, to be responsible for planning functions; and Mr Strauss's interest in his new duties is shown by the fact that he is chairman of the Scapa Society and a member of the executive committees of the National Trust, the Town and Country Planning Association and the Georgian Group.

The planning of building and land use is probably the only aspect of reconstruction which does require a new Ministry—to administer functions which either did not exist or were too thinly scattered among other departments. The need has been recognised, and the delay in bringing forward the Bill to register the new departmental title will only be short. Lord Portal will necessarily turn first to building, before he attends to land and forward planning, because the building industry has reached a critical wartime stage. But there is no reason to suppose that he and Mr Strauss will not press on to urge local authorities to make wider and more vigorous use of their town and country planning powers, especially with reference to the redevelopment of bombed and slum areas, which was singled out by the Uthwatt Committee for positive public action. Indeed, the areas which must, inescapably, be rebuilt and replanned will almost certainly serve, as they should, as the thin end of the planning wedge. The really important question is how positive public action will be. The keenness of the new Ministers to make planning as well as building the preoccupation of their department need not be doubted. But what planning powers have they got? What sort of plan is intended?

In short, the position of planning is precisely where it was before Lord Reith was replaced. No more than a start, albeit a welcome one, has been made. The Ministry is a central body for planning, but its power to plan is still minute. It is not yet the central planning authority that all the experts, including the Uthwatt Committee, regard as indispensable. The powers it is shortly to take over from the Ministry of Health under the Town and Country Planning Acts are negative; they are powers to bar bad development, but not to impose good. The wartime power of the Board of Trade to control industrial location remains with the Board of Trade; and the Ministry of Planning has neither a plan nor the means of imposing it. Whether Lord Portal wishes to remedy this is unknown, though the plain need to redevelop wrecked and squalid regions makes it likely that he will. If he does, he will need the aid of Sir William Jowitt and the consent of the Cabinet, for it will involve two major decisions, both still unmade—first, whether there shall be a national plan for the development of the nation's land; and, secondly, whether the nation will make the land in development areas its own by purchase, not to manage it bureaucratically, but to make planned development possible. Physical planning is a tangible and immediate branch of reconstruction; and the first test of Sir William Jowitt's status might well be his ability—and willingness—to press upon the Cabinet and the Commons the legislation needed, in the form of declaratory acts, to register these decisions. In his campaign to catch and hold public opinion, it would be a milestone.

East and West

FOR the time, the curtain has rung down on Britain's colonial holding in the Far East, and whenever it is rung up again it will certainly be on a radically different scene. For more than a century, Britain has played a part in the Far East, the part, almost exclusively, of a trader. Where—as in Malaya—administrative responsibilities were undertaken, the job was done largely to create a framework within which peaceful trade would be possible. In China, concessions, foreign settlements, extra-territoriality had the same purpose. The system had its advantages for both parties. China was not left poorer: by trading with British merchants. Chinese labourers were not worse off for working in British owned mills. Similarly in Malaya, the natives did directly benefit from the presence of British business interests.

Nevertheless, the system was open to abuse. In the co-operation between British capital and native labour, native labour sometimes got less than its fair share—in Malaya, for example, there was no income tax, while the community's social services were undeveloped. In China, the conception of extra-territoriality bred indifference to the problems of the community in which trade and industry were being carried on; and indifference was all too often tinged with irresponsibility and opportunism. As a result of many decades of British administration, the Malays, though better off, were not actively moving towards nationhood. After a hundred years of trading with Britain, the people of China resented all the signs of indifference—lack of social contact, lack of responsibility, lack of community—and all the other frictions flowing from the system of concessions and extra-territoriality.

This western method of trade relations—of which Britain was the chief exponent—was negative, and its faults were largely faults of omission. Taken over by the Japanese and fused with expansive tribal militarism, it has become a positive force for evil. The British tended to share inequitably the wealth they created. The Japanese do not share at all. The British offended the Chinese sense of equality by carving out extra-territorial rights for themselves. The Japanese wipe out the rights of the Chinese people.

To apply the word "imperialism" to both systems is misleading. The Japanese have not simply developed and reinforced and magnified whatever in the old system tended towards exploitation and the violation of national right. The new imperialism is not just the old writ large. It is based on quite different and quite opposite principles. It is as far from the old system as gangster rule from democracy. Yet equally clearly, there can be no return to the old system once the Japanese have been defeated. This defeat is, of course, the first step towards reconstruction in the Far East. The Japanese have a singularly cynical attitude towards their national policy. Almost the only criterion is success. If they are left to profit by anything they have gained by fighting, they will be confirmed in their reliance upon the "new order" method. But the Japanese are not only guided by their own success. They are equally under the influence of the success of others and if, after the war, the victorious Western Powers returned to the ways of economic indifferentism and unprogressive colonial administration in the Far East, the Japanese would sooner or later produce their own version. In the future, whatever policy is adopted by the victors will be aped by the Japanese simply because it is the policy of the war-winning side. The future of Britain and America in the Far East cannot thus be anything that could remotely lead to a return to Japan's "new order." The need is for entirely new principles—or rather, the consistent application of principles to which lip service has long been paid. For the colonies—Malaya, Indo-China and Netherlands India—there can be only one goal, the creation of independent nations linked economically, socially and culturally with the old mother-country, but

learning to stand firmly on their own feet. Towards the nations already confirmed and vindicated in their separate nationhood—India and China—the United Nations, and especially Britain, have to establish a new relationship, one of equality.

This should not be an impossible step. In China, for example, the official aim of British diplomacy for years past has been Chinese independence and equality. To confirm this, one has only to turn back to the British Memorandum on China of December 18, 1926—a time when, in the chaos preceding the victory of General Chiang Kai-shek, China had no central government at all. This document, commenting on the rise of Chiang, stated that "the political disintegration of China has... been accompanied by the growth of a powerful Nationalist movement which aims at getting for China an equal place among the nations and any failure to meet this movement with sympathy and understanding would not respond to the real intentions of the Powers towards China." And again, in the same memorandum: "They [the Powers] should abandon the idea that the economic and political development of China can only be secured under foreign tutelage."

The obstacles to this clearly established principle on the British side have been in part due to a paralysing inability to decide what policy to adopt towards Japan, in part, also, to a deeply ingrained sense of superiority over the "coloured" races. Both these obstacles have now been done away with. The only policy towards Japan is one of war now and occupation, disarmament and control for many years after victory. As for superiority, the last four months should have swept that away. The defenders of Free China can speak to any nation as brothers and equals.

But there have been obstacles on the Chinese side. It is not altogether the fault of the Western Powers that their impact on China was the prelude to a century of decay. The Japanese faced the same ordeal and emerged stronger and more united. The opening up of China only gave the *coup de grâce* to a system which was already dying away from within. It was not until after the Sun Yat Sen Revolution of 1911 and the coming to power of the Generalissimo in 1927 that the Chinese nation began to feel its way back to the political unity which is an essential condition of Great Powerhood.

This political disintegration made economic progress slow and halting. Industrialism has only begun in China in the last forty years and has grown up under all the crippling disadvantages of foreign concessions, enforced tariff arrangements, lack of capital, the mortgaging to foreign interests of taxes and revenues. Nevertheless, by the thirties, Chinese industry was beginning to take shape. In 1932 and 1933, over 47 million Chinese dollars' worth of cotton piece goods had been sold abroad.

The need to create stable political and economic conditions in China, to control Japan, to give the Japanese people a constructive lead, all point in the same direction. Britain and the United States must adopt a "Good Neighbour" policy of uncompromising equality and honesty. They must be prepared, if necessary at cost to themselves, to encourage in every way the economic and political integration of the 450 million people of China. This will mean Lend-Lease arrangements, loans and credits, technical advisers and experts, help in the establishment of heavy industry and in the building up of a workable transport system. But the investment cannot but give high political and economic dividends. With Good Neighbour principles victorious and in action, it may very well be only a short time before the Japanese people come to see that the militarists have "misled" their Emperor and that new advisers, whose will to peace is genuine, are the coming men.

And even if the conversion of Japan to the currently successful ideology were to prove slower than this, the peace-loving nations could hope to rely on the growing strength of China. There is, of course, no guarantee that the new giant will be inherently peaceful, though the 2,000 years of its civilisation have shown marked pacific tendencies. It is all the more important to adopt now a policy which will assist China into peaceful ways and ensure friendly relations with the West.

Given large scale economic help, the market created by 450 million people with a rising standard of living should set the machines not only of China but of Japan too and of the Western Powers working at full pitch. The greatest exchanges of goods are between industrialised communities and full Western aid—given in friendship where called for—could go far to building

up a China which would be a centre of "Co-prosperity" in a genuine sense.

There are powerful forces at work in the world to-day tending towards the creation of great power centres and the grouping round those centres of smaller states bound to them by economic and military ties. The "New Order" and "Co-prosperity" are debased forms of the new development. America's Good Neighbour policy and hemispheric defence and, though it lacks geographical unity, the British Commonwealth are examples of a higher community of interest. For obvious reasons, Japan cannot be the centre of Far Eastern "Co-prosperity." Nor can the Western Powers. China, the colossus of the future, is the key to that future and the only guarantee that it will be prosperous and peaceful.

NOTES OF THE WEEK

Deeds Done

On Wednesday night, Lord Halifax staged a counter-offensive over the air in Washington. In reply to the hostile propagandists who, in more countries than the United States, assiduously allege that Britain is still engaged in "phony war," leaving the other Allies to fight and work and suffer, he replied in the most effective way—by facts and figures. Too often British reticence has let the British case go by default. This time the trumpet was truly blown. Nearly three-quarters of the casualties suffered by the armies of the British Commonwealth and Empire up to the end of last year were troops from these islands; fully three-quarters of the air losses were United Kingdom losses, over 43,000 men, women and children have been killed and 50,000 seriously injured in air-raids over this country. Expenditure on defence and war purposes has risen from under a tenth of the national income in 1938 to about three-fifths last year; and four-fifths of total war output since last August, in a period when the production of tanks has been doubled, has been sent to overseas theatres. These details were perhaps hardly needed to prove that a country which stood alone against Hitler and Mussolini for a year and a half and destroyed half a million enemy troops in Africa, as well as keeping the long Atlantic and longer Indian Ocean supply routes open, was no skulking sluggard. But they make the truth impregnable. No one can deny that Britain has also had great failures, due to folly as well as weakness. But to accuse this country for not beating the totalitarian world single-handed, which is what these charges amount to, is so plainly enemy action that Lord Halifax had a duty to blast the indictment away.

Pacific Defence

The first arrangements for co-ordinating Allied strategy in the Pacific were blown apart by the Japanese. This was recognised on February 22nd—after Singapore fell, but before Java was lost—when General Wavell's South West Pacific Command, which had achieved nothing, was dissolved. General Alexander was appointed to hold Burma and General MacArthur was told to report to Australia. The heroic Dutch defence was then broken and the whole Indies lost. There remained only the task of the United States to keep open the seas to Australasia and to send reinforcements. From the outset, Mr Curtin, Australia's Prime Minister, had said that the Commonwealth must look to America, not to Britain. He was right, if only because 7,000 miles is only half 14,000; and the one relic of the earlier plans, the Pacific Council, which sits in London without any American representative, now looks merely whimsical and futile. The appointment of Mr R. G. Casey, Australian Minister in Washington, to be Minister of State in the British War Cabinet, to take Mr Lyttelton's place in concerting war measures in Cairo, is a much saner expression of the practical and geographical relations between Britain and Australia than this distant watch committee. The place for a Pacific Council is in Washington, as Mr Curtin always contended; and he has now taken the obvious step of sending his strongest Minister, Dr Evatt, to make direct contacts in the American capital. The "Anzac" area for which the United States

Less Clothing

A week of drastic renunciations of civilian comfort has included a reduction of just under a quarter in the amount of clothing each individual will be able to acquire from

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June 1st. An issue of 60 coupons will then be made, to last until August 1, 1943, compared with the 66 which were allowed for the first rationing period of twelve months. The reduction is gladly accepted, and the cut is reinforced by Mr Dalton's appeal not to use coupons except for necessary clothing. Unfortunately, standards of what is necessary vary, as do needs. Some people will receive supplementary allowances: about ten million workers in industry and children under 17 will receive ten additional coupons, valid from October 10th; and those in certain categories of work, and large children, who already receive extra allowances, will continue to do so. In spite of the special treatment accorded to growing children in the current period, many parents' coupons were spent on children's clothes. The aim of the cut is to release labour, plant, material and shipping space for war purposes, while ensuring that minimum needs are satisfied. These minimum needs should be met by the minimum use of labour and materials; and to this end the utility clothing scheme, started to ensure a supply of cheap clothing despite rising prices (the clothing component of the Ministry of Labour's cost of living index has risen by 94 per cent since war began), is, rightly, to dominate manufacture. With maddening inconsequence, the Board of Trade officials and the trades concerned deny that there is any intention of standardisation in the utility scheme. But the public will surely recognise that vital labour is saved by standard clothes as well as by standard cloth, and would accept a much greater degree of standardisation for the sake of utility and economy. Some technical questions involved in the saving of labour and material are considered on page 405. The desire of manufacturers—and tailors—to retain the different lines and varieties upon which they have built up their businesses is inveterate and stubborn. But, plainly, the more simple cloth and clothing are, the greater can be the number of workers freed by the textile and clothing manufacturers and the distributive trades for munition production; and there is also little reason why clothing workers, who still work appreciably shorter hours than those on munitions, should not increase their output, if need be, by longer hours—and free still more war workers.

Coal Rationing

The debate on coal on Tuesday was stimulating. Mr David Grenfell opened it by restating the problem, though with a greater degree of precision than before. The intake of coal by industry has risen above the pre-war level, and is still rising; and, in spite of exhortation, the former standard of household consumption has been maintained. Nevertheless, the stock position is somewhat better than a year ago, in spite of an exceptionally cold winter. There are two reasons for the absence of a serious shortage this winter. On the one hand, a further appreciable cut in exports has released productive capacity for the home market, and, on the other hand, the lull in air raids has been responsible for a more regular movement of coal than a year ago. Without the lull in air raids the difficulties of meeting demand would have been considerable. Mr Dalton, the President of the Board of Trade, was frank enough, for he admitted that "we have just scraped through so far without serious mishap." He grasped the nettle courageously. Production is grossly insufficient, consumption is excessive, and stocks are much too low. His remedy, an increase in output and a reduction in unessential consumption, is not new. But, in contrast to the half-hearted measures taken to apply it by previous Presidents of the Board of Trade, Mr Dalton appears to mean business. "His Majesty's Government," he said, "have decided that a comprehensive scheme of fuel rationing shall be introduced as soon as possible." The issue has thus been settled, and the arguments about administrative difficulties swept aside. Sir William Beveridge is to work out a rationing scheme for both coal and power.

New Methods in Burma?

The defence in Burma is taking shape. The main Allied forces are grouped in a large arc round Mandalay. Chinese troops seem to be predominant in the Shan States on the Siamese frontier. British forces, some of them evacuated from Rangoon, hold the Japanese in the Prome sector. The pace of the Japanese advance has slowed down considerably.

This must be partly due to reorganisation after the fall of Rangoon. But it also reflects a new vigour and intelligence in the conduct of British strategy. General Alexander has confirmed the impression made in the week immediately following on his appointment. The defence is showing a far more offensive spirit and there are encouraging signs that the General is basing his strategy on the campaign as fought by the Japanese, not as fought in the last war in Europe or according to Army manuals. At a recent press conference, he pointed out that far from being universally under-equipped, the British had in certain categories been handicapped by their own equipment. Motorised transport, essential for European *blitz* fighting, is proving a handicap in jungle warfare. Malaya was taken on bicycles; Java fell because the Japanese ran their munitions round on light handcars; while the Allies confined their operations to the very few good roads. If General Alexander can transform not only the spirit but the methods of resistance on the Mandalay front, the Burma bastion may well hold out.

The End of Winter

There is fierce fighting all along the Russian front. At Staraya Russa, the Sixteenth Army is still holding out, but at the cost of very heavy casualties. In the Smolensk sector, the gap has been narrowed by successful Russian attacks in the neighbourhood of Dorogobuzh and in the south, fighting has flared up in the Kharkov sector. The initiative everywhere remains with the Russians and the heaviness of their attacks is a measure of their urgent need to wring the last possible advantage out of the last weeks of winter weather. If the German armies cannot be disrupted and the strong points—springboards for the new offensive—reduced, the Russians will soon have to face an ordeal even graver than that of June, 1941—for now the enemy is at the gates of Leningrad, within 100 miles or so of Moscow and encamped on the shores of the Sea of Azov. Hitler's speech at the Zeughaus in Berlin, while it seems to have lacked the usual heroics and bombast, throws a rather uncomfortable light on the next stage in the Russian campaign. Hitler blamed the holding up of the German armies in Russia on the winter "which gave our enemy four months to attempt a reversal in this fateful struggle." This, Hitler declared, was the Russians' only hope of repeating their triumph over Napoleon. They had failed because "in a superhuman struggle the German and allied soldiers have survived this task." Now the ordeal was coming to an end, the summer offensive was in sight and the Bolsheviks would be the more easily wiped out on account of their waste of men and materials in fruitless winter battles. Hitler's speech may be dismissed as whistling in the dark, but the facts remain that the German Army has survived a winter campaign; its forward points have not been reduced, and the Russian advance has nowhere been decisive. Russia will need every ounce of support that can be sent her in the next few months.

India Waits

There is a hush over India, the calm before the storm. To the east, the Japanese are pausing to gather strength, and the people of India are very troubled; from the west, Sir Stafford Cripps is expected, hopefully. There is little yet to suggest the fate of his mission, and until the terms of the offer he is taking are known, nothing but generalities can be expected from any Indian group. In the Indian press, apart from the extremist papers which have been very reserved, there has been favourable comment and much talk of co-operation. It is almost certain that widespread support could be gained from moderate sections in all the parties for interim Indian governments in the provinces and at the centre on a coalition basis. But it did not need Sir Stafford Cripps to go to India to discover this. The immediate question is the attitude of Mr Nehru, Mr Jinnah—and Mr Gandhi—any one of whom could shipwreck a settlement. All three have reserved judgment, which is probably a good sign. The Chamber of Princes, however, has spoken. The princes welcome the mission; they hope it will strengthen India's defences; they are "not averse to ordered progress"; but their treaty rights must be protected. These very natural but very obvious pronouncements carry the matter little, if any, further than the silence of the politicians. The fact is that only Sir Stafford Cripps himself can do anything now.

Threat to Madagascar

There is no reason to doubt the sincerity of Marshal Pétain's guarantee to the United States that Madagascar will not fall under the control of any Axis Power. If the United States had asked a similar guarantee with regard to Indo-China in, say, July, 1940, it would undoubtedly have been given. The difficulty is that if the Japanese were to appear off the coast of Madagascar, the French would have no means of repelling the attack and that the authorities at Vichy have no means of controlling the behaviour of the officials on the spot, should they decide to throw in their lot with the Japanese. The shamelessness of Admiral Decoux's behaviour—it is even reported that he has accepted a Japanese decoration for "recent services"—may well be repeated by M Anet, Governor of Madagascar, for it is an odd fact about many minor Vichy figures that they are prepared to defend French territory to the last—but only against the democracies. If Indo-China is any analogy, they are also ready for "protective annexation"—but only by Axis Powers. What would the French reaction be to a repetition by American, South African and British forces of Japan's policy in Indo-China? Could they protest, when Japan's control of Indo-China has been accepted without demur? After all, the excuse of "protective annexation" is in this case overwhelming. The risk of losing Madagascar must, of course, be considered, and it would be very useful to know how far Allied plans have advanced in the creation of an alternative land route across Africa. Even without the new threat to Madagascar, it would seem reasonable, given the Allied shortage of shipping, to have hurried on with plans for saving thousands of miles of sea transport. There appear to be two possible routes across Central Africa—from Lagos through Fort Lamy, El Obeid and Khartoum to either Port Sudan or Massawa (with its American base) and again, from Douala, Bangui, Juba and Soroti to Mombassa. It is to be hoped that their potential value has not been overlooked.

How are the Mighty?

Hardly more than a few weeks ago, Lord Beaverbrook was a world figure. Then he vanished into silence, and not even the Prime Minister himself knew whether he would emerge. It was, to the member of the general public, the strangest episode of wartime politics. Few people will claim, in spite of Lord Beaverbrook's first-aid services to aircraft production in the summer of 1940, that he has shone as a departmental chief. Plainly he was not the right choice for Minister of Production; the difficulty, apparently, was that, with Lord Beaverbrook at hand, no other choice was politically possible, a situation which, happily, has now ended. But Lord Beaverbrook has had his triumphs, too, and his qualities are well known. In war as in peace, he is a publicist of energy and determination. He has worked ably and with success in Moscow and Washington and, at a time when men of decision and personality are not numerous, it would be a sad waste of manpower in high places if Lord Beaverbrook did not go on his travels again. It has now been announced that he will go to Washington, though not as a member of the Government, to do work on the pooling of resources, which will be done later by a special Under-Secretary. Lord Beaverbrook may then be given other duties. But the position remains obscure; and whether or not he regains his status is apparently Lord Beaverbrook's own choice. If his health permits, his duty is clear. The Germans are already saying that his departure marks the cutting of supplies to Russia. This is a complete perversion of the truth, and Lord Beaverbrook must make its falsity plain beyond a peradventure by taking up his itinerant task again.

Children's Rations

The simplified arrangements for the distribution to children of milk, cod liver oil and fruit juices, which come into effect on April 1st next, are a welcome improvement in the technique of food distribution. In future, one application form will cover all three schemes and renewal will only be necessary twice a year. The announcement draws attention to what has, so far, been the outstanding success of the Ministry of Food's administration, the immediate recognition that young children and expectant and nursing mothers constitute the most important priority classes in the country. The new arrangements bring the ration of cod liver oil into line with the national milk scheme by

extending its issue up to five years of age—the age up to which children are assured of 1 pint of liquid milk a day. Fruit juices are obtainable up to two years; a quart of liquid milk, when children are not breast fed, up to 12 months; while all holders of children's ration books obtain priority supplies of oranges and four times the basic egg ration. The scheme is impressive and will do very much to protect the health of the youngest members of society. The arrangements contain one inherent weakness—that the priority rations are in fact often used by adults. It is no secret that in some districts non-priority milk deliveries have practically disappeared or that marmalade is made from the children's oranges and cod liver oil fed to live stock. No administrative control can wholly remove this difficulty. For children of school age, the great safeguard is to push on with the provision of school meals and milk in schools; in day nurseries and nursery schools, too, there is also a great opportunity for seeing that the food goes down the right throat. For children in their own homes, exhortation and publicity are the only weapons which the Ministry of Food possesses. These should be used far more widely, at least on the scale adopted by the national savings campaign.

Determination of Needs

The Government sustained considerable criticism during last week's debate on the Assistance Board Report covering the administration of the Determination of Needs Act. Strictly within the Act's terms of reference there was little justification for the censures voiced. There is evidence that administration, within the framework of the Act, has been humane, intelligent and even enterprising; the Government's unwillingness to publish the instructions issued by the Board to its officials appears to create an unnecessarily unfortunate impression. The scope of the debate, however, was inevitably extended to criticism of the Act itself, a measure with which a considerable section of the Labour Party has never been satisfied. Apart from a general conviction that many old age pensioners are still permitted by the state to exist on an all-in income which is too low, there is much dissatisfaction with the maintenance of the means test, even in its present very modified form as a "needs test," and with the continued penalisation of thrift. The provision as regards war savings is clearly anomalous, and, as the Report itself points out, ineffective. The first £375 of war savings are neglected in the application of the personal needs test to claimants for supplementary old age pension allowances or unemployment assistance. Naturally, few persons who have made application since the outbreak of war for these allowances have been in a position to make considerable war savings; while those whose life's savings are held in other forms must be to some extent deprived of supplementary grants. This test has always penalised thrift; now it does so anomalously. As applied to the household, the needs test presumes a maximum contribution of 7s. weekly per head by each non-dependent member of the applicant's household or the grant of free board and lodging by the applicant's parents or children if their income amounts to £6 per week and he resides in their household. The Government's critics are appealing for no consideration of the contribution made by any of the applicant's relations, whether in cash or kind. Clearly, payments based on need do necessitate an investigation of need. The solution is probably to raise the old age pension itself, even if it is necessary to depart from the actuarial basis in doing so, and to retain supplementary allowances to provide for genuinely exceptional needs.

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Rates will be quoted on application

Economy of Labour

Men and women are now too scarce for the voluntary principle be allowed to prevent their most efficient and economical employment. In industry, it took a long time for the authorities to introduce, piecemeal, the ruling that a skilled man must go back to the work he is skilled in. In the Army, one of the War Office's answers to the Beveridge Committee's criticisms of the misuse of skilled engineers was that many of the men preferred not to do engineering work, a poor reply in total war. Last week, the first conscripts for the ATS were called up—and publicised. The publicity was inconsistent. On the one hand, the subtle selection tests to find what work the girls were fitted for were emphasised; on the other stress was laid on the fact that recruits were given the widest possible choice between the various jobs open. Stories were told of clerks opting work in driving or on gun sites to get the open air life they had never had. It may be true that the new tests prevent the grossest misfits from being committed; but it is equally true that to permit a trained and efficient clerk to seek training as a driver, in the cause of free choice, when good clerks are worth their weight in gold, is as wasteful as to permit good and experienced drivers, who are now very scarce, to go into other branches. The result tends to be to fill clerical vacancies with poor clerks and transport vacancies with poor drivers. It is true that, in the majority of cases, both men and women, the recruits have no special aptitude or experience to prevent a choice of work being offered them. But this fact, in the Services as in industry, makes it all the more important that those who have skill or experience should be placed to use it, and nowhere else. Skill is too scarce for any remnant of the cajoling "Join the Army and See the World" attitude to remain.

The New Gap

The opening of a Children's Club under the auspices of the Save the Children Fund in North Paddington draws attention to a serious gap in the various schemes and organisations covering the activities of young people. The need to free womanpower for the factories has put a sharp focus of interest on the under-fives, on nursery schools and child welfare centres. Similarly, the Youth Services for boys and girls over 14 are getting publicity, public support and governmental backing. It is assumed that the children between these two groups are fully covered by their schooling and that no further arrangements are necessary for their welfare. In time of peace, the contention is probably true. Between the school and the home, the child is fully provided with work, interests and affection, and many parents would resent attempts to encourage children of school age to spend their leisure time outside the home. But, in wartime, and particularly in London and other big cities, the problems presented by children of school age are grave and pressing. Many of them have lost all sense of an ordered existence through being constantly moved to the country and back again; many are living in bombed homes and streets with even fewer amenities than in time of peace; many homes have been broken up by mobilisation and the industrial call-up. The children when they get out

of school are apt to roam about the streets and shelters in unruly bands. If the children have lost all sense of discipline and decency before they become wage earners or come within the orbit of the Youth Services, the work done for them later may be quite useless. The Save the Children Fund, which has done pioneer work for the last twenty years and which unearthed this problem by its activities in shelters during the Blitz, has uncovered a real source of social disintegration. Its work is handicapped by the fact of dealing with children "in the gap"—neither under-fives nor over-fourteens. Premises, grants, trained helpers are not available. But now that they have made a gallant start, it is to be hoped that they will get the support, official and private, they deserve.

Dissident Tribesmen

The new Government of Persia has inherited a critical internal situation. The resignation of M Faroughi, the former Prime Minister who was, in any case, in ill health, was precipitated by his failure to control the rebellious tribesmen of the north and west. The task of his successor, M Ali Soheily, foreign minister in the former administration, is complicated by the fact that until the late spring it will be impossible to undertake military operations against them on a large scale. The problem was brought to a head by the collapse of the effective, if autocratic, government of Reza Shah and the subsequent demobilisation of the Persian army. The temporary removal of central authority has provoked a serious return to brigandage by the Kurdish and Khorasan tribes, always more or less disruptive forces in the Persian state, as well as agitation for greater autonomy by the Bakhtiari. The situation is further complicated by acute congestion of the transport system, which has impeded the distribution of wheat throughout the country and encouraged hoarding. The first necessity for the solution of the political problem is the reconstitution of the Persian army so that strong measures can be taken against the rebellious tribes. The future of the existing government will be seriously prejudiced if it is unable to restore law and order, in which enterprise Allied support may be indispensable.

Beveridge Report

On Wednesday, a Labour Member asked the President of the Board of Trade why Sir William Beveridge had been chosen to work out a scheme for coal rationing, and Dr Dalton replied that it was Sir William who worked out food rationing in the last war. Sir William Beveridge is ubiquitous; he is the Government's Jeeves. He surveyed manpower for Mr Bevin; he is still inquiring into the use of engineers by the Services; he is at work on plans to re-construct social insurance and the welfare services; and now he and his helpers will ration coal and power. An economist, he has had the flexibility of mind to use the experience of war economy in the last war as a starting-point towards the solution of economic problems in this one—as the first word and not the last. From the outset Sir William Beveridge was a spokesman of total mobilisation and total rationing. On the pivotal points of manpower and civilian consumption, his advice will have left a lasting mark on war policy when the war is over; and it is an oddity that his rôle has always been to advise, and not to administer. It is certainly true that armies which set out to fight the last war lose; but, in civilian war administration, some of the "last war men" have shown more insight and common sense than most of their colleagues.

Reorganising Political Warfare

The direction and administration of political warfare are to be simplified. In the place of the old triumvirate, Mr Eden is to exercise control over policy while Mr Bracken is to be in complete charge of the administration. This step is in the right direction. It may reduce the amount of inter-departmental confusion and introduce greater punch and effectiveness to the quality and transmission of British propaganda. But the new arrangements leave unsettled a large number of points, some of them of extreme importance. One of the pre-conditions of effective control over policy on Mr Eden's part is the emergence of a recognisable policy at the Foreign Office. At present, there is apparently none, and when Lord Vansittart complains of the influence refugee

Shorter Notes

There seems to be an unofficial competition to find a new slogan for National Savings. "Lend to Defend" is regarded, rightly perhaps, as dull and undynamic. "Back to Attack," which has been suggested, smacks of betting; and "Give to Attack" would be good, if it did not throw an unworthy doubt upon the Chancellor's intention to repay the money borrowed. Perhaps the Chancellor himself will, very sensibly, cut the knot by substituting "Your Money or Your Life" in April when he presents his Budget.

Germans are having on the formulation of propaganda for Germany, he should perhaps recognise that propagandists who are given no straightforward directives must in self-defence evolve some line. Again, it is a sign of the lack of clear sight and clear decisions at the centre that in the third year of war Lord Vansittart should still be able to debate whether or not the Government officially distinguishes between good and bad Germans. The faults are not only at the level of policy. Under the new arrangements, as under the old, there are obvious failings in co-ordination. What is now to become of the staff built up round the old triumvirate? The Political Warfare Executive is to come under the control of the Minister of Information. Is there anything to be said for not merging it completely in the Ministry? And even if there were a unified Ministry dealing with all propaganda services, it would still be a glaring anomaly that it had no effective control over the actual compilation and transmission of the major and most telling part of the propaganda. Will Mr Bracken's administrative control now extend to the foreign services of the BBC? If not, why not?

NAAFI and ENSA

In any discussion of the discrepancy between civilian and Service pay, it is always claimed that the fighting man receives additional benefits which bring his total remuneration much nearer the level of the factory worker. One of these is free board and lodging; and in the provision of food NAAFI plays an important part. As the Select Committee on National Expenditure points out in its fifth report of the session, before June, 1940, Army units used to receive a large part of their rations in cash, and were able to purchase that amount direct from NAAFI, which thus enabled messing officers to vary the diets of their men. This system is still followed by the RAF, but, since that date, the RASC is responsible for providing almost the whole of the army ration. NAAFI continued to supply the RASC with some of the goods, but they are issued at wholesale prices. Thus Army units have lost, not only the advantage of a more varied diet, but also the rebate of 6 per cent of the profits on the retail sales made to them. The Select Committee notes that a small cash element of 2½d. a day, to be spent at the NAAFI, has been re-introduced into the soldier's rations, but it regrets that the change was ever made. To-day, therefore, the only benefit a soldier obtains from the NAAFI is from his own individual purchases. On these, his unit gets 6 per cent rebate, which is used for welfare purposes and the provision of amenities, but it is personal benefits which alone can alleviate his sense of grievance that in money terms he is far worse off in the Army than outside. The Select Committee agrees that NAAFI's policy of charging multiple shop retail prices is the best in peacetime, but it considers that this policy may have to be reviewed. There is certainly a danger that goods sold at a lower price may be bought for resale elsewhere. Control of NAAFI supplies, too, has been almost culpably lax, to judge from recent revelations. But it is a risk worth taking in the interests of the individual soldier whose available pay for personal purchases is so small, and the argument that local tradesmen must be protected from cut-price competition should be ignored.

Among the amenities purchased by the profits of NAAFI is entertainment, which is provided by ENSA, a voluntary organisation formed six months before the war. In March, 1941, the net cost to NAAFI of providing entertainment for the forces and for munition workers, after allowing for the Ministry of Labour contributions and charges made to the forces, was about £800,000 per annum. This was more than NAAFI could afford, and the Treasury has proposed that the total expenditure, exclusive of sums provided for munition workers, should be limited to £1 million per annum, of which £600,000 should be borne by NAAFI and the remainder by the Exchequer, which already bears all wartime losses made by the Corporation in excess of £350,000. Nobody will question the amount of the expenditure on entertainment, or that a large part of it should come out of public funds. But it may well be asked whether something could not be done to provide better value for the money; it is frequently said that the forces themselves can provide, out of their own talent, better shows than those given by the average ENSA company.

The announcement that the Government is to clear up the question of food hoarding is welcome. For people who, on official instructions, began to store food after Munich, and have since then kept their stocks intact or add to them by perfectly legal purchases, it was somewhat alarming to read of prosecutions for food hoarding; if the Ministry of Food had wished to prevent large accumulations of food, it ought not to have been so dilatory in introducing and extending rationing. In any case, the existence of small and scattered food stocks throughout the country would be an advantage in the event of severe bombing or an invasion, and the Ministry might well take powers to requisition them in an emergency rather than to practise prudence and thrift.

A jarring note has crept into the press of the current "austerity" announcements: the import of about 450,000 gallons of wines is to be licensed by the Board of Trade. Though the quantity is small, it should have been possible to quieten the cries of wine producers simply by purchasing their products without using valuable shipping space to import them.

The Latin American republics are not sitting down under Axis attacks on their shipping. President Vargas of Brazil has ordered the confiscation of Axis funds; Uruguay has taken over the *Tacoma*, the supply ship of the *Von Spee*, and—a remarkable diplomatic gesture—Chile has sent a protest to Berlin over the sinking of Brazilian and Uruguayan ships.

The following table gives the number of civilian casualties in air raids since September, 1940:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept.-Dec., 1940.....	21,669	30,556	52,225
1941:—			
January-June.....	18,698	20,451	39,149
July.....	501	447	948
August.....	169	136	305
September.....	217	269	486
October.....	262	361	623
November.....	89	155	244
December.....	34	55	89
1942:—			
January.....	112	61	173
February.....	22	21	43
Totals to date.....	41,773	52,512	94,285

Of those killed in February, 4 were men, 14 were women and 4 were children under 16.



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AMERICAN SURVEY

Retrofitting in Government

(From Our Washington Correspondent)

February 17th

VARIOUS other segments of the Washington war machinery seem due for the same kind of tightening up that formed the War Production Board from the Office of Production Management, the Supply, Priorities and Allocations Board and parts of the Office of Price Administration and Civilian Supply.

For the past weeks the papers and the Congress have been having a field day with the Office of Civilian Defence. There are at least three issues in the controversy. One is the inadequacy of current preparations for handling air raids. Vague direction, inaudible sirens, amateurish warden-ing ("If it's gas, go to the top floor; if it's high explosive, go to the basement") have caused a rising tide of irritation. Then there is the perennial issue of Mrs Roosevelt, of whether activity, no matter in how good a cause, is desirable if divorced from accountability. The third issue is the most far reaching. How much does civilian defence cover? Up to the war, the New Deal drive was a drive for the ill-housed, ill-clothed; ill-fed third of a nation. When the war came, its urge to conserve social gains took the form of insistence that America, with her vast productive capacity, could have guns *and* butter. As pressure of military requirements squeezed the butter, the mould in which it came out was a programme for civilian defence. The nutrition programmes of former years were related to the rejection statistics of the draftees. The health programmes were related to time lost by factory workers. (Comparison has been made between the man-days lost from strikes and the notably larger number of man-days lost from illness.) The recreation programmes were related to the rising venereal disease rate around camps where decent fun is not available, to the need for relaxation of factory workers, to the care and training of children whose mothers are drawn into industry. The housing programmes were related to the need for quick staffing of new plants, and for preventing epidemics in their neighbourhood arising from overcrowding, overstrained water supplies and inadequate sewage disposal systems. How much of what is being done under these heads is demonstrably furthering the war effort? How much is insupportable in a nation that is budgeting sixty per cent of its income to direct war production and maintenance of the armed forces? That is the line of demarcation that Mr Landis, the new Director of OCD, has been assigned to find; he has just announced that OCD's main function is to prepare the country against the danger of physical attack.

Mr Willkie, in his Lincoln Day speech, attacked the exercise, by a number of agencies, of functions which he feels to be those of the State Department. He referred specifically to the speech by Colonel Knox that gave such priority to the defeat of Hitler as to raise questions among our allies in the Pacific, to the recent arrangement whereby speeches by government officials are to be cleared through the Office of Facts and Figures, and to the establishment of the Board of Economic Warfare, and—though he did not name it specifically—to the work being done under Colonel Donovan in the Office of the Co-ordinator of Information.

The tribute paid by Mr Willkie to Mr Cordell Hull is one in which the country at large would join. But Mr Hull's health is not robust, and the rumours of resignation which circulate periodically are again cropping up. Should he not continue in office, the person of his successor would have much to do with public confidence in gathering too many aspects of foreign relations under the State Department's ornate roof—like other foreign offices, ours has included on its staff a group who, to the man in the street, have looked like bespattered appeasers. (The news release on St Pierre-Miquelon, which referred to "the so-called Free French," is said to have brought the Department a freshet of letters

addressed to "the so-called Secretary of State.") Where frank speaking is in order, clearance of speeches by the Government's formal diplomatic arm might so draw the teeth out of what was said as to reduce it to immaterial mumbling.

But unquestionably something will be done, on the one hand about the agencies for disseminating information on the war effort, and on the other, about the agencies for doing certain vital war jobs outside the field of production.

Telling the Nation

Currently in the information field, besides the press relations staffs of the various Cabinet departments and the War Production Board, are the Office of Facts and Figures, the Office of the Co-ordinator of Information, the Office of the Co-ordinator of Inter-American Affairs and the Office of Government Reports, all of which are part of the Executive Offices directly under the President. (Perhaps the Censor should also be included!) The Office of Government Reports has been in existence since 1939—it has been overshadowed by the other three, which have appeared since the defence programme. Allocations of function among them have been, roughly, as follows: domestic United States affairs belong to the Office of Facts and Figures, which among other things has sponsored Bill of Rights Day (with an explanatory nation-wide radio hook-up that produced Hollywood sound effects in the name of the Founding Fathers), and printed a "Report to the Nation" summarising the war effort through 1941. The world outside the Americas is in Colonel Donovan's bailiwick—his loosely co-ordinated staff includes groups whose jobs range from short-wave broadcasting to long-term research. The Nelson Rockefeller office covers Latin America; and the production side of the information job—printed matter, posters, exhibits—is centred in the publications unit of what has now been metamorphosed from OPM to WPB.

The source of this multiplicity is to be found in the variety of colourful persons who have come to Washington with an idea and caught the Executive eye. It has been a constant characteristic of the New Deal; it has made the kaleidoscope, with its successive rearrangement of the same particles, an accurate analogy of New Deal Administration. (A different analogy, dating from several years ago, is that "the executive proliferates arms like Hindu goddesses, until not only the left and the right but none of the lefts and none of the rights know what the others are doing.") Another turn of the kaleidoscope seems about due.

The Supply, Priorities and Allocations Board and the Economic Defence Board were set up simultaneously. But when SPAB was streamlined into the War Production Board with Mr Nelson running it, the EDB was merely rechristened Board of Economic Warfare by the briefest of executive orders; nothing else has been done about it.

It is natural that this should be so. The readily observable shortcomings in production, which over successive months built up so much pressure for reorganisation that Mr Nelson's appointment was greeted with a tremendous sigh of relief, have no counterpart in foreign operations. But reorganisation of this latter machinery is no less overdue. When the Lend-Lease administration was set up, it was assumed that initiative in placing orders would come from a variety of sources; when the Economic Defence Board was set up, the current shortage of neutrals was less acute; when the Office of the Co-ordinator of Inter-American Affairs was set up, the war programme was small enough to allow budgetary room for many activities only obliquely related to the immediate prosecution of hostilities.

Now we have a programme which gives full priority to the question, *will this thing help fight the war?* Now we have a total front where competition for rubber and tin and the rest has moved from economic to military lines.

Now we have a procurement situation to which complete priorities have been applied, through the joint committees set up as a result of the Churchill-Roosevelt visit. These changes have shifted the policy-making function to new points; but organisations which have now become technical supports of the new centres are not yet keyed to their new job.

Retail Sales in 1941

[FROM OUR NEW YORK CORRESPONDENT]

February 12th

It is not, of course, true that the sum of retail sales in a year is identical with civil consumer demand. But it is a fairly good quantitative and qualitative representation. Retail sales in 1941 were approximately \$54,000 millions; this figure is the highest in our records; it was 17 per cent above 1940 and 11 per cent above 1929. As far as one can make out from the price indices, and allowing for the increase in population, *per caput* sales must have been approximately equal to those of 1929.

These sales were tabulated as follows:—

RETAIL STORE SALES (\$000,000,000)	Percentage Increase	
	1940	1941
All retail stores.....	45.7	53.6
Durable goods stores.....	12.2	14.9
Non-durable goods stores.....	33.5	38.7
Food stores.....	10.8	12.4
Eating and drinking places.....	3.7	4.3
Apparel stores.....	3.4	4.1
Filling stations.....	3.0	3.5
Building materials, hardware, etc.....	3.0	3.7
Household furnishings, etc.....	1.9	2.4
Automobile dealers.....	6.8	8.2
Drug stores.....	1.7	1.9
General merchandise.....	6.8	7.6
Other retail stores.....	6.4	5.5

The most remarkable fact in this table is the relative uniformity of the increases. It is true that the largest increase (building material and hardware store sales) was double that of the smallest groups—drug stores and general stores—and that durable goods sales increased more than non-durable goods. But, generally speaking, it shows that a public with money in its pockets is not very eclectic—it wants more of everything.

Simplifying the groupings we get this subdivision:—

Food and drink.....	16.7
Clothing.....	4.1
Motor cars and their use.....	11.7
Houses and their contents.....	6.1
Undifferentiated.....	15.0

The Prospect for 1942

It is quite clear that the record for 1942 will not look much like that for 1941. The production and sale of passenger cars has virtually ceased. The use of existing cars is already limited by what is misnamed the "rationing" of tyres, which is actually a prohibition of the sale of new tyres—incidentally, even those idly on the dealer's shelves. Secondly, private building is already reduced by the non-availability of metallic fittings and by general shortages of all sorts of hardware. These two items—motor cars and their use, and houses and their building and maintenance—aggregated almost \$18 billions in 1941, or one-third of all retail trade. The proportion may have been larger, for the undifferentiated shops sell some items for cars and houses. While there will be retail sales in these lines, the volume this year must be much smaller than in 1941, even if no limitations should be imposed beyond those now visible.

Together, the items of food, drink and apparel ran only a little higher—about \$21 billions, or, say, another third. At this time, there is less reason to expect physical shortages in this category, although there are at the moment scattered scarcities, possibly caused in part (e.g., sugar) by a degree of anticipatory or excited forward buying, generically called hoarding.

The undifferentiated items—another third—include goods in which no shortage is predictable and goods now completely unavailable. To sum up, few predictions can be made with more assurance than that the volume of retail sales in 1942 will be substantially less than in 1941. There is neither the material, nor the labour, nor the plant capacity to supply the retail trade with a volume of goods equal to that actually sold over its counters in 1941.

Yet, at the present time, it appears that the money in the pockets of customers, or would-be customers, of retail shops is higher than at any time in 1941, and there is reason to expect that it will remain higher throughout the year. This demand is at present converging on the available supply, with a resulting impact on prices and also upon the distribution of this available supply. This impact is not, and probably cannot be, very accurately reduced to index numbers, as a reference of the groupings of retail trade to the components of a "cost-of-living" index shows.

American Notes

WPB on Trial

The satisfaction and relief which greeted the establishment of the War Production Board appear to be wearing thin. Mr Tolan, Chairman of the House Committee on Defence, has criticised the lack of a single all-inclusive purchasing agency, and more sensational charges were made by Robert Guthrie, when he resigned last week from his job as Chief of the WPB's Textile, Clothing, and Leather Goods branch. He laid responsibility for delay in conversion to war production, not on the industry, but on the "indecision, resistance, and procrastination" of industry representatives working within the WPB. Senator Truman, Chairman of the Senate Committee investigating war production, declared that the programme is "shot through with men interested primarily in serving their own interests." Mr Nelson himself, in a broadcast addressed primarily to labour and management, said "We, and you, are on trial . . . Unless production is brought to unprecedented levels neither management, labour nor the WPB can expect to survive the wrath of the public." Presumably the WPB would be the earlier victim; labour and management are not so easily dispensed with. Mr Nelson's concern was mainly with methods of increasing production sharply in the immediate future, by fuller utilisation of plant facilities, and the raising of efficiency within industries to the level of the most productive plants. He pointed out that 20 per cent of plants on war production work only a five or five and a-half day week, and turning to specific industries, estimated that machine tool production could be increased 45 per cent if all 153 plants operated as efficiently as the top three, and that aircraft production could be raised 25 per cent if all plants could equal the best production records in the industry. Mr Nelson also announced that integration of Army, Navy and Maritime Commission procurement into a unified supply system was to be the next step in speeding the war effort. The Guthrie charges, which are to be investigated both by the WPB and the Truman Committee, raise the persistent problem of how best to employ the technical and industrial brains of a democracy. It is not a problem peculiar to the United States, and the way in which it is handled will be watched with interest in this country.

Manpower Policy

Shortages are already developing in certain types of skilled labour, and consequently increasing attention is being directed to the question of a manpower policy programme. The shortage of tool and die workers in what was the automobile industry has been called the most serious obstacle to conversion by Mr Kanzler, and it has persisted in spite of an increase in wages over a month ago and attempts to upgrade and retrain workers. Official suggestions that an army of 7,000,000 to 8,000,000 men may have to be created have raised the problem of the broad allocation of labour, which the Administration is known to be considering. The demands of the forces may draw as many as 5,000,000 men from civilian occupations, and it is estimated that from 3,000,000 to 5,000,000 additional workers will be needed for war production. This call on the nation's manpower, amounting to possibly 10,000,000 in all, will have to be met from four sources: the unemployed, now numbering just under 4,000,000, but including many unemployables; those coming of age, who are estimated at about 1,500,000; civilian industries, including farming; and men and women not now in regular employment. The reserve of woman-power has been estimated by the National Industrial Conference Board at about 7,000,000, of whom 5,000,000 might be put to work. A bill now before the House proposes to give the President authority to draft men to perform essential civilian services, and the press has forecast the creation of a manpower board within the WPB to

take charge of the supply and training of labour and the fixing of industrial priorities. It is suggested that employers may have to secure all their labour through the US Employment Service, that priorities will be established for labour similar to those now existing for materials, and that the manpower board may be given powers to transfer workers from one employer to another. Recent Gallup polls indicate that the public is willing, if necessary, to sacrifice the right to work where it chooses. Far-reaching decisions on the allocation of manpower will soon be needed, and it is good news that neither the public nor the Administration is going to be caught unprepared.

* * *

The First Year of Lend-Lease

Figures presented to Congress by the President last week cover the first twelve months' working of Lend-Lease and throw light on what has been happening in the three months since the United States became a belligerent. Total direct Lend-Lease appropriations, which were \$12,972 millions on November 30th, are now \$18,400 millions, an increase of about 42 per cent; allocations have risen from \$9,186 millions to \$12,205 millions, or about 33 per cent; contracts placed total \$8,459 millions as against \$5,243 millions, an increase of 61 per cent. The amount actually spent has risen from \$1,202 millions to \$2,570 millions, or about 114 per cent, and shipments from \$595 millions to over \$1,000 millions. Articles produced under existing appropriations of \$20,596 millions for the Army, Navy, and Maritime Commission may also be transferred at the discretion of the President. Military missions are already in China and Russia with the purpose, among others, of giving instruction in the operation and care of American military equipment, and the North African Mission has established repair shops. Actual deliveries are still only a tiny fraction of what is promised, and what is necessary to turn defeat into victory. The slow start is due to the reorganisation and retooling of American industry, now well advanced, but in the future the shipping shortage will be the limiting factor. In his report President Roosevelt observed, "What we have done has not met the most urgent of our present needs. It will not even begin to satisfy the stern requirements of the future." This sombre assessment, combined with the steady increase in Lend-Lease figures, is reassuring; the administration is not guilty of underestimating the demands of the many fronts, and it shows no sign of succumbing to the natural temptation to reserve American production of weapons for the American forces. As long as there is no complacency over what has been achieved, the progress of the last three months gives good grounds for satisfaction.

* * *

Reactions to the Tax Programme

The most hotly debated tax issue at present is not any part of the Treasury's proposals, but the suggestion of an 8 per cent sales tax advanced by the National Association of Manufacturers in an alternative programme, and said to have considerable support in Congress. Besides the sales tax, of which 4 per cent would be levied on manufactures and 4 per cent at the retail stage, and which it estimates would raise \$4,400 millions, the Association recommends a cut in non-defence expenditures of \$2,000 millions; smaller increases in individual tax rates than those proposed by the Treasury; an increase in the excess profits levy and surtax "to take from industry every last dollar that can be taken consistent with the tremendous war production programme of the Government"—a condition susceptible of the most contradictory interpretations; and an excess profits tax of 90 per cent. Some of the support for a general sales tax rests on the argument that it is necessary to absorb purchasing power in the lower income groups where incomes have increased most and without incurring much liability to pay direct taxes. The proposal is being fiercely fought by organised labour; Mr Murray is reported to have called it "shocking" and the representative of the American Federation of Teachers testified before the House Ways and Means Committee that it would work great hardship. The Treasury supports this point of view, partly on the ground that the sales tax would stimulate demands for wage increases, partly on the ground that it is regressive. It will be some time before the shape of the final tax programme emerges from the rather unedifying struggle to shift the burden from the vocal and organised to those who are neither.

Further Controls?

The President has admitted that the control of wages is being considered, and farm prices and profits, over which control is ineffective or inadequate, may be included in a new programme to restrict rises in the price level. The Price Administrator has estimated that purchasing power during 1942 will be \$9,000 millions above 1942, while the supply of consumers' goods will drop by \$6,000 millions. The President's appeal for voluntary restraint on the part of economic groups, particularly the farmers, in order to avoid inflation, has been promptly flouted; the House has just attached to the Agriculture Department Appropriation Bill a rider forbidding the Commodity Credit Corporation to sell its stocks below parity. Wage increases have been announced in some sections of the converted automobile industry, and those granted earlier to railway labour are now coming home to roost in the form of higher freight charges, with inevitable repercussions on the price ceilings established for many commodities. The loop-holes in the price control bill daily become more glaring, as the cost of living continues its steady rise. The Canadian system of stabilising purchasing power by tying wages to the cost of living has received favourable attention in the press, and is being studied by the Administration. A number of recent AFL contracts have embodied such provisions, and this approach seems the only one likely to be at all acceptable to labour. Both the AFL and CIO are vigorously opposed to wage ceilings or the establishment of fixed rates. It is reduction rather than stabilisation of purchasing power that is necessary, but to do this by direct means seems politically impossible, and it will probably have to be accomplished by taxation, saving, and some rise in the price level. But these will not do the whole job, or spread the burden fairly, and it is time the Administration took a strong line over stricter and extended controls. The public would apparently welcome it, but it would have to be a very strong line indeed to overpower the stubborn self-interest of the lobbies.

* * *

National Income

An announcement by the Department of Commerce puts the National Income for 1941 at \$94.5 billions. This is a phenomenal increase, since the 1940 figure was only \$76.0 billions. The announcement states that the increase in the general price-level in 1941 was only 6 per cent, so there must have been an increase of no less than 17 per cent in the physical volume of the national output in a single year. The figure for 1942 is expected to reach \$113 billions. This will be a further increase of more than 19 per cent over 1941, but it is not possible from the cabled reports to tell whether it includes an allowance for expected price increases. The 1941 figure was the highest ever attained. The previous record was \$83.4 billions in 1929. From there the figure dropped to \$40.0 billions in 1932 and gradually rose to \$71.4 billions in 1937. There was a relapse to \$64.4 billions in 1938 and then a resumed rise to \$70.7 billions in 1939 and to \$76.0 billions in 1940. The jump to \$94.5 billions in 1941 was thus a far more violent movement in the curve than has ever before occurred in an upward direction.

* * *

Shorter Notes

A cut of 20 per cent in deliveries of petrol in seventeen eastern states, the district of Columbia, Washington and Oregon, has been ordered by the WPB. The cut is less drastic than that recommended by the industry, which favoured a 25 per cent reduction. There is as yet no formal rationing; distribution of the available supplies is left to service station operators.

The WPB has announced that approved funds to finance war industrial plant expansions totalled \$7,366 millions on December 31, 1941. Of this, 82 per cent represented commitments of public funds; the cost of private expansion is estimated at \$1,326 millions, and that financed by foreign governments at \$155 millions.

The Office of Civilian Defence is reported to have appointed 62 unpaid sports co-ordinators to be attached to its physical fitness division, including co-ordinators of basketball, football, volleyball, and tug-of-war.

THE WORLD OVERSEAS

A Plan for Irish Farming

[FROM OUR DUBLIN CORRESPONDENT]

February 23rd

In a lecture delivered in University College, Dublin, Dr Henry Kennedy, Secretary of the Irish Agricultural Organisation Society, made a reasoned reply to the speech of the Minister for Agriculture, recently referred to in this correspondence. Dr Kennedy prefaced his remarks by deploring the absence of reliable data on which to base conclusions regarding Irish agricultural policy. There are, he stated, no proper costings except those referring to a small sample of farms in Kerry and Cork, made by one of the staff of University College, Cork. Important decisions are taken on agricultural wages and the prices of crops without any proper enquiry. There has been no research into the possibilities of reducing costs by the introduction of agricultural machinery, in which such great progress has been made in Germany and Denmark. He urged that a committee similar to that recently appointed in Great Britain should be established to consider the mechanisation of agriculture. Dr Kennedy's second preliminary point, which will command unanimous agreement, was that an increase of profitable agricultural production would raise the standard of living, not only of the farmers, but of everybody else in Eire. The multiplier process would be best initiated in Eire by an increment of agricultural exports, the financial benefit of which percolates throughout the whole economic system. Compared with some of its competitors, Eire has lagged behind in almost every branch of agricultural production. Since the beginning of the present century, there has been no increase in tillage or in the animal population, and the average milk yield and butter fat content in the dairying industry are inexcusably low. After the war, a great increase of imports will be called for which will necessitate an expansion of agricultural exports. Now is the time when the production programme on which such an expansion must be based should be discussed and prepared.

Dr Kennedy drew attention to the great loss caused by animal diseases. The necessity for increased expenditure on veterinary research is generally admitted, and there is no reason why this important public service should not be provided forthwith. The losses through malnutrition are at the same time more serious in magnitude and more difficult to cure. During part of the year, Irish cows are condemned to live on their own fat, and the average wastage arising from this cause is estimated to amount to 150 gallons of milk per year. The outstanding problem of Irish agriculture is to make the production of milk more even throughout the year. In this respect Ireland stands in a striking and most unsatisfactory contrast to New Zealand and Denmark. Home-grown feeding stuffs are naturally to be preferred to imports, and of all the home-grown feeding stuffs grass must in the circumstances of Eire play the largest part. The present condition of Irish pastures is far from satisfactory. Some of our grass lands have been rightly described as "exercise grounds" for cattle. The immediate necessity is to improve the yield and quality of grass, and for this the ploughing of grass land and the use of abundant fertilisers are the appropriate means. Dr Kennedy referred to the "sham battle of plough versus grass" that has been waged in Irish agricultural political discussions, the fact being that good grass depends on the use of the plough.

Feeding the Pigs

The progress of the dairying industry would be productive of many profitable side-lines. The skim milk which is returned from the creamery to the farmers is a valuable feeding stuff for calves and pigs. While the principal livestock export of Eire must continue to be cattle, the pig industry is capable of considerable development. Pigs can be fed on potatoes, the production of which could be quite easily increased. The yield per acre of potatoes in Ireland

is already large, and could be made larger. The difficulty of cooking the potatoes could be surmounted by the use of portable boilers which are extensively used in Germany. Dr Kennedy referred to a new type of co-operative experiment in which the small farmer produces the young pig and the potato, and the latter is fed to the former by a co-operative society.

While all students of Irish agricultural policy would not agree with every detail of Dr Kennedy's programme, it would secure unanimous agreement in principle. Many foreign observers have been impressed in recent years by the comparatively low intensity of agricultural production in Ireland. The two outstanding needs in order that precept may be translated into practice are education and credit. As regards education, the Irish farmer has always shown himself adaptable to improved methods if they are demonstrated to be profitable. If the Government were firmly decided on their post-war agricultural policy, the farming population would certainly not refuse to co-operate in any programme that could be shown to be to their advantage. As regards credit, Eire is a creditor country with abundant idle money lying in the banks. There is no real shortage of agricultural credit such as is experienced in less fortunately situated countries. The real problem of agricultural credit in Ireland is to ensure that advances will be profitably employed, and that the credits of to-day will not become the unproductive debts of to-morrow. The experience of the years after the last war, when over-borrowing took place on an extensive scale, has not been forgotten by the Irish farmers or the Irish banks.

Finnish Political Feeling

[BY A CORRESPONDENT]

March 6th

FINLAND'S national coalition, which was so easily achieved in face of the "Russian danger," has not been broken now that the war has become more complex than was expected; that, however, does not mean that unanimity of purpose has been left quite unimpaired through recent developments. Left wing circles, that is, the Liberals and Social Democrats and their press, are still representing Finland's fight as a struggle for democracy, but they have to defend themselves against those who regard democratic institutions as an outworn tradition. Right wing coalition papers do not shrink from printing anti-Labour, and even anti-semitic, articles. Government circles accept the Prime Minister's formula that Finland is defending the cause of all Northern Europe, but while some of them are appar-

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ently in favour of a New Order-Scandinavia, others pretend to defend Scandinavian democracy; the Minister for Social Affairs has recently addressed an open letter to the Norwegian Government in London, in which the latter point of view was apparent.

A serious blow to civil liberties was given by the Government when, late in 1941, six members of the Finnish Diet were put on trial for acts which were quite constitutional at the time they were committed; one of the accused men had been arrested, for instance, because he had translated the Webbs' book on Soviet Russia. Swedish newspapers assert that these trials have created many misgivings in Finland, especially among the rank and file of Labour.

The attitude towards Britain, as distinct from that towards Russia, varies considerably between the different political strata. A great Liberal paper pointed out, as recently as the middle of February, that though the British declaration of war on Finland was deplorable, it should be understood as born out of the more general implications of the world war; but this "strange attitude towards our enemy" has been strongly criticised by Right wing papers, in which among other things the "hatred of the Indian people against Britain" is often exploited with particular satisfaction. The BBC's Finnish programme is often mentioned in the newspapers, and a pro-German paper recently had to admit that "certain people consider the BBC broadcasts to be both reliable and friendly towards Finland."

Cold and Hunger

Apart from the disappointment about the Russian successes and the British declaration of war, the very severe living conditions are also contributing to the feeling of uneasiness. This winter has been the coldest one for the last 40 years, and the mortality among children is continually rising. The weekly bread ration has been raised by the insignificant amount of 1.8 ounces following the German promise to dispatch 75,000 tons of grain to Finland, and sugar is now more plentiful—the February ration was 3.3 lb.—but the fat ration was lowered from 21 ozs. to 17½ ozs. and meat is apparently in most cases unavailable; fish rationing has now been introduced. The Government's inability to secure a just distribution and to combat the black markets has created much dissatisfaction, which is partly reflected in editorials and letters in all kinds of newspapers; at other times, however, grumbling is represented as a most dangerous procedure in present circumstances. Friction between various sections of the population has recently become apparent; farmers, for instance, allege that they have been asked for greater sacrifices than anyone else in the country, but they are attacked by many others for withholding huge amounts of food which would help to alleviate the position. The severe timber shortage is said to be largely due to the unpatriotic attitude of forestry owners who only think of their own profits.

A certain amount of disintegration is also discernible among the comparatively small but influential Swedish minority. A parliamentary spokesman of this group has recently underlined the defensive character of Finland's present struggle, and he is probably backed in this view by the majority of his countrymen, though not by all of them; as many as 600 members of the minority, among them large numbers of landowners and industrialists, publicly dissociated themselves from these utterances.

Finland depends largely, in present circumstances, on the economic assistance of Germany and other New Order countries; she would hardly have survived this winter without food from Germany. A trade agreement has now been signed with Germany, and also with Norway, according to which the Finns are to receive coal, iron, food, artificial wool and other goods. Their own exports are at present smaller than what they receive, and the German deliveries will be made in part for cash and in part on a

credit basis. Finland also needs foreign labour, and Germany is said to have agreed to order women workers from the Ukraine to go to Finland; furthermore, the Finns have got into touch with Denmark and Sweden regarding the dispatch of unemployed workers.

The Finnish pro-Nazis have, of course, pointed out how generous the Germans are in sending goods which they themselves need so badly. However, it has been made clear in Social Democratic newspapers that Finland's present complete economic dependence on Germany is most undesirable, though even these papers do not suggest any other course than to accept the Nazis' gifts. Their economic supremacy is indeed the Nazis' strongest weapon against their ally.

Ceylon's Economic Importance

[BY A CORRESPONDENT]

March 16th.

IN this second world war, islands and outposts, especially those lying athwart world trade routes, assume an importance out of all proportion to their size or economic resources. But if such bases have an economic value as well they have an added attraction to aggressors. In the last sixty years, Ceylon has become an important producer and exporter of tea, exports rising from 2.4 million lb. in 1884 to over 236 millions in 1938. There has, too, been a remarkable growth in the plantation rubber industry; the acreage under rubber increased from 750 in 1898 to over 600,000 in 1938. Other economic products of the island include coconut palm and its products, cacao, cinnamon, citronella and areca nuts. Ceylon is also the chief producer of high-grade graphite in the British Empire, and the following table shows the island's exports of graphite in 1938-40:—

	(In cwt.s.)							
	U.S.A.	U.K.	Japan	Germany	Australia	India and Burma	Others	Total
1938	50,284	39,595	75,189	15,575	10,820	...	44,177	235,640
1939	103,506	67,655	210,600	10,899	?	?	55,461	449,121
1940	118,060	170,000	129,700	...	?	?	62,800	480,560

Thus in 1939 and 1940 there was a marked increase in shipments of graphite to Britain and America.

Ceylon's chief sources of supply in 1938 were as follows:—

	%		%
British India	21.77	Japan	6.54
Burma	14.82	Persia	3.24
United Kingdom	20.64	Siam	2.78

The principal imports are rice and paddy, cotton manufactures, sugar, fertilisers, spirits and coal and coke. The United Kingdom's exports to Ceylon were cotton piece-goods, iron and steel products and machinery. In 1938, the United Kingdom took 53.94 per cent of Ceylon's exports; 18.16 per cent went to other British territories, and 27.90 per cent to foreign countries. The United Kingdom's imports included 167 million lb. of tea and 271 million lb. of rubber as well as desiccated coconut and unrefined coconut oil. Ceylon's chief exports to all countries in 1939 were tea (228 million lb.), rubber (135 million lb.), coconut oil (1,257,637 cwt.s.), copra (1,061,384 cwt.s.), desiccated coco-nuts (672,635 cwt.s.) and graphite (449,121 cwt.s.).

In sum, after the loss of supplies from the south-west Pacific, Ceylon's exports of rubber, tea and coconut products have become even more important to the Allies. Last year the island exported 88,937 tons of crude rubber. The adoption of a more drastic tapping method is calculated to increase the output of crude rubber to a more satisfactory figure. Two factors in the country's economy call for special notice: its need for outside labour—there are nearly 683,000 Indian labourers on estates—and its dependence on British India, Burma, Siam and Indo-China for rice to supplement domestic production, of which the last two are under Japanese domination while Burma's normal economic activities are temporarily paralysed.

German Europe

Bourses in 1941

DIVIDEND stops and control of the bourses became almost universal in Europe during 1941. In Germany as well as in other countries, the dividend stop provided facilities for the adjustment of the capital of joint stock companies. German companies were said to be undercapitalised; in France, Belgium and Holland, German papers considered an adjustment necessary because of the inflation of the currency. From July, 1941, to the end of January, 1942, 529 German companies increased their capital by 58 per cent to Rm. 4,677 millions. In France, 160 companies raised their capital by 53 per cent to 14,398 million francs. In Belgium and Holland, the facilities were hardly used. In the Danubian countries, particularly in Hungary, capital increases were caused by the necessity of financing the expansion of industry, like the capital increases of German companies during the first months of the war.

During 1941, all continental bourses experienced a boom in share prices. In Germany, the peak was reached in September. In France and Belgium, the boom continued almost uninterrupted. Japanese successes in the Pacific, however, caused a slump in Amsterdam. From December, 1940, to the end of 1941, indices of share prices increased in Germany by 6.7 per cent, in France by 25.5 per cent, in Belgium by 75 per cent, and in Holland by 60 per cent. During the whole war period, the German share price index had increased by 46.5 per cent, and the French index by 181 per cent; the Dutch index had doubled, and the Belgian index trebled.

Actual control of the bourses varies. The first attempts at controlling the share markets were made in Germany and Italy long before the war. Wartime control of the share markets became an acute problem in Germany in the spring of 1941, after a simple price stop on the Vienna Bourse, attempted in October, 1940, had proved to be impracticable. The German policy of control is based on the admission that wartime liquidity, caused by the running down of stocks, the impossibility of replacing machinery and the increase in the national income, cannot be prevented. The demand for investments thus exceeds the supply, in spite of tremendous State loans, which in 1941 absorbed Rm. 14,750 millions against only Rm. 3,460 millions of private capital issues. The German authorities realised that it was not feasible to abolish the share market, although each new measure intended to curb speculation seemed to be a step towards its abolition. The first measures, the dividend stop and the speculation tax, achieved only a temporary check of the boom. The prohibition of buying shares on a credit basis, the restriction of all dealings to approved brokers and the exclusion of banks were not successful. The boom was not finally broken until the announcement that the registration of all dealings made after the beginning of the war would be introduced. But registration was not actually decreed until the beginning of March this year, five months after the announcement. All shares which were bought between September, 1939, and March 15, 1942, must be registered. There is still no indication whether these shares will be requisitioned or whether the owners will be compelled to sell them.

The conditions which make control of the capital markets a temporary success in Germany, that is, compulsory organisation, marketing and price and wage stops, are not present in the occupied countries. The bourses in occupied countries are almost free markets, and German interests demand that at least the black bourses in France, Belgium, and Holland should be abolished. In these countries, control measures tend to increase dealings outside the official bourses. Quotations outside the bourses exceed the official prices and the general feeling that the possession of shares means the possession of real values has denuded the markets. A great number of official quotations have become nominal. At the beginning of the boom, France introduced a speculation tax. At present, attempts are being made to control the market directly. But the problem of increasing the supply of shares is almost insoluble. The turnover stamp duty for purchases, for example, which was recently increased from 1.1 per 1,000 to 5 per thousand, remained unchanged for sales of shares. But no new material came on the market. The reduction of the speculation tax from 33 per cent to 20 per cent was also without success. The inflation boom, as the German papers call it, continues.

On the Amsterdam Bourse in December, the shares of Dutch colonial companies fell on an average by 30 per cent. During the second slump, beginning in February, Dutch East Indies' stocks fell to two-fifths, and sometimes to one-third, of their highest quotation before December 6, 1941. Rubber, tobacco and mining shares suffered the greatest losses; Billiton Mij, for example, was reduced from 550 to 184 at the end of February. Shares of companies operating in Holland were hardly affected. Some even continued the upward trend.

On the Brussels Bourse, boom conditions continued almost uninterrupted during the whole year. Official warnings against excessive speculation, interventions by the Bourse Committee and, finally, the introduction of a dividend stop were without any lasting success. The shares of banks and electricity holding companies increased five-fold compared with prices in May, 1940. The failure to arrest the trend by limiting dividends to 6 per cent is explained by the fact the dividends over the limit are kept as a loanstock instead of being requisitioned by the Treasury. In the future, in "New Order" Europe, Germany apparently intends to maintain restricted freedom for all bourses on the basis of closer inter-continental relations. The present reality, however, is the European war economy organised by Germany. Unrestricted speculation in the Reich itself had hardly been checked when the same problem arose in all these occupied countries, and restrictions had to be imposed under the control of Germany simply for the purpose of maintaining industrial collaboration.

Speer for Todt.—By a number of state and party decrees issued by Hitler and Goering, Professor Speer, the thirty-seven-year-old architect of a great number of party-buildings, constructed all over Germany, has been appointed successor to Dr Todt, and is now at the head of all the Ministries and organisations which were combined in Dr Todt's hands. Professor Speer, who was responsible for the plans for rebuilding Berlin before the war, has been responsible for several elements in the war organisation of the building and transport industry. The "Building Staff Speer," the "Transport Regiment Speer," a special detachment in the National Socialist Motor Corps, and the "Transport Fleet Speer," were closely allied to Dr Todt's office of Special Commissar for the building industry, and to the Todt Organisation, the shock-troops for building roads and fortifications. As Reich-Minister for Armaments and Munitions, Professor Speer's small Ministerial staff now virtually co-ordinates all offices and departments responsible for the production of munitions and weapons. The staff is described as a shock-troop in the planning of the munitions industry, with overriding administrative powers. Army departments, the departments of the Ministry of Economic Affairs, and the Ministry of Labour, in their central and regional organisations, are to be co-ordinated by the Minister. As Special Commissar for the building industry, as well as for the water, gas and electricity supply industries, Professor Speer is responsible for the organisation and expansion of all these complex industries—mainly for the elimination of bottle-necks.

The first action of the new Minister was the amalgamation of the "Building Staff Speer" and the Todt Organisation. In the Nazi party, Professor Speer is head of the department of technology, and is at the same time leader of the Nazi Union of German Technicians. Combining his great number of state and party offices, Professor Speer may be called a dictator for co-ordination in armaments, munitions, building, power and transport.

Agriculture in the Occupied East.—Alfred Rosenberg, Reich-Minister for the occupied territories in the East, has decreed in agreement with Goering a new agricultural constitution for all the occupied territories within the 1939 frontiers of the Soviet Union. The decree, issued on February 27th, formally abolished the collective system in agriculture. The *sovkhozes*, or state farms, will be continued under the administration of German experts without any change; the *kolkhozes*, or collective farms, change their name into *Landbau Genossenschaften* (land cultivation co-operatives); the private plot and livestock already ceded to the peasants under the collective system of *kolkhozes* are declared private property; but the rest of the land belonging to the collective farms will be cultivated under the ad-

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ministration of German experts—the so-called agricultural leaders.

The Machine Tractor Stations, the main feature of the mechanised farming in the Soviet Union, are taken over by the German civilian administration. Taxes have been abolished, that is to say, the Germans have re-introduced taxes in kind, i.e., requisitioning. Two points are of interest in the German comments. The first is the excuse that a return to full private ownership is impossible at

present, because of the lack of machinery and personnel. The second and more interesting point is that the final aim is the re-introduction of the old *Mir* system of communal agriculture, in a modified form, probably in combination with the hereditary farm principle practised in Germany. The decree itself and the comments suggest that the Germans are concerned about the political importance of this move. The practical results are discounted for the present in German papers.

Russia at War

Grain.—The preparations for spring sowing have been one of the main Soviet preoccupations during recent weeks. The Government has laid the greatest emphasis on the increase of the sown acreage to make up for the loss of the grain crops of the occupied territories, which is estimated to amount to about 34 per cent of the total Soviet grain yield; the Ukraine alone accounted for 22.7 per cent in 1940. The main expansion of the sown area has to take place in Eastern and Western Siberia, the Urals, the Volga regions and Kazakhstan, where the local Agricultural Commissariats have already fixed additional acreages to be sown by collective and state farms. During recent years, these provinces have considerably developed their grain cultivation. Compared with 1913, their crops have increased in Eastern Siberia by about 220 per cent; in Western Siberia by about 165 per cent; in the Urals by more than 85 per cent; in the upper Volga region by 68 per cent; and in the lower Volga region by 23 per cent. Over the same period, the Ukraine grain output was practically stationary, showing only an 0.1 per cent increase over that of 1913. The war has thus speeded up the long-term tendency which aims at turning the Eastern territories into the principal granaries as well as the main industrial regions of the Soviet Union.

The sowing starts under extremely difficult conditions. Hundreds of thousands of tractor and lorry drivers have joined the tank divisions of the Red Army. Soviet agriculture is nowadays entirely dependent on the efficient work of its motorised equipment, which consists of about 800,000 tractors, lorries and harvester combines. During the winter, mass training of women and juvenile drivers has been undertaken by the Machine Tractor Stations. Repair of tractors is another difficulty, as the technical staff of the MTS workshops has also been considerably depleted by the call-up. The authorities have warned the farmers and the Machine Tractor Stations to carry out their own repairs. Even under peace-time conditions, the proportion of tractors damaged or immobilised during work was very high; in some years—immediately after collectivisation—it reached 25 to 30 per cent of the total. This was due to lack of skill on the part of the MTS drivers and engineers. In the immediately pre-war years, the position improved owing to the fact that the technical cadres had gained more experience.

The introduction of a great mass of semi-skilled trainees will, no doubt, be a considerable handicap to the sowings. The shortage of agricultural labour—unskilled as well as skilled—is acute; exemption from military service has been widely applied to industrial but not to agricultural occupations. In many regions, the labour shortage has threatened to cause a fall in the sown acreage instead of the required increase. To counter this threat, a decree has been issued under which the workers of one collective farm may be used for tilling the land of neighbouring farms unable to carry out the work with their own.

The question is whether the war and the unavoidable dislocation of agricultural production it entails will cause a grain deficit. Statistically, no deficit should arise. The grain available for internal consumption is estimated to have been at least 45-50 per cent higher at the outbreak of the Soviet-German war than it was in 1914 (the corresponding increase in population has been 25 per cent). No doubt, also, a considerable war stock of grain was set aside by the Government. On the other hand, the discrepancies between various geographical regions are very great; and geographical factors may upset the statistical balance. The following provinces have had a normal grain deficit amounting to 50-60 per cent of their needs: the European North and North-West, the Far East, the Transcaucasus, and the Central Asiatic Republics. The Central Russian grain output has been 15 per cent below the minimum consumption of the area. Other regions—like the upper and lower Volga territories, the Northern Caucasus, the Urals, Siberia and Kazakhstan—normally have a grain surplus; in the lower

Volga region, this surplus exceeds the local consumption by about 350 per cent. But the crops of the fertile upper Volga province, which has become a battle-ground, must be written off. Given an even distribution of grain reserves, the supply of bread should cover the needs of the country. But proper distribution depends upon the carrying capacity of the strained railway system; and the transport priority for arms, munitions, coal and iron ore, which now have to be carried over enormous distances, can hardly leave much elbow-room for grain deliveries. The deficit regions may thus have to face difficulties which may only be partly mitigated by the fact that most of them are border territories, and can perhaps be supplied by imports from abroad.

In the main industrial and armament centres, especially in the Volga, Ural and Kuznetsk regions, a shortage of bread is unlikely to arise. Supply difficulties may affect the position in the Moscow region, but there substantial war reserves should be available. The grain position accounts for the authorities' insistence on kitchen garden cultivation by factories, industrial workers, and office employees. It is claimed that 3,000,000 families of industrial workers and clerks till "kitchen-garden" allotments.

Tanks.—Tank producing plants are working at full pressure, and record outputs are reported in the press. At the same time, however, there has appeared a shortage of spare parts for tanks under repair. The managers of tank plants seem to have concentrated upon obtaining the biggest possible output of complete tanks without leaving the necessary margin for the production of spare parts. The result has been that a great number of damaged tanks cannot be repaired at the proper speed. Factories are now being urged to stock spare parts, even if this causes a fall in the manufacture of new tanks. How urgent the problem of tank repairs has become can be seen from the fact that special prizes (from 100 to 800 roubles) have been officially fixed for tank repairs; for repairing one damaged tank a worker is frequently awarded with a sum that amounts to a two or three months' wage. Field tractor repair shops are being manned by workers in towns situated near the front. In Moscow factories, women have been recruited for mobile repair crews which work in the actual fighting zone or in its immediate rear.

Raw Materials.—The Geological Institute of the Soviet Academy of Sciences has sent 39 expeditions to explore new sources of raw materials of strategic importance in various parts of Asiatic Russia. In the Urals, new deposits of cobalt, niobium, tungsten and molybdenum have been found. Geological research has been intensified as a result of the heavy demand for raw materials on the part of the evacuated industries. From the lower Fergana valley in South Uzbekistan and from the Bukhara steppes, discoveries of new rich oil-wells have been reported; these permitted an increase in the regional plan for oil output in 1942 to 250 per cent of the 1941 figures.

Output in Regained Territories.—In view of the prevailing transport difficulties, the Government is pressing on with the resumption of industrial activity in the recaptured territories. The People's Commissar for Mining Industries has announced that over 60 coal mines have already resumed work in the Moscow and Donets Basins. More mines are to start production soon. The destruction of the mining equipment has been serious, and the restoration of industries has been impeded by lack of machinery. Besides coal-mines, 300 factories have been re-opened in various places of the Moscow region. In Kalinin, textile and leather works, as well as a railway truck plant, are operating again.

THE BUSINESS WORLD

Bricks in War

BRICKMAKING is one of those industries that cannot be adapted to the manufacture of war equipment, and its experience provides an interesting example of the problems facing such an industry in wartime. In order to secure the orderly adjustment of the industry to wartime conditions, and efficiency in its operation, the former Minister of Works and Buildings last September appointed a Committee to examine its problems and to suggest how they should be tackled. The Committee, which comprises representatives of the brickmaking and allied interests, as well as technical experts, has now issued its first report which contains a concise summary of the characteristics of the industry, of the various aspects of the problems confronting it, as well as recommendations for their solution. As Sir P. Malcolm Stewart, chairman of the London Brick Company, pointed out in his address to shareholders at the annual meeting of the company on Tuesday, "there is a great variety of widely scattered interests dealing with different types of raw materials and processes and producing bricks varying in nature and purpose." On the one hand, there are many small works, serving a purely local market, where operations are conducted by hand, often by seasonal labour otherwise engaged in agriculture; on the other hand, there are large, heavily capitalised plants using mass-production methods and serving the national market. Between these two extremes, there is a large number of moderately sized works differing widely in the raw materials and methods they employ. An analysis of brickworks by size is given below:—

SIZE OF BRICKWORKS, MAY, 1941

Monthly Output of Bricks	Proportion of total Number of Works	Proportion of total Output
Under 200,000	34.53	5.74
200,000-300,000	18.03	9.26
300,000-400,000	14.75	10.00
400,000-1,000,000	24.97	31.60
Over 1,000,000	7.70	43.40

Owing to the lack of uniformity in the industry and to the wide variations in output (the monthly production ranges from a few thousand bricks in the smallest works to 28,000,000 in the largest), costs differ widely. In the view of Sir P. Malcolm Stewart, there is "no industry in which there is so wide a variation in efficiency of production." On the whole, the large mechanised works have the lowest cost, and, in the years before the war, they steadily extended their marketing radius at the expense of the smaller units, in spite of the fact that costs of transport are an important factor in the total cost of bricks. In May last year, works with a monthly output of 400,000 bricks or more were responsible for three-quarters of the national output. This tendency, however, was arrested when the Ministry of War Transport limited the radius of delivery, first to 50 miles by road, and later to 75 miles by rail.

In contrast to the demand for cement, which last autumn was higher than in the corresponding period of any previous year, that for bricks has sharply declined as a result of the ban on the building of private houses. The extent of the decline in the demand for bricks is reflected in the fall of output from a monthly average of 578 millions in 1938 to 380 millions during the first five months of last year. There has been a corresponding adjustment in stocks which, including bricks in process, fell from a monthly average of 634 millions in 1938 to 415 millions in 1940. At the end of last October, stocks were equivalent to a little more than a month's output at the current rate of production. The

number of works in operation fell from 1,147 in December, 1938, to 781 in November, 1941.

The personnel of the industry has already been substantially reduced. Between 1938 and October, 1941, it declined by 37½ per cent, from 52,800 to 33,074. At the latter date it consisted of 29,539 men and 3,535 women. Despite the reduction already achieved, however, no fewer than 8,785 men, or 29.5 per cent of the total still employed in October, 1941, remained liable for service in the Armed Forces.

Although the demand for bricks has already fallen steeply, the industry is now faced with a further contraction in the call for its products. Indeed, the Committee envisages a progressive fall in demand during the war period. It therefore recommends an immediate contraction in output of 12½ per cent to bring production into line with estimated requirements, and of a further 4 per cent to reduce stocks to the equivalent of one month's output, except in the South-Eastern area. In considering how to secure the necessary adjustment in output, the Committee has decided that of the two possible methods—the spreading of the cut over the existing works and the closing down of entire plants—the latter was preferable on grounds of expediency. They therefore prepared a list of works which, in their view, should be closed by compulsion, subject to the right of appeal. The number of men that would thereby be released is estimated at 5,400.

As the Committee envisages a sharp recovery in the demand for bricks after the war, it felt that the closed works should be capable of resuming operations at short notice. They therefore recommended that the works closed by compulsory Order or with the approval of the Minister of Works and Buildings should be put on a care and maintenance basis. Since the Government has decided against the use of public funds for this purpose in connection with last year's concentration of industry scheme, the fund which is to bear the cost of care and maintenance is to be raised by a levy on the sales of the concerns which remain in production.

The Committee came to the conclusion that, apart from the list of plants whose closure is suggested, no further concentration should be undertaken for the time being, partly because of the difficulties in the way of the transfer of labour. But since the number of men likely to be released by the firms that are to be closed down is smaller than the number liable to be called up for service with the Armed Forces or for war work, the Committee recommend that, under specified conditions, men should be replaced by women in the ratio of two to three, but that, in the immediate future, the proportion of women to the total number of operatives should not exceed one-fifth.

Lastly, the Committee suggested that common bricks should be standardised. It discovered that bricks were being made in many different sizes. Although it will take some time for the industry to adjust its manufacturing processes, the standardisation of bricks throughout Great Britain will be of considerable ultimate advantage.

The brickmaking industry, in short, is one of the war casualties, for its production facilities cannot be adapted for other purposes. The return on its capital, variously estimated at sums upwards of £25 millions, is bound to suffer a temporary decline, and the tendency towards the displacement of the smaller by the larger and mechanised plants has been arrested by the need for economising transport. Pending a recovery in demand after the war, the owners of the plants that have to be closed down must be content with being provided with the funds necessary to maintain them in good condition. In the circumstances, it is difficult to envisage any other solution.

Finance and Banking

A Record Money Turnover

Next week is likely to create a record for the credit turnover of the country and of the London money market in which that turnover will as usual find its clearing centre. London's Warship Week will be in operation throughout, and it is already confidently assumed that the target figure of £125,000,000 will be easily surpassed. On Monday some £60,000,000 to £70,000,000 will be paid out in respect of the Canadian securities covered by the last Vesting Order. The credit turnover will, moreover, be affected by the large disbursements that normally occur towards the close of the financial year. The final transfers of tax moneys and the disbursements made to tidy up the Exchequer position will almost certainly be effected during the coming week. The money market and the new machinery of credit control may, therefore, expect a test of unprecedented magnitude. The disbursements of Canadian money will go some way towards offsetting the transfers of funds collected as subscriptions to Government loans and the final spurt in tax payments. Given the nature of the payments to Exchequer balances arising out of London's Warship Week, the banks will, moreover, find it possible to finance the bulk of such transfers by prior encashments of Treasury deposit receipts. The Treasury may also underallot the Treasury bills to be taken up next week and will also adjust the new payments of TDR's to be made by the banks. But, in spite of the equilibrating influences that will be at work, it would be too much to expect movements of funds of such magnitude to be made without causing some disturbance to credit and temporary unevenness in the money market position. If this occurs, the banks will no doubt call on their money market

assets to restore the position, and the discount market itself will have at its disposal the assistance of the agents for the Bank of England, who will, no doubt, be ready to buy bills in sufficient quantities to ease the situation. To make matters even more difficult, all the clearing banks but one will be making up next week. The banks have been preparing for the ordeal by building up their cash position. The latest Bank return shows bankers' deposits up by £19,319,000 to the high level of £136,944,000. This expansion in cash is explained by a £8,375,000 drop in Public Deposits, an increase of £8,790,000 in Government Securities, and a fall of £2,881,000 in Other Accounts. The circulation continues its steady climb at £754,223,000, the notes in circulation are at a new high record, and have risen by £648,000 over the week.

Currency of "Tap" Treasury Bills

Owing to an accident of the calendar, the three months' period, December-February, began on a Monday and ended on a Saturday. This provides a rare opportunity for dissecting the usual monthly debt return with greater precision than usual and extracting from it information which it normally refuses to yield. In particular, this coincidence enables us to determine exactly what proportion of Treasury bills issued over the three months to the end of February were made available through the weekly tender and, by deduction, through the "tap." Further, by relating the "tap" issues to the amount of tap bills shown to be

outstanding at the end of this period, we can get a close estimate of the average currency of the Treasury bills issued in this manner. The monthly debt returns show in a single total the amount raised by the issue of Treasury bills, whether through the tender or the tap. For the three months in question the tender issues can be exactly computed and, by deduction, the amount of bills issued through the tap can be ascertained. The data may be shown as follows:—

	(In £000's)	Total Issued	Issued by Tender	Issued through Tap
December, 1941	1,064,677	300,000	764,677	
January, 1942	1,086,352	345,000	741,352	
February, 1942	1,062,669	260,000	802,669	
Total Issued	3,213,698	905,000	2,308,698	
Total Outstanding on February 28, 1942 ..	2,517,690	905,000	1,612,690	

If the bills issued through the tap over this period had all been of three months' currency the total of such bills outstanding at the end of February would have amounted to £2,308,698,000. In fact the actual total of these bills at the end of last month was £1,612,690,000. This suggests that the average currency of the bill in question was just over two months. It seems probable that the tap bills vary in currency and that they are issued in the form which best suits the particular portfolio for which they are intended. Evidently bills held in the Issue Department of the Bank of England would not necessarily be of the same currency as those issued to employ public departments' resources of more transient nature. It is probable that all tap bills issued to quarters other than public departments (to Empire central banks, for example) are of three months' currency.

Financing India's Debt Repatriation

The return of the Reserve Bank of India for the week to March 6th last covers the substantial operation involved by the recent payments for Indian Government sterling securities and shows how that operation was financed in India. The payments made in London at the beginning of March are directly reflected in a reduction of Rs 7,970 lakhs—say £60,000,000—in the Reserve Bank's sterling securities, while at the same time the Bank's holding of Government of India rupee securities has risen by Rs 8,978 lakhs, or £67,000,000. The latter is more likely to be the measure of the debt actually repatriated at the beginning of this month, as the Reserve Bank's holding of sterling securities and other sterling assets is being influenced day by day by the balance of payments between India and the rest of the sterling area—a balance which still appears to be running fairly strongly in favour of India. Thus in the week to March 6th, not only did the sterling securities fall by some £7,000,000 less than the increase in the holding of rupee securities, but the balances held in London rose by some £16,000,000. It will be seen that the repayment of sterling securities was financed in the first instance from the Reserve Bank's sterling assets and by issuing to it a corresponding amount of

rupee securities. In time, no doubt, the Reserve Bank will tend to sell these securities in the open market, thus mopping up the additional purchasing power and inflationary potential created by the impact of the war on the economy of the country.

The note circulation in India continues its steeply upward trend, the increase in the week to March 6th amounting to Rs 1,010 lakhs and since February 6th to Rs 2,190 lakhs. This increased circulation of notes is probably due in part to the hoarding of silver coin. The combined result of the fall in sterling securities and of the increased circulation has been to reduce the reserve ratio from 81.8 per cent on February 27th to 59.8 per cent on March 6th last.

Irish Banks' Returns

The returns for the banks operating in Eire for the December quarter, published by the Currency Commission, are as follows:—

	(£000)	Dec. Quarter, 1940	Sept. Quarter, 1941	In Eire	Elsewhere	Total
Liabilities:—						
Capital reserves, etc.	17,582	17,616	10,390	7,225	17,615	
Notes in circulation	12,131	13,931	5,327	9,699	15,026	
Current deposit and other accounts	173,234	186,524	139,230	55,697	194,927	
Other liabilities	6,611	7,518	6,036	1,928	7,964	
Total	209,559	225,590	160,984	74,550	235,534	
Assets:—						
Cash and Balances with London	27,935	27,717	10,858	20,844	31,702	
Agents and other Banks	10,514	12,434	14,111	14,111	14,111	
Money at call and short notice ..	5,082	4,761	3,335	516	4,451	
Bills	72,185	67,485	45,975	21,540	67,515	
Loans and advances	74,630	93,145	6,905	91,168	98,073	
Investments: (a) Government	10,298	10,045	4,144	5,580	9,724	
(b) Others	8,913	10,003	5,414	4,542	9,956	
Other assets	209,559	225,590	77,231	158,303	235,534	
Excess of Assets outside Eire over Liabilities outside Eire	68,847	81,076	...	...	83,753	

The increase in the note circulation was confined to Northern Ireland, as the maximum circulation of banknotes in Eire is £6,000,000. The flexible part of the note issue in Eire is the legal tender issue, which increased from £22,825,783 in December, 1940, to £26,038,175 in December, 1941. This increase is the result of rising agricultural prices and the expansion of Government expenditure. There is no evidence of hoarding of notes. The banks continue to hold their assets in a highly liquid form, as they believe that a large part of their increased deposits are temporary and would be withdrawn if the importation of stocks and raw materials were to be resumed. The increase in the net sterling assets is reflected in the growing volume of British Government securities. The new trend in the distribution of assets is adverse to the earning of satisfactory profits, and, in fact, the profits of the banks have declined in spite of the increase of their resources.

Investment

The Cost of Dealing

Uncertainty about the next move by Japan has combined with the effect of past Warships Weeks and preparation for London's effort, which starts to-day, to reduce business in the stock market to a low ebb. Fixed interest prices have stood the strain well, but the announcement of the inevitable cuts in civilian expenditure has depressed equities further, and some recent dividend announcements have tended to accentuate the decline. In the circumstances, it is not surprising that the market is betraying more interest in the election of new members to the committee than in its normal functions. Actually, the threatened turnover there is small, but reconstruction is in the air, while some points of domestic politics give the contest an added importance. For the investor, however, the latter are of little interest. He is concerned with the views of new and existing members of the committee as to the question of service to the public, and on this point

there is some evidence that there exists a keen desire for continuance of reform. These reforms are, however, mainly aimed at improving service by raising the status of the broker, and only some members are agreed on the need for greater financial stability in stock exchange firms, for a system of qualifying examinations and for other measures which would bring stockbroking more in line with the other professions. These improvements are essential and those who favour them should have the fullest support, but they can only be made effective by a long term programme covering more than one generation of brokers and jobbers. They must be carried out with all possible speed, but in a changing world, there will also be more immediate demands on the inventive skill of the committee. It seems extremely probable that after this war, as after 1914-18, there will be an expansion in the holding of securities into layers of the population who will more and more require skilled guidance. At the same time, there will probably

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(1940 Accounts)

be a further fall in the size of the average holding, and therefore of the average transaction, and the smaller business is notoriously unremunerative. Certainly, there will have to be a choice between better service and lower charges, but it is also the case that every effort must be made to find ways of cheapening the cost of dealing and this is a problem to which the new committee should certainly address a substantial part of its energies. It is clear that most reforms cannot be put into force under war conditions. But the need for a plan is pressing. There exists considerable dissatisfaction at what is regarded as the high cost of dealing, and, although the war emergency has been met without raising these costs, there is a danger that efforts to secure a higher general standard will be wrecked, unless economies can be effected which will ensure that the cost, in real terms, of doing small business is reduced. One means to economy, that of amalgamations among small firms, is favoured by war conditions. It is also, with proper safeguards, an instrument for raising the broker's status.

Alberta Committee's Statement

Unhappily, the decision of the Protective Committee to send a further letter to those holders of Province of Alberta bonds on which payments are in default since the end of 1934, indicates no improvement in the position. The letter is designed solely to point out to these unfortunate investors that there exists in Alberta a "Limitation of Actions Act" which appears to provide that, after the period named, no legal action can be taken to recover a debt between private individuals, and may mean that a similar immunity extends to the Government of the Province. They cannot, in existing circumstances, take any further action themselves. That must wait until a majority of the Provincial Government shows a disposition to reach a just settlement. They draw attention, however, to the statement of the Dominion Finance Minister, made nine months ago, that Alberta is in a position to meet its obligations in full, and on this and other grounds bondholders are advised to continue resistance to the 50 per cent offer. Holders who accept this advice must realise that they may be giving up the right, as from June 1st next, to any claim to the payment due December 1, 1936, and to further similar amounts at six-monthly intervals. It is not necessary at this stage to go back over the lamentable history of the Albertan default or to compare it with that of Montreal, concerning which there is, as yet, no decisive change in the position. It is, however, not without significance that one of the Provinces to resist the recommendations of the Sirois report, designed to hand over responsibility for Provincial finance to the Dominion Government, was Alberta. A small part of the suggestions of the Sirois Commission has been put into operation by the requirement that, during the year, provinces and cities should evacuate the field of individual income and corporation taxes. In return the province or city may receive either the yield of the surrendered taxes for the fiscal year nearest the calendar year 1940 or the cost of net debt interest for that period. It is to the point that, in the case of Alberta, the former option gives \$4 and the latter \$3.2 million. The former has been accepted. To switch to the latter, even if full payments were restored at the expense of the Dominion, would entail an annual loss of \$800,000 to the Province.

Canadian Pacific Disappointment

The decision to make no payment on the ordinary capital of the Canadian Pacific Railway came as a disappointment to holders and the price dropped from 11½ to 10. The directors' assurance that the money retained would inure to the benefit of the equity holders is doubtless, broadly speaking, true, but this is the tenth successive year without a dividend. Further, the argument that war profits may prove to be mere windfalls, which would justify the board's conservative policy, may well mean that dividends will be indefinitely postponed. The preliminary statement of earnings, compared below with those of 1939 and 1940, did nothing to improve the market, although it makes an excellent showing. The amount available for the ordinary capital, after all reserve appropriations, is not far short of 8 per cent. Apart from the known increase in net railway earnings, there is a sharp rise in net interest receipts, only a slight fall from the high 1940 level of shipping earnings and a decline in reserve allocations, in particular nothing is required to write down the "Soo" investment. The imme-

	(In \$ 000's)		
	Years ended December 31,		
	1939	1940	1941
Gross earnings	151,281	170,965	221,446
Working expenses	122,757	135,325	175,489
Net railway earnings	28,524	35,639	45,958
Dividends received	4,202	4,280	4,623
Net interest, etc.	2,621	2,709	4,962
Steamships after depreciation	Dr. 71	3,076	2,788
Hotels after depreciation	13	628	1,009
Earned for fixed charges	35,289	46,332	59,340
Fixed charges	24,701	25,381	24,229
"500" guarantees	806	806	749
Available for pref. div.	9,782	20,145	34,361
Paid on preference	Nil	5,043	5,043
Specific reserves†		10,000	1,670
Other debits	5,398	2,410	1,308
Profit and loss balance	141,354	144,045	170,386

† Against Minneapolis St. Paul holding in 1940 and exchange adjustment in 1941.

diated outlook is for further improvement. The post-war position is uncertain, but the chances that railways will retain a substantial part of their wartime expansion of business may be greater in Canada than in most countries.

Cunard Preference Arrears

The good effects of the repayments of debenture debt by both Cunard Steam Ship and the operating company, Cunard White Star, are beginning to accrue to the shareholders of the former concern. In December last, two years' arrears of first preference dividend were paid, and the directors have just announced a further eight and a half years' payment, bringing the dividend up to date. After deduction of tax, these payments call for some £393,750, which has presumably been found from the profits of 1941. There now remain 10½ years' arrears on the second preference, calling for £315,000 net up to December 31st last, and, when these are disposed of, the ordinary shareholder will be within sight of a return on his money. In his statement accompanying the accounts for 1940, Sir Percy Bates expressed the hope that he would be able to submit proposals for dealing with preference dividends when presenting the 1941 accounts, if not earlier. These accounts are to be available in a month's time, and shareholders must exercise their patience until their appearance. The second preference arrears and one year's payment on the first preference call for about the same amount as has been found for first preference arrears, so that there is some prospect of an ordinary payment for 1942, even if there is no contribution from 1941 earnings left over for these purposes. The development had been largely discounted by the market, but the ordinary shares of £1 improved a few pence to 15s. 3d. The first preference, on what is virtually a 5 per cent basis, seem fully priced.

Company Notes

Vickers and Dorman Long

Following on the shock of the *Dorman Long* preliminary statement, there now come figures of a much more important group, *Vickers*, which show a proportionately heavier fall in profit. It is true that, in this case, the disclosed amount is after tax, but a decline from £1,119,120 to £908,905, the lowest figure since 1934, is sufficiently striking to invite comment. In the absence of a statement as to the rate of tax, it is not possible to calculate exactly the amount of equity earnings, but they appear to be some 19.2 per cent compared with 21.9 for 1940. This permits of the 10 per cent dividend being maintained by a final of 6 per cent, while the allocation of £250,000 to contingencies is repeated, but only £38,965 is added to the carry forward, which last year received £171,633. Meanwhile, the full accounts of *Dorman Long* add little to the bald statement that the fall in earnings is due to interruption of normal sources of supply, but the actual decline is very similar to that of *Vickers*. The difference in the experience of equity holders lies almost entirely in the gearing of the two capital structures. Thus, while in *Vickers* the ratio of equity capital to classes ranking before it is roughly two to three, that of *Dorman Long* is approximately one to

five. The balance sheet of *Dorman Long* shows a rise in the excess of floating assets over creditors and tax provision of £31,484 to £42,599, but cash is drastically reduced by over £950,000 to £309,000 odd, while debtors are up by some £450,000 and stock in trade by £660,000. In his statement the chairman, Lord Greenwood, draws attention to the heavy charge for war damage, estimated to amount to £220,000, of which only £100,000 has been met out of the profits of 1940-41, and expresses the hope that some relief will be granted. The amount named is only for the first of five yearly contributions, in respect of the damage of one year, so that the relief will apply only to the future, and, it would seem, not until next year, even if the authorities decide to take an optimistic view of the prospect of further bombing. The ordinary shares of *Dorman Long* have recovered in the three weeks since the announcement from 14s. 9d. to 15s. 9d. *Vickers* 10s. ordinary at 16s. 1½d. yield some £6 6s. per cent.

Further Heavy Industrial Earnings

The preliminary statement of *Thomas Firth and John Brown*, the important subsidiary of *John Brown*, continues the story of lower earnings. Net profits are reduced from £390,822 to £307,236. It is possible to estimate that equity earnings amount to only £265,236, against £347,022, representing a tax free rate of 17.1 against 22.4 per cent, equivalent to 34.2, against 38.9 per cent, less tax. Ordinary shareholders receive a total tax-free dividend of 10, against 12½ per cent, equivalent, less tax, to 20, against 21.7 per cent. Further figures are not yet available, but it appears that the company could place the usual £100,000 to reserve, and make a small addition to the carry forward. These results are as good as could be expected in present operating conditions. The surprise of the season, in the heavy industrial group, is, however, the excellence of the results realised by *Lancashire Steel*, which has no investment interest for the general public, since it is controlled by the Bank of England. The accounts of this concern for 1941 show a rise in gross income from £1,216,274 to £1,246,796. After adjusting equity earnings in the previous year for a retrospective tax provision of £55,000, the amount earned is up from £155,001 to £201,309, representing 11.6 against 7.7 per cent. Ordinary shares again receive 7 per cent, and general reserve £25,000. After these payments, it is possible to raise the carry forward from £27,803, to which it was reduced by retrospective tax liability, to £82,933. It is, of course, possible that a rise in the standard rate of tax at the next budget will reduce earnings below the adjusted level for 1940. But, in any case, the results are outstandingly satisfactory, and indicate a difference in last year's industrial record from that of the general run of heavy industrial concerns which is not easy to explain. It presumably owes something to the fuller employment of original capital, and to the ploughing back of reserves, but this appears to be a minor factor. The £1 ordinary shares of *Firth Brown*, at 58s 9d., yield £3 8s. 8d. per cent, tax free.

Bradford Dyers Earn Less

The doubts expressed in *The Economist* of August 23, 1941, as to whether the Bradford Dyers' Association would be able to eliminate arrears of preference dividend during that year, proved to be justified. The accounts for the year 1941 show a fall in profit after tax from £534,193 to £376,497. The depreciation provision is cut from £160,336 to £136,473, and the charge for War Damage is down from £60,000 to £28,779. Even so, after meeting debenture interest, there is available for appropriation only £166,826 compared with £269,186. That is to say, the showing is rather inferior to that of 1939. The reduced amount is sufficient to provide 2½ years' arrears of preference dividend, compared with five years from the profits of 1940, and this brings the payment only up to July 1, 1940, while there is a very modest addition to the carry forward. This sharp fall in earnings does not reflect a similar decline in activity or even in profits before tax, but is due almost entirely to the fact that tax has this time had to be met in full from current earnings. In the two preceding years, the company was able to take advantage of arrears of certain allowances, such as wear and tear of plant and machinery, which reduced *pro tanto* the tax payable. As was stated in August last, these were no longer available in 1941, and the reduction in distributable earnings is the result. The decline is, therefore, likely to be permanent until such time as either civilian demand inside the country, or

exports, can be allowed to revive, and there is no immediate prospect of any recovery. Shareholders will indeed do well if the reduced figure is maintained under the growing restrictions of 1942. The 5 per cent cumulative preference, including 4½ years' arrears, stand at 15s. 6d. and the ordinary at 8s. The latter price seems unduly high since, on the basis of present earnings, it must be well over a year before any dividend can be received. Even should such a payment prove possible its continuance beyond the period of the post-war re-stocking boom is problematical.

Electrical Equipment Results

Results of *British Thomson-Houston* and *British Insulated Cables* for 1941 show remarkable stability of income after tax. That of the former, before fees, has fallen from £573,266 to £560,476; that of the latter has risen from £786,232 to £810,385. Since there is a decline of some £12,000 to £229,667 in the *BTH* depreciation provision and a rise of over £37,000 to £247,324 in the *BIC* depreciation provision, equity earnings are, however, up for *BTH* and steady for *BIC*. Both concerns reserve £100,000, as in the previous year; in the case of *British Insulated* the sum is again earmarked for war contingencies. The carry forward of *BIC* is some £10,000 lower at £478,547; that of *BTH* is more than £20,000 higher at £217,413. Both companies are maintaining the previous year's payments on ordinary capital, while the preliminary statement of *Associated Electrical Industries*, which controls *BTH*, reports that 10 per cent. will again be paid on the ordinary stock of that concern. Two years' results of *British Thomson-Houston*, as shown by the full accounts, and of *British Insulated Cable*, as shown by the preliminary statement, are analysed in the following table:—

Years ending December 31	British Insulated Cables		British Thomson-Houston	
	1940	1941	1940	1941
Profits after tax	786,232	810,385	573,266	560,476
Fees, etc.	18,333	15,713	750	700
Depreciation	209,622	247,324	242,895	229,667
Dep. and loan interest	383		84,495	86,506
Prof. dividends	57,500	57,500	60,374	52,500
Ordinary stock:				
<i>Carried forward</i>	500,394	489,848	184,752	191,103
Paid†	400,000	400,000	80,500	70,000
Earned %	28.7	28.6	16.0	19.1
Paid %	20	20	7	7
Reserve†	100,000	100,000	100,000	100,000
Carry forward	488,699	478,547	196,310	217,413

† Shown gross by BIC

‡ War contingencies in each year for BIC.

The balance sheet of *BTH* suggests a very considerable expansion in output and turnover last year. Capital expenditure, at £125,251, was approximately halved. There is a rise of £1,100,000 to £4,361,813 in debtors and of more than £1,300,000 in creditors, including reserves for contingencies. Moreover, the loan outstanding is up from £700,000 to £900,000. The assets side of the account shows a substantial increase in supplies and apparatus from £3,421,592 to £4,066,578 and a decline in cash holdings of £44,000 to £323,272. The electrical equipment industry occupies a key position in the war effort, and it is clear that, so far, rising gross profits have easily kept abreast of rising costs and taxation. It is probable that in the current year some further shortage of raw materials must be experienced. The £1 ordinary stock of *British Insulated Cables*, at 92s. 6d. xd., yields £4 6s. 6d. per cent, less tax at 9s. 7d. The 7 per cent cumulative preference *British Thomson-Houston*, whose dividend is more than four times covered, yields, at 33s. 9d., £4 2s. 11d. per cent.

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International Nickel

The International Nickel accounts point to a further substantial increase in output last year. Net profits are reduced only from \$35,545,000 to \$34,356,000, despite a rise in total tax liability, inclusive of EPT, from \$21,131,000 to \$26,329,000. Moreover, net income has fallen only by some \$1,500,000 since 1939, although tax liability over the same period has risen by some \$15,000,000. Earnings per common share amount to \$2.22, against \$2.30 for 1940, so that the margin for the payment of \$2.00, made for the fourth year in succession, is still adequate, although again reduced. The earned surplus has risen from \$75,748,000 to \$79,014,000, before allowance for adjustments on profit and loss account in either year, and working capital was nearly \$8,000,000 higher at \$82,958,000 at December 31st last. The chairman, Mr Robert C. Stanley, points out that the company continues to work exclusively for the war programme of the Allied Governments. His statement that no operating time was lost last year, and that mines, smelters and refineries ran continuously, mainly on a twenty-four hour basis, is highly encouraging, as is the information that output of nickel reached a new high level. The company is putting through a programme of capital expenditure, calling for some 35 million dollars, of which 25 millions, incurred subsequent to July 31st last, will be amortised over the five years 1941-45. The report records highly satisfactory progress both from the standpoint of the investor and from that of the public. The common shares of no par value, at \$40 ex dividend, yield 5.0 per cent.

Kern Oil

Full accounts of Kern Oil in the year to May 31st last show a drop in income from £305,770 to £259,442. The transfer to depreciation is nearly £8,000 lower at £135,598, but there is a rise in liability for income-tax and EPT from £59,093 to £64,442. The ordinary dividend is two points lower at 6 per cent, and is covered by earnings of 10.5 against 17.2 per cent. General reserve receives £20,000 against £43,017, and there is, consequently, a small rise in the carry forward from £35,295 to £35,346. The setback is due, as the chairman, Mr George W. Ivey, points out in his statement, to substantially higher costs for material, transport and labour. He expresses the hope that a greater measure of Federal control will help to stabilise marketing conditions in the United States. The northern Trinidad concessions have proved unsatisfactory, and all the leases have been surrendered. This fact is not, however, apparent in the balance-sheet since the transaction took place after the close of the financial year. The consolidated statement shows £50,000 written off expenditure on northern Trinidad leases surrendered before May 31, 1941. An excess of liquid assets over current liabilities has risen from £95,971

to £113,482. Stocks, debtors and creditors are all moderately lower, but there is a rise in cash from £115,087 to £138,524. Prospects in the current year must largely depend on the extent to which legislation in the United States affects the trading conditions in which the Californian oilfields operate. The 3s. 4d. stock, at 3s. 10½d. ex dividend, yields £5 3s. 2d. per cent.

Rubber Trust Accounts

The full accounts of Rubber Trust, whose preliminary statement was discussed in *The Economist* of February 28th, show a decline in total income from £189,798 to £173,383. As was to be expected, tax liability was higher, at £76,141 against £65,883, and equity earnings declined from £106,389 to £84,317, representing 6.6 against 8.1 per cent. As already announced, no final dividend is being paid in view of the situation in Malaya and Netherlands India, so that the interim of 3 per cent remains the total payment for the year. Dividend equalisation fund is, however, raised to a total of £50,000, after the transfer of £45,000 from profits, against the withdrawal of £15,000 a year ago, and the carry forward is £733 higher at £96,744. The dividend received from Sumatra Tea Estates declined from £60,000 to £13,000. The total book value of investments is virtually stable at some £3,171,000, but market value—£2,812,398 a year before—had at December 31st last fallen to £2,336,357, a depreciation of £834,644, which is covered by reserves and carry forward to the extent of £646,744. A further considerable depreciation has, of course, taken place since the close of the financial year. The analysis of the company's investments shows that 77.7 per cent are in Malaya, British Borneo or the Netherlands East Indies, and another 12.8 per cent in India and Ceylon. The immediate prospects of the company are, of course, exclusively governed by military events in the Far East. But as the chairman, Mr H. J. Welch, points out, the question of the extent to which use of synthetic and reclaimed rubber is likely to be prolonged after the war, may well be decisive in the longer run. He believes that the future of the crude rubber industry depends on the extent to which productive capacity for synthetic output is installed, to which productive capacity for synthetic output is installed, with costs are reduced and quality eventually compares with natural output. It is probable that the various specialised will replace plantation rubber for some highly specialised purposes, but it is difficult to believe that they will compete with it in general applicability, and costs should be lower on the efficient plantation than in the factory. Whether or not reclaimed rubber has an inferior durability to crude rubber, it is clear that its use in the present crisis must be extended up to the limit and should have been forecast by those in authority. The £1 ordinary stock, at 9s. 6d., yields £6 6s. 3d. per cent.

Industry and Trade

No More Pleasure Motoring

In view of the urgent need to save petrol, lubricating oil and rubber, the Government's decision to eliminate pleasure motoring will be generally welcomed as a belated measure of economy. After June 30th the basic petrol ration for private cars will be abolished—as it has already been in the case of public service and goods vehicles; the 50 per cent cut in the April allowance, announced last month, will be continued during May and June. For the time being, motor cycles will not be affected, but supplementary allocations will also be scaled down. Originally ranging from 4 to 10 gallons a month—designed to permit a theoretical 200 miles of motoring for all cars—the basic ration was first reduced by about one-sixth in the quarter ended last October. After this reduction, which was continued in subsequent months, it ranged from 4 or 5 gallons a month for cars up to 9 h.p. to 8 gallons for vehicles of 20 h.p. and over. Ignoring the fresh cut introduced in April, and assuming an average of 6 gallons a month for, say, 1,000,000 cars, this would mean a consumption of over 70,000,000 gallons, or about 240,000 tons of "basic" petrol a year—and would, of course, have begun to show its effect correspondingly earlier if the abolition had been made at the end of March instead of June. The actual economy will

depend upon whether the special allowance granted to those—e.g. persons living in rural areas with inadequate transport facilities—who can give proof of genuine need offsets the proposed reduction in supplementary rations. But, in the conjunction with the promised measures to secure the utmost economy of petrol in the Services and in its use for other public purposes, the saving will be considerable; and the strain on the Allies' tanker tonnage will be to that extent relieved. Needless to say, motorists who have to lay up their cars will be able to claim a refund in respect of any unexpired portion of their licence.

Besides saving petrol the abolition of all pleasure motoring will appreciably reduce the consumption of rubber, for tyres represent by far the most important outlet for this product. Until last December there were no restrictions on tyre sales to private motorists; but the standstill Order then issued in effect prohibited the sale of any tyre that could be used on a private car, save under a direct instruction from the Ministry of Supply. "Giant" tyres for commercial vehicles and those for cycles and motor cycles were not affected. Tubes were not specifically mentioned, but the trade has elected to treat them in the same way as

outer covers. This Order, intended originally to run for two months, was extended, pending the promulgation of a new Order. Now that all non-essential cars are to be banned from the roads, some relaxation in the existing regulations will presumably have to be made to permit the acquisition of new tyres where necessary. But second-hand tyres from laid-up cars should be available in sufficient quantities to ease a tight supply position.

Production Committees

The proposals for the statutory appointment of joint production committees in all scheduled undertakings have now gone forward from the Joint Consultative Committee to the Minister of Labour to the representatives of the employers. They will probably be modelled on the agreement governing such committees in the Royal Ordnance factories. Their object, as stated in the agreement, is to provide for the regular exchange of views between the management and the workers "on matters relating to the improvement of production, to increase efficiency for this purpose, and to make recommendations thereon." Illustrative of the questions to be considered and discussed are: maximum utilisation of existing machinery, upkeep of fixtures, jigs, tools and gauges, improvement in methods of production, efficient use of the maximum number of productive hours, elimination of defective work and waste, efficient use of materials and supplies, and efficient use of safety precautions and devices. The committees, however, are not to discuss matters such as wages, which are covered by agreements with trade unions or are normally dealt with by the approved machinery of negotiation and discussion through shop stewards, staff associations, or Whitley committees. The membership of the committees is not to exceed ten representatives of management, to be nominated by the Superintendent, and an equal number from the workers, to be elected by ballot conducted by the trade unions concerned, "covering, as far as possible, the various shops, departments, or sections of the factory, including local inspectorates." The Superintendents of the establishments are to act as chairmen of the committees, and their secretariat is to consist of one of the representatives of management and one of those of the workers. So far as the representatives of the workers are concerned, membership is restricted to those who have served for a period of not less than twelve months at the Royal Ordnance factory concerned, but all workers employed at the date of the election are entitled to vote.

Control of Prices

There are indications that the control of prices of civilian goods is not as effective as the public was led to expect at the time of the passing of the Goods and Services (Price Control) Act, 1941, which was designed to strengthen the provisions of the Prices of Goods Act, 1939. For this neither the Central Price Regulation Committee nor the regional committees can be blamed. On the one hand, the difficulties of price control have tended to increase with the reduction in the supply of goods, and, on the other hand, the price regulation committees do not appear to have the powers needed to deal with them. In a statement made on March 14th, Sir Douglas McCraith, chairman of the price regulation committee of the North Midland Region, suggested that the present method of limiting profits, should be succeeded by a policy designed to limit prices. Under Section I of the Goods and Services (Price Control) Act, 1941, the Board of Trade already has the requisite powers to make Orders determining the method of arriving at maximum prices. In the view of Sir Douglas McCraith, the Board of Trade can therefore fix profits which are fair both to the trader and to the purchaser without need of further legislation. In consequence, his committee has decided to recommend to the President of the Board of Trade that immediate consideration should be given to the issue of Orders under the Acts fixing maximum prices and profits on sales of all goods and commodities at each stage from manufacturer to public. It is surprising that this request should come from the chairman of one of the regional committees. The Acts were passed for the specific purpose of preventing profiteering and unreasonable price advances, and as they give the Board of Trade the power to issue the requisite Orders, the public cannot be blamed for holding the view that they are just another example of legislation ostensibly passed to meet an urgent need, but never properly enforced.

The operation of a comprehensive system of price control at each stage from manufacturer to public no doubt presents many practical difficulties. But there is no reason why more drastic steps should not be taken immediately. And in proportion as the supply of consumption goods is reduced and standardised, price control should become easier to enforce.

Cutting the Cloth

The cut in the clothing ration as a measure to release labour for more essential work goes hand in hand with the need to make the most of the labour remaining in the textile and clothing trades. To this end, it is necessary to give manufacturers in every branch of the trades concerned the longest possible run. In textiles it is more economical of labour, raw materials and costs, to run off one hundred thousand yards of a particular cloth than it is to produce several different types which involve changes in the setting of looms. There need be no fear on the score of standardisation, for the number of cloths available could be much reduced without entirely eliminating variety. The pre-war stress of competition led the manufacturer to use every device to make his products "different." Manufacturers and merchants built reputations for the types of cloth and clothing they put on the market; the goodwill of some depended on the length of their ranges. Unfortunately, many members of the textile trades cannot forget the anxieties they suffered in the fight for variety. An example of this attitude is found in the list of utility cloths which are being submitted to the Board of Trade. Some of the numerous cloths vary by nothing more than small numbers of threads to the inch. It falls to the Board of Trade to guide production into the type of cloth and clothing which is best in the national interest. The old jealousies between manufacturers and between the textile trades must be set aside. Orthodox uses of the different textiles must be forgotten. Those in relatively short supply, like cotton and wool, should be used only when rayon cannot be substituted for them. None the less, the best materials that can be produced are the most economical in the long run, and as far as possible, "shoddy" clothing should not be produced. The crux of the matter is the willingness of every branch of this vital industry to assist the Board of Trade in achieving the economy dictated by the war.

Cotton Spinners Margins

The Minister of Supply has made the Control of the Cotton Industry (No. 30) Order, which came into force on March 16th, increasing margins for spinners of both American and Egyptian type yarns by 7½ per cent. The margins were fixed for the first time in April, 1940, and American type yarn margins were raised in February, 1941. Lancashire spinners have pressed for many months for the concession, in view of increased costs of production. The decision of the authorities is a result of an investigation into spinners' costs made by the committee of accountants which was appointed to advise the Controller and the Cotton Board on the operation of price control in relation to costs. Raw cotton prices were reduced by ½d. per lb., in order to prevent the change in spinners' margins leading to an increase in the general price level of cotton goods to the public. The fresh margins work out somewhat irregularly and the increase for spinners of coarse counts has been less than for producers of finer numbers.

Malting Barley Prices

The promised announcement of maximum prices for malting barley was made at the end of last week by the Ministries of Food and Agriculture. Great concern had been occasioned by the exceptionally high prices at which malting barley has recently been sold. In 1939, the average price was 6s 9d per cwt, but lately it has risen as high as 75s. The maximum price to the grower for this year's barley harvest sold for malting, milling and other uses for human consumption, is to be 35s. per cwt at the farm. The Ministry of Agriculture realises that this price is still high compared with other cereals (feeding barley will be 14s 6d per cwt and millable wheat 16s), but it is stated that barley is in a special position. Only home-grown barley can now be used for making beer, whisky, malt extract and other articles. It is considered unlikely that farmers will reduce their 1941 barley acreage, and probable that a sufficient quantity will be sold to meet requirements.

COMPANY MEETINGS

LONDON BRICK COMPANY, LIMITED

INCREASED TOTAL REVENUE

The forty-second annual ordinary general meeting of the London Brick Company, Limited, was held on 17th instant in London.

Sir P. Malcolm Stewart, Bt., O.B.E., LL.D., D.L., J.P. (chairman and one of the managing directors) said that the profit on trading amounted to £365,565, an increase on that of the previous year of £28,246. The actual relative profits earned showed a substantial decrease, since in the year 1940 £60,250 had been specifically written off their fleet of motor vehicles, whereas in the year under review it had not been deemed necessary to make any provision for its depreciation. Interest and income from investments at £20,435 were up by £3,623. The total revenue at £366,210 showed an increase of £31,885.

The year 1941 had opened under favourable conditions, good deliveries being made in the early months. The improved demand was well maintained until towards the end of September. Prior to that their unrivalled facilities for prompt despatch of pressed bricks had been freely availed of over a wide area. Those facilities were an essential contribution to securing the completion of urgently needed constructional war-work.

About the same time that the decline in demand set in, the Minister of Transport had found it necessary to limit the transportation of bricks. It had hit them hard. However, they had all to recognise that the Government requirements for the successful prosecution of the war should take precedence to the interest of individuals or companies, whatever hardship might be inflicted. He feared that that need for the limitation of transport was causing the advantages arising from the very low fuel consumption and man-power employed in the production of pressed bricks to be overlooked—those, too, were factors of national importance at a time when fuel was scarce and more men were needed for the Forces.

REGULATION OF PRODUCTION

They had been hardened to adversity by the experience of the last war, when their industry had been regarded as non-essential. In this war the Ministry of Works and Buildings was making a determined effort to secure that degree of co-ordination and regulation of production needed to meet the exceptional circumstances arising from the war. The Ministry's committee, under the chairmanship of Mr. Oliver Simmonds, M.P., had worked hard and produced its report promptly. The committee had been faced with a difficult task.

Thus it had come about from various causes that the past year had closed with a much diminished demand; bricks were being heavily stacked at most of the works, the closure of some of which was threatened. Despite the many difficulties encountered, production had not only been well maintained, but had exceeded that of the previous year. Their works generally had been well maintained, bearing in mind the shortage of labour and materials, but it was hoped it would prove possible to take advantage of the slackening of demand to effect some essential repair work which could not easily be undertaken while they were busier. It was of the utmost importance that the productive capacity of efficient works should be maintained so that the post-war demand would be promptly satisfied.

CURRENT YEAR'S OUTLOOK

With regard to the current year, it was clear that the prospects were far from encouraging. They had made a poor start. The climatic conditions prevailing had proved unfavourable. It was difficult to visualise any improvement unless a much increased demand were to spring up for Government requirements, and that certainly was not in sight at the moment.

Finally, to summarise the position, he could at this juncture only indicate that the present prospects were poor for the manufacturers of bricks, apart from those exceptionally favoured by war circumstances and regulations. Indeed, it was desirable for him to say frankly that shareholders should expect a falling off of the profits earned during the current year. It was anticipated that a number of works would shortly have to be closed. However, the day would come when their proven efficiency and organisation would once again play its full part in the national programme of reconstruction which was looked for.

The report was unanimously adopted.

DORMAN LONG AND COMPANY, LIMITED

VISCOUNT GREENWOOD'S STATEMENT

The following is the statement by the chairman, the Right Hon. the Viscount Greenwood, P.C., circulated with the report and accounts for the year to September 30, 1941, in place of the customary speech at the annual general meeting of Dorman Long and Co., Limited.

It was found impracticable owing to certain important matters outstanding with Government departments to complete the report and accounts and to hold our annual general meeting as usual in December, 1941. When the necessary information became available, no time was lost by our officials and staff in finalising the accounts for submission to the shareholders.

The trading profits are not commensurate with the volume and value of the work done by the various departments of the company owing to the continuation during the whole of the year of the adverse conditions outside the company's control which prevailed during the last four months of the previous year. In the result the directors regret they are unable to recommend dividends either on the preferred ordinary or the ordinary share capital aggregating £2,094,334. In accordance with our usual practice, we have provided for all taxation based on the profits for the year. The profits are reduced but the rate of income-tax is increased, and the charge for taxation in the accounts remains about the same.

Commencing in 1936 there has been allocated out of profits a total of £70,000, of which £45,000 has been devoted to augmenting the staff pension scheme. Owing to the further reduction in profits resulting in your directors being unable to recommend dividends on two classes of the company's share capital, they cannot recommend an allocation to the pension fund this year. This is especially regretted by the directors in view of the outstanding services rendered by officials and staff during the past year.

The further reduction in cash at bankers is a consequence of reduced profits, payments under the War Damage Act, 1941, and increases in stocks and book debts. Substantial payments have been made since the date of the balance-sheet in respect of debenture interest and taxation.

It is estimated that as matters now stand, the total cost to the company to September 30, 1941, under the provisions of the War Damage Act, 1941, may amount to as much as £220,000, but it is hoped that the Government may see their way to give the iron and steel industry more equitable treatment. Iron and steel producers are required, under the legislation passed in March, 1941, to make payments on a very different footing from public utility companies, and if the experience now available is taken into consideration, together with the effect of such large payments on the liquid position of concerns in the iron and steel industry, suitable adjustments may be provided for in the War Damage (Amendment) Bill now being drafted. In the meantime, your directors have transferred from profit and loss account to general reserve £100,000 to cover the cash withdrawn from the company's working capital in payments of war damage contributions and premiums during the past year.

Additions to capital expenditure amount to £56,117 and realisations aggregate £15,284. The provision for depreciation is again £275,000, which is approximately equal to the wear and tear allowance for taxation purposes. We have continued, so far as possible under the circumstances, to make improvements to our plant and equipment and to maintain the whole of it in a proper state of repair.

There is an increase in the provision for renewals, relinings and repairs of blast furnaces and steel plants to cover uncompleted expenditures and repairs deferred by reason of war-time conditions.

Wherever there is a response by the employees we provide facilities for the national savings movement. Additional staff and employees have joined savings groups during the past year.

It is not permissible for me to give particulars of production figures for our various departments, but I can assure you they are satisfactory.

Under the difficult conditions with which they have had to contend, all those concerned, including the management, the staff and all employees, have given of their best, and our thanks are due to them for their services during a harsh and trying year.

(The adjourned fifty-second ordinary general meeting of the company will be held at Winchester House, Old Broad Street, London E.C., on the 26th instant, at 12 o'clock noon.)

MIDLAND COUNTIES ELECTRIC SUPPLY COMPANY, LIMITED

MR WILLIAM SHEARER'S REVIEW

The twenty-ninth ordinary general meeting of the Midland Counties Electric Supply Company, Limited, was held on the 18th instant in London.

Mr William Shearer, the chairman, commenced by paying a tribute to the services of the late chairman, Mr George Balfour, under whose inspiring leadership, he said, a great expansion of the company's activities had taken place, and its influence and standing in the electricity supply industry had become assured. The members joined with the directors in expressing their deep sorrow at the death of their chairman who had rendered such distinguished service to the company.

The record of another year's successful operations, despite the many difficulties which had had to be met and overcome, fully justified the claim that no effort had been spared to maintain the highest possible standard of service to their many industrial and domestic consumers of electricity and in their transport undertakings to the travelling public, and in doing so to contribute their utmost to the all-important war effort. There had been a moderate increase in the number of new consumers and in the total load. Their electricity tariffs were constantly under review and a further measure of standardisation in the charges to industrial consumers, whose tariff fell to be adjusted in relation to coal prices, had been introduced during the year. The smaller domestic user was obtaining a reduction in charges for supplies through slot meters and a new tariff had been instituted for the small power consumer.

HOLDING COMPANIES

This company, like several others, had been created for the purpose of co-ordinating the struggling activities and accelerating the development of the separate entities which had powers for the supply of electricity and to a smaller extent of road passenger transport. He could not conceive any unbiased person disputing the claim that the progress reported every year afforded ample evidence of the successful achievement of their purpose, nor could the need for maintaining the holding-company system be lightly set aside.

While much had been done through central management and the provision of adequate financial resources towards improved technical planning and intensive development of the areas, much remained to be done, and that, in his view, could best be achieved through the flexibility afforded by that type of financial structure.

After reviewing the balance-sheet, which showed no major change, except in the increased liquid resources of the company, the chairman said that the gross trading profits of the operating subsidiaries amounted to £1,221,304, but that taxation had increased by no less than £215,217, trading profits thus showing a decrease of £54,152. There was retained in the subsidiary companies for depreciation, renewals and reserves £450,634 compared with £468,966, and the balance of the trading profits £327,383 compared with £363,203 last year, but the dividend declarations of the subsidiaries had been well maintained, the difference of £35,820 being largely due to the higher rate of tax deduction.

TAXATION, RESERVES AND DIVIDENDS

The total contribution for the year to the revenues of National and Local Government by direct taxation exceeded £657,000, equal to 22 per cent. on the ordinary share capital. The National Exchequer and certain Local Authorities were therefore substantial partners in the business, a fact possibly not always fully appreciated by the public and conveniently overlooked by those who suggested that the nationalisation or public ownership of all utility services would be a never-failing panacea.

The total amount of depreciation and other reserves in the subsidiary companies was £4,302,816, including provision for any War Damage contribution for the electricity undertakings under a special scheme now under the consideration of the Government. The balance on revenue account of £306,182, compared with £343,061 and, after appropriations there remained a balance of £105,494. They recommended a final dividend of 5½ per cent. (following an interim dividend of 2½ per cent.) on the ordinary stock.

The report was adopted.

THE BANK OF AUSTRALASIA

DIVIDEND MAINTAINED

MR DAVID ROBERTS'S REVIEW

The 108th annual general meeting of the Bank of Australasia will be held in London on the 26th instant.

The following are extracts from the statement by the chairman, Mr David J. Roberts, on the report of the directors and balance-sheet for the year to October 13, 1941:—

During the year under review, the expansion in the figures of the balance-sheet, noted a year ago, has continued and the total has risen by £3,153,309 to the record figure of £62,519,266.

The following aspect of the balance-sheet should be of interest:

Cash balances are 16.54 per cent., or 3s. 3½d. in the £, of total deposits—much the same figure as last year—but if we add our investments, which are shown at below market value, the percentage is raised to 48.88 per cent., or 9s. 9d. in the £, of total deposits, as against 9s. 1d. last year. Advances are 75.35 per cent. of total deposits.

EFFECTS OF TAXATION

The gross profit for the year is shown to be better by over £27,000, the net result is a reduction of £29,094. This, of course, is due to ever increasing cost of management and rates and taxes, the latter figure being up by just on £63,000, and this increase has more than offset any extra profit we have been able to earn through the employment of the additional deposits at our disposal. It will be observed how difficult it is becoming for banks to make sufficient profits in these times to maintain dividends at the present rate.

In the report it will have been noticed that an adjustment in the rate of income-tax deducted from the dividends paid in respect of the past year is referred to. This matter calls for an explanation. Each year an estimate is made of the amount of relief in respect of Dominion income-tax which is due to shareholders and the rate at which income-tax is deducted from the dividends paid is adjusted in accordance with this estimate. The final agreement of the figures which determine the amount of this relief is not possible for a considerable period after the close of the year. In respect of the years 1938 and 1939 the final agreement with the Inland Revenue has disclosed that a further amount of relief is due to our shareholders for each of these years. This has been passed on to our shareholders this year by reducing the amount of income-tax deducted from the interim and final dividends. The result of this adjustment has been that approximately £20,000 more is required to pay the year's dividends.

The payment of the dividends for the year has involved a reduction in the carry forward of approximately £26,000, of which £20,000 is attributable to the above-mentioned income-tax adjustment. As, however, the carry forward has increased since the beginning of 1938 by approximately £36,000, of which some £20,000 arose from the insufficient payment to shareholders, explained above, your directors have felt justified in maintaining the rate of dividend paid last year.

WOOL AND WHEAT PRODUCTS

In Australia the 1940-41 season produced 3,611,900 bales of wool, which is 57,500 bales less than the 1939-40 clip, though the number of sheep there had increased by 2,546,000 to 121,364,000. In New Zealand the sheep numbers in 1940-41 increased by 709,000 to 31,771,000, and the wool production by 60,000 bales to 948,000 bales.

The estimated production of wheat for Australia for the season 1941-42 is 160,842,000 bushels against 82,654,000 for the previous season. The average yield for the ten years ended 1941 is officially given as 164,720,000 bushels.

The latest weather news is contained in the following cable recently received from our superintendent:—

February rains relieved to some extent previous very dry conditions in New South Wales and Queensland, but further rain badly needed Central and West New South Wales. In other States and New Zealand seasonal conditions generally regarded as satisfactory.

There have recently been introduced in Australia "National Security (War-Time Banking Control) Regulations," as a result of which the trading banks in that country are licensed and operate henceforth under authority to carry on in Australia the

business of banking. Although it is perhaps early to judge, these should not, in the opinion of the directors, seriously interfere with our business. Amongst other things, the regulations provide that in making advances the trading banks shall comply with the policy laid down by the Commonwealth Bank from time to time; also that every trading bank shall lodge in a special account with the Commonwealth Bank such part of its surplus investible funds as is directed by the Commonwealth Bank in accordance with a plan approved by the Treasurer, the rate of interest on such accounts to be determined from time to time by the Commonwealth Bank.

A few weeks ago Mr Curtin, Prime Minister of Australia, announced war-time finance measures stabilising the prices of goods and services and wages. They also include the limitation of profits, the control of interest rates for different classes of investments and of the sale or investment of capital.

Your chairmen have in the past referred to the unfair basis of arbitrarily assessing the banks for income-tax in New Zealand, and have expressed the hope that, as promised by the Authorities there, the method if considered after investigation to be inequitable would be remedied. You will be pleased to know that the New Zealand Government has made good that promise and that the banks are now taxed on profits earned as in the case of ordinary companies.

Proprietors will be glad to know that at the time of the outbreak of war with Japan we had no financial commitments with that country.

BORAX CONSOLIDATED, LIMITED

INCREASED DEMAND FOR PRODUCTS

FAVOURABLE AGRICULTURAL PROSPECTS

The annual general meeting of Borax Consolidated, Limited, was held, on the 17th instant, at Winchester House, London, Mr D. Abel Smith (the chairman) presiding.

The following is an extract from the chairman's address which was circulated with the report and accounts:—

Reviewing the main features of the balance-sheet and accounts for the year ending September 30, 1941, the net profit for the year under review amounts to £354,171, representing an increase of £88,348 over last year. Adding to the above profit the amount brought forward from 1940 the total to be dealt with is £613,841. From this we have to deduct provision for British taxation £215,000, consisting of an appropriation of £126,250 from profits, together with the sum of £88,750 to be deducted from the dividends paid and proposed. This leaves a balance of £398,841.

We have already paid the sum of £44,000, less income-tax, on the 5½ per cent. cumulative preference stock. Also an interim dividend of 3 per cent. on the preferred ordinary stock was declared on November 11, 1941, and paid on December 5, 1941, absorbing £18,000, less income-tax, and we now propose the payment of a final dividend of 3 per cent. on the preferred ordinary stock, which will absorb a further £18,000, and to pay a dividend of 7½ per cent. on the deferred ordinary stock, representing the sum of £97,500, less income-tax. These dividends, subject to the resolution being passed, will be paid to the stockholders on March 27th. After providing for these payments amounting, less income-tax, to £88,750, and deducting £50,000 for war contingency reserve, the balance to be carried forward is £260,091, a decrease of £4,579 on the previous year.

SUCCESSFUL RESULTS

In common with all firms engaged in international trade our road has been strewn with difficulties, but thanks to mutual consideration and goodwill between our customers and ourselves we have succeeded in meeting trade requirements. The results, as

I think you will recognise, furnish the best proof of the success attending our efforts to which our interests in the United States have contributed their full share.

Wherever practicable we have taken advantage of our facilities to ship direct from our factory on the Pacific Coast, and from warehouses on the Atlantic Coast to our buyers abroad, in order to relieve the pressure on British shipping space.

A most encouraging feature of our business is its resiliency and the way in which outlets are constantly arising. This is well illustrated by the increased demand for borax and boric acid for metallurgical processes, metal fabrication, fire-proofing of textiles and timber and the treatment of timber against attack from certain wood-boring insects, etc.

When the activities of peace can be directed to repair the havoc of war these outlets provide encouraging scope for research and further development. In addition, we expect the probable exhaustion of stocks in the Axis and Axis-occupied countries will provide a ready market as soon as trading can be resumed.

In the field of agriculture my remarks are necessarily limited to the British Empire and the United States, where the prospects continue most encouraging. Consumption of borax and boric acid in the United States for such purpose has almost doubled for the second year in succession. The need for more scientific approach to boron-deficiency problems is becoming more widely realised, and the outlook for the future is promising.

UNITED STATES POTASH COMPANY

Our investment in the United States Potash Company continues to yield lucrative results. As stated in the report, that business under its present excellent management now plays a prominent part in the production of a product of primary importance in the development of agriculture and also plays its part in war requirements.

By agreement between the United States Government and the representatives of H.M. Treasury, the list of British-owned shares of companies incorporated in the United States (which were requisitioned by the British Government in July last, to be pledged to the Reconstruction Finance Corporation as part security for a loan from that Corporation to the British Government) included our holding of common stock in the United States Potash Company. These shares have accordingly been turned over to the British Government and deposited with the agents appointed by the United States Government on the terms specified in the Agreement dated July 21, 1941. Subject to the conditions for redemption of the loan being carried out at maturity the shares so deposited as collateral will be freed and returned to us. The conduct of the business will therefore not be interfered with in any way, and the equivalent of any dividends received by the Reconstruction Finance Corporation will be transmitted by the Bank of England to our company in due course, so that our interests are unlikely to be prejudiced in the slightest. We regard this procedure as infinitely more satisfactory than a sale of this important revenue-returning asset, which already represents a far higher market value than that at which it stands in our books, and in our opinion has every prospect of steadily increasing in value.

In regard to the future, so much depends on the course of the war and the time it will take before peace-time trading can be resumed, that I can only confine my remarks to present conditions, but am pleased to report that for the five months of the new trading year up to date, conditions are holding up quite well. One thing we have to envisage, namely, the enormous contribution which the United States is making in every way to the war effort is bound to be reflected in increased taxation in that country, and in which our interests there will have to bear their share.

The report and accounts were adopted.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

With the temporary lull in hostilities in the Far East, influences affecting the markets have been domestic rather than

external, and interest has centred on the course of industrial profits as portrayed by recent results. Price movements have been determined by factors affecting individual securities, and although the trend of equities is still downward, the gilt-edged market and fixed interest securities continue firm. There can, however, be little doubt that with the advent of better news, prices in all sections will again resume their upward

trend. The current Warships Weeks, and particularly the prospective London Week, have led to some reduction of activity in the gilt-edged market, and prices in consequence have shown little net change. The relatively few movements in the foreign bond market reflected the small volume of business. Brazilian issues enjoyed quiet support in the current week, while Japanese bonds were offered on Monday, when

among Chinese issues, the Boxer loan fell 4 points. Conditions in the home rail market were quiet, but prices of junior stocks showed in general little change, although GW ordinary improved ½ on Tuesday. A steady demand was apparent for senior issues, although prices were unaffected, but on Tuesday the LMS First and 1923 4 per cent preference issues both advanced ½, while the Berwick 4 per cent First preference stock gained ½. The foreign rail market, however, was particularly dull, and in the absence of any support, Argentine issues were persistently weak. Elsewhere, the announcement that no payment would be made on the ordinary stock of Canadian Pacific, occasioned a sharp marking down of 14 points for the equity, while both the debenture and preference issues eased in sympathy. In midweek some irredeemables were fractionally lower, with few changes elsewhere.

Although the current week witnessed the announcement of numerous important company results, activity in the industrial market was slight, and generally restricted to the affected shares, with price movements narrow, but irregular. Brewery shares were dull at the end of the previous week, although Guinness was prominent with a rise of 2s. on Friday, and on the relaxation of the ban by Eire on exports to Northern Ireland repeated the gain at the reopening. Later, however, prices became steady. Rolls Royce was prominent in an otherwise quiet motor section, while in the heavy industrial group quiet dealing barely affected prices, although Vickers eased slightly on the preliminary statement. Cunard shares generally provided the chief interest in the shipping decision, especially on Tuesday, when the cent preference stock was announced. A general improvement ensued in which Union Castle advanced 1s. 7½d. The tone in the textile group was irregular, but movements were narrow, although Bradford Dyers preference issues rose 9d. on the proposal further to reduce the dividend arrears. Dealings in the Fine Cotton Spinners 5 per cent preference issues less the cash and scrip distributions were begun on Monday.

Building material shares were weak on the recommendation to cut brick production, while among miscellaneous issues, Cable & Wireless issues declined a point

further on Tuesday, when Turner & Newall and United Molasses lost 2s. and 1s. respectively. International Nickel and Brazilian Traction were also marked down in sympathy on the Canadian Pacific dividend statement. Later the weakness of building material, and the strength of shipping shares continued, while Cable and Wireless preference and ordinary rallied.

In the absence of any support from the Cape the kaffir market suffered an all-round reduction in prices. Dividend payers were particularly affected, East Geduld and Geduld losing ½ at the reopening and Crown Mines the same amount the next day. In general, however, declines were restricted, ranging from ½ to 1½. Little business passed in the rubber market, although there are indications that the fall has now ended, and where available, cheap stock is being bought. Similar conditions prevail in the tea market, although prices of Ceylon stocks were lowered on the news of the evacuation of civilians from Ceylon. The moderate turnover in the oil market hardly affected prices, although Shell improved ½ at the reopening, but Anglo-Iranian lost the same amount the next day.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Mar. 12.....	2,799	2,401	76.3	134.5
" 13.....	2,815	2,179	76.0	134.4
" 16.....	3,340	2,287	75.9	134.4
" 17.....	2,762	2,899	75.5	134.5
" 18.....	3,003	2,367	75.0	134.4

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 75.0 (Mar. 18). 20 Fixed Int., 1942; highest 134.5 (Mar. 17); lowest, 132.2 (Jan. 5).

New York

WHILE the war and domestic news was not particularly inspiring, the early part of the current week witnessed the continuation of the improvement which marked the close of the previous week, after prices had fallen to the lowest levels since 1938. Encouraged by the belief that the fall had been overdone, leading issues registered numerous gains at the reopening, and the next day, under the lead of rail issues, prices advanced up to 2 points. Later the market closed barely steady after a few small rises.

COMMODITY AND INDUSTRY NEWS

Rubber Requisitioning.—A letter from the Rubber Controller to the Rubber Trade Association contains the news that rubber is to be requisitioned. The requisitioning Order will apply to all stocks held in this country, except those in the possession of manufacturers.

Rubber Control.—Three new Orders affecting the use of rubber and liquid latex came into force on March 16th. The quality of rubber from which conveyor and elevator belting may be made is limited; and the thickness of the rubber covering of the following articles from Order: sponges, table top coverings, straps and carriers, curtain rails and hair shaving and nail brushes. The use of any liquid latex is made subject to licence. Maximum prices are fixed for liquid latex.

Tin.—All standard contracts for tin opened on December 8, 1941, are to be closed by a direction of the Metal Exchange Committee on March 23rd next. The price for settlement is: December 8 to 14, 1941, £259 10s. per ton, with a contango of 5s. a week, which makes the price for March 2 to 8, £262 10s.

Cotton Spinning Overtime.—When the four hours per week overtime began in the cotton spinning mills at the end of January, the Controller (Mr Frank Platt) announced that it was his intention to publish a chart of yarn production, the target figure being 100, which represented the quantity of yarn needed for the minimum requirements of the industry as a whole. Of this quantity, only 78.4 per cent was being spun at the end of Janu-

New York Prices

STANDARD STATISTICS INDICES
(1935-36=100)
WEEKLY AVERAGES

	1942		Feb. 25, 1942	Mar. 4, 1942	Mar. 11, 1942
	Low Mar. 11	High Jan. 14			
347 Industrials.....	65.4	75.0	69.4	69.8	65.4
32 Rails.....	64.3	71.0	68.2	67.9	64.3
40 Utilities.....	59.8	67.4	64.0	63.9	59.8
419 Stocks.....	64.4	73.3	68.5	68.8	64.4
Av. yield*.....	8.19%	7.65%	7.91%	7.67%	8.19%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4.

DAILY AVERAGE OF 50 COMMON STOCKS

Mar. 5	Mar. 6	Mar. 7	Mar. 9	Mar. 10	Mar. 11
84.0	81.8	82.6	82.2	81.6	79.8

1942 High: 91.2, Jan. 5. Low: 79.8, Mar. 11.

Total share dealings: Mar. 12, 460,000; Mar. 13, 340,000; Mar. 14, 170,000; Mar. 16, 320,000; Mar. 17, 470,000; Mar. 18, 340,000.

• Two-hour session.

Capital Issues

Week ending March 21, 1942	Nominal Capital £	Conversions £	New Money £
By Stock Exchange Introduction.....	120,000	...	143,625
By Permission to Deal.....	573,517	...	584,593

Particulars of Government issues appear on page 410.

Year†	Including Conversions	Excluding Conversions
1942.....	334,169,027	330,156,968
1941.....	268,083,299	268,083,299

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942.....	329,940,660	198,308	27,000
1941.....	265,534,196	2,549,103	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942.....	328,158,621	156,279	1,822,068
1941.....	265,534,196	8,511	2,180,562

† Includes Government issues to Mar. 10, 1942, only. Above figures include all new capital in which permission to deal has been granted.

Raw Cotton.—Some difficulties have arisen in connection with the changes in arrangements for the importation and distribution of raw cotton. Though the directors of the Liverpool Cotton Association have recommended their members not to accept the terms offered by the Controller, the Manchester Association has accepted the scheme. The Liverpool merchants take exception to the proposed commission of 1½ per cent on the selling price of cotton sold by merchants disposing of cargoes, and 1 per cent to merchants selling stocks released from Control stores. It is not yet known whether further negotiations will take place, but it is understood that the Controller has made all his plans for taking full responsibility for importation and distribution of raw cotton from the end of this month when Cotton Importers and Distributors, Ltd., is to be liquidated.

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	Mar. 12, 1942	Mar. 13, 1942	Mar. 16, 1942	Mar. 17, 1942	Mar. 18, 1942
Crops.....	116.1	116.1	116.1	116.1	116.1
Raw materials.....	172.7	172.7	172.7	172.7	172.7
Complete Index.....	141.6	141.6	141.6	141.6	141.6

* Highest level reached during 1932-37 recovery.

(Continued on page 412.)

Finance

GOVERNMENT RETURNS

For the week ended March 14, 1942, total ordinary revenue was £53,278,000, against ordinary expenditure of £103,448,000, and issues to sinking funds of £245,000. Thus, including sinking fund allocations of £11,746,795, the deficit accrued since April 1st is £2,559,470,000 against £2,319,063,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	Receipts into the Exchequer (£ thousands)				
		April 1, 1941	April 1, 1941	Week ended Mar. 14, 1941	Week ended Mar. 15, 1941	Week ended Mar. 14, 1942
ORDINARY REVENUE						
Income Tax	756,000	491,631	725,977	16,531	24,194	
Sur-tax	80,000	71,077	69,897	3,090	2,770	
Estate, etc.						
Duties	82,000	77,292	86,216	2,132	1,990	
Stamps	14,000	12,318	12,543	100		
N.D.C.	210,000	22,255	20,124	400	470	
E.P.T.	1,000	66,063	235,704	3,420	4,580	
Other Ind. Rev.		901	762	162	55	
Total Ind. Rev.	1143,000	241,537	115,123	25,835	34,059	
Customs	310,700	294,006	355,178	8,953	13,133	
Excise	266,660	203,795	311,098	9,195	1,900	
Total Customs & Excise	577,360	497,801	666,276	18,148	15,033	
Motor Duties	39,000	37,835	38,153	160	123	
P.O. (Net Receipts)	14,000	11,278	12,200	1,578	1,000	
Crown Lands	3,300	1,100	1,050	910	...	
Receipts from Sundry Loans	2,600	1,971	5,185	78	59	
Miscell. Receipts	20,000	25,586	81,497	15	3,004	
Total Ord. Rev.	1,786,360	1,317,058	1,955,444	45,814	53,278	
SELF-BALANCING P.O. & Brdcastg.	100,646	84,972	98,000	372	1,500	
Total	1,887,006	1,402,030	2,053,444	46,186	54,778	

Expenditure	Estimate, 1941-42	Issues out of the Exchequer to meet payments (£ thousands)				
		April 1, 1941	April 1, 1941	Week ended Mar. 14, 1941	Week ended Mar. 15, 1941	Week ended Mar. 14, 1942
ORDINARY EXPENDITURE						
Int. and Man. of Nat. Debt	255,000	219,649	251,868	...	963	
Payments to N. Ireland	9,200	8,455	8,076	...	...	
Other Cons. Fund. Serv.	7,800	7,126	7,515	...	6	
Total	272,000	235,230	267,459	...	969	
Supply Services	4,681,855	3,389,508	4,235,709	94,316	104,749	
Total Ord. Exp.	4,953,855	3,624,738	4,503,168	94,321	104,749	
SELF-BALANCING P.O. & Brdcastg.	100,646	84,972	98,000	372	1,500	
Total	5,054,501	3,709,710	4,601,168	94,693	106,249	

After decreasing Exchequer balances by £170,116 to £2,833,278, the other operations for the week (no longer shown separately) raised the gross National Debt by £53,429,825 to about £13,930 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	300
War Damage Act	2,838
Overseas Trade Guarantees	56
Anglo-Turkish Armaments	15
	3,209

NET RECEIPTS (£ thousands)	
Land Settlement Acts	24

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Mar. 14th and Mar. 20th. (Figures in brackets are par of exchange.)

United States	\$ (4-88) 4-02-03; mail transfers 4-02-03
Canada	\$ (4-88) 4-43-47; mail transfers 4-43-47
Switzerland	Francs (25-22) 17-30-40
Sweden	Krona (16-159) 16-85-95; Argentine, Peso (11-60) 16-95-17-15; mail transfers 16-95-17-15
Denmark	Kr. (12-11) 7-58-62; mail transfers 7-58-64
Portugal	Escudos (110) 99-80-100-20
Panama	\$ 4-02-04; mail transfers 4-02-04

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain, Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey, Piastres (110) 520. Italy, 71.25 lire.

FLOATING DEBT

Date	Treasury Bills (£ millions)		Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap				
1941						
Mar. 15	845-0		Not available			
Dec. 6	975-0		"			
" 13	975-0		"			
" 20	975-0		"			
" 27	975-0		"			
1942						
Jan. 10	975-0		Not available			
" 17	970-0		"			
" 24	960-0		"			
Feb. 7	930-0	1584-0	191-0	9-2	764-5	3493-7
" 14	915-0		Not available			
" 21	905-0		"			
" 28	905-0	1612-7	215-4	21-7	677-5	3432-3
Mar. 7	905-0		Not available			
" 14	905-0		"			

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1941					
Mar. 14	65-0	153-8	65-0	19 11-79	24
Dec. 19	75-0	133-2	75-0	20 2-14	40
" 26	75-0	146-7	75-0	20 2-30	31
1942					
Jan. 2	75-0	157-8	75-0	20 1-85	30
" 9	75-0	161-6	75-0	20 2-00	27
" 16	70-0	143-2	65-0	20 1-85	28
" 23	65-0	142-9	60-0	20 1-78	17
Feb. 6	60-0	148-6	60-0	19 11-91	21
" 13	65-0	139-9	65-0	20 0-23	21
" 20	75-0	153-7	75-0	20 0-52	31
" 27	75-0	142-6	75-0	20 0-18	35
Mar. 6	75-0	139-4	75-0	20 0-31	38
" 13	75-0	128-0	75-0	20 0-34	44

On March 13th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 44 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on March 20th. For the week ending March 21st the banks will be asked for Treasury deposits to a maximum amount of £20 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	£ thousands			
	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Feb. 3	4,649	2,388	9,536	7,755
" 10	5,003	3,700	11,123	18,269
" 17	5,816	3,700	11,362	9,566
" 24	6,385	4,119	11,294	13,093
Mar. 3	6,804	4,772	28,694	15,019
" 10	7,169	8,630	19,872	16,367
" 17	...	...	18,597	14,347
Totals to date	47,578	415,247	584,395	298,582

* 120 weeks. † 63 weeks. ‡ 23 weeks.
§ Including series "A." || Including Series "A" and "B."
Interest free loans received by the Treasury up to Mar. 17th amounted to a total value of £45,699,570. Up to Feb. 28th, principal of Savings Certificates to the amount of £57,322,000 has been repaid.

MONEY MARKET

Market Rates.—The following rates remained unchanged between Mar. 14th and Mar. 20th.

Egypt, Piastres (97) 97-1-1	India, Rupee (18d. per rupee) 17-18-18-18	Belgian Congo, Francs 176-1-1	China, National \$ 2-3-4
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Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States, 3 cent pm-par. Canada, 1 cent pm-par. Switzerland, 3 cent pm-par. Sweden, 3 ore pm-par. Dutch East Indies, 1½ cents pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Mar. 14th and Mar. 20th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months

BANK OF ENGLAND RETURNS

MARCH 18, 1942		ISSUE DEPARTMENT	
£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	754,223,009	Other Govt. Securities	767,112,469
In Bank, Department	26,018,566	Other Secs.	1,863,073
		Silver Coin	9,558
		Amt. of Fid. Issue	780,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
			780,241,575

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	162,812,838
Rest.	3,489,031	Other Secs.	4,392,900
Public Depts.	12,613,956	Advances & Securities	27,593,056
Other Depts.		Notes	26,018,566
Bankers	136,943,586	Gold & Silver Coin	375,889
Other Accts.	49,200,776		216,800,349
			216,800,349

COMPARATIVE ANALYSIS

	£ millions			
	1941	1942	1941	1942
Issue Dept.				
Notes in circulation	608-4	751-5	753-6	754-2
Notes in banking department	21-8	28-8	26-7	26-0
Government debt and securities*	626-9	778-2	778-2	778-1
Other securities	3-1	1-8	0-0	0-0
Silver Coin	0-0	0-0	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00	168-00	168-00
Deposits:				
Public	14-7	12-2	21-0	12-6
Bankers	95-2	128-8	117-6	136-9
Others	52-1	55-8	52-1	49-2
Total	162-0	196-8	190-7	198-7
Banking Dept. Secs.:				
Public	129-8	155-4	154-0	162-8
Discounts, etc.	6-1	6-1	4-2	4-3
Other	21-0	24-2	18-7	19-0
Total	156-9	185-7	176-9	195-8
Banking depart. res.	23-1	29-1	27-0	28-4
"Proportion"	14-2	14-8	14-1	15-2

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £730 millions to £780 millions on December 3, 1941.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two months
March 12	23½	23½
" 13	23½	23½
" 16	23½	23½
" 17	23½	23½
" 18	23½	23½

1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates 1%. Discount deposit at call 1% at notice 1%.

NEW YORK EXCHANGE RATES

New York on	Mar. 12	Mar. 13	Mar. 14	Mar. 16	Mar. 17	Mar. 18
Cables:—						
Cents	403½	403½	403½	403½	403½	403½
London	88-050	88-000	88-000	87-750	86-750	86-750
Montreal	23-30	23-30	23-30	23-30	23-30	23-30
Zurich	23-60	23-65	23-65	23-65	23-65	23-65
B. Aires	5-14	5-14	5-14	5-14	5-14	5-14
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills.

PROVINCIAL BANK CLEARINGS

	Week Ended		Aggregate from Jan. 1 to	
	Mar. 15, 1941	Mar. 14, 1942	Mar. 15, 1941	Mar. 14, 1942
Working days:—				
Birmingham	2,142	2,345	25,074	29,960
Bradford	3,753	2,785	25,464	25,752
Bristol	2,284	2,132	20,892	24,157
Hull	674	780	7,439	9,192
Leeds	945	694	11,895	14,316
Liverpool	5,032	4,928	59,483	50,950
Manchester	11,456	11,492	129,926	138,098
Newcastle	1,179	1,530	15,036	18,123
Nottingham	424	482	5,448	5,586
Sheffield	678	555	6,945	10,889
Southampton	162	136	1,159	1,435
12 Towns	29,667	28,823	318,295	338,569
Dublin*	5,993	7,461	62,567	73,229

* Mar. 8, 1941, and Mar. 7, 1942.

OVERSEAS BANK RETURNS

RESERVE BANK OF INDIA				
Million rupees				
	Mar. 7, 1941	Feb. 1942	Feb. 20, 1942	Feb. 27, 1942
ASSETS				
coin & bullion	444	444	444	27
coin	321	302	301	2
balances abroad	757	364	374	3
Indian securities	1,405	2,686	2,686	2,7
Govt. rup. secs.	496	415	415	4
Investments	71	131	113	1
LIABILITIES				
in circ. : India	2,370	3,484	3,502	3,5
in circ. : Burma	178	238	238	2
Posits : Govts.	371	101	151	1
Banks	428	425	407	4
Reserve ratio	69.4%	81.4%	81.4%	81.4

COMPANY RESULTS (March 18, 1942)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Pref. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div. %
Coal, Iron and Steel													
Bairds & Dalnollington	Dec. 31	196,033	£	186,032	355,737	£	130,499	16	50,000	+ 5,533	218,539	208,539	16
Lansdown Investments	Sept. 30	1,189,378	275,000	234,208	391,123	238,803			100,000	- 104,595	1,395,029	440,875	27
Redpath, Brown & Co.	July 31	100,893	8,087	68,851	241,095	5,447	63,404	18			123,114	100,802	10
Rivet, Bolt and Nut Co.	Dec. 31	58,296	13,407	39,889	48,647		25,781	10	10,000	+ 4,108	56,791	47,547	6
Financial, Land, &c.													
Artizans' & General Dwellings	Dec. 31	399,173	28,544	96,312	211,402	26,562	52,760	6	...	+ 16,990	418,008	116,939	6
City Offices Co.	Dec. 31	71,240	...	Dr. 1,348	3,041	552	...	...	...	+ 1,900	76,023	3,209	8
Kassala Cotton Co.	June 30	147,644	...	32,432	72,895	...	24,000	8	8,000	+ 132	140,468	76,428	5
Lamson Investments	Dec. 31	108,692	...	92,524	111,996	25,000	67,500	7	...	+ 24	91,398	5,441	6
Properties Selection & Investment	Sept. 30	18,259	500	1,784	3,003	...	1,744	2	...	+ 40	20,966	152,563	10
Rubber Plantations Investment	Dec. 31	173,383	...	86,169	182,180	...	40,436	3	45,000	+ 733	199,798	249,122	3
Sudan Plantations Syndicate	June 30	728,010	...	277,995	741,567	...	198,000	8	80,000	- 4	751,609	5,088	5
Wharfedale Dwellings Co.	Dec. 31	19,456	...	4,288	7,986	1,688	1,125	3	...	+ 1,475	19,245		(c)
Motor, Aviation, &c.													
Austin Motor Co.	July 31	1,760,993	261,987	220,635	576,682	57,719	107,368	(c)	100,000	- 44,452	1,530,787	232,480	15
Vauxhall Motors	Dec. 31	480,088	...	399,284	1,981,912	9,675	112,500	15	...	+ 277,109	478,464	422,242	5
Rubber													
Djasinga	June 30	37,889	...	10,879	19,893	...	...	...	...	+ 10,879	26,531	22,253	4
Namoo Tongan	Aug. 31	111,474	...	15,484	32,655	...	13,500	4	2,000	- 16	84,959	13,983	6
Somber Ajo	Sept. 30	15,136	...	2,737	3,847	...	1,614	2-083	...	+ 1,123	14,555	6,640	20
Textiles													
Aristoc Limited	Dec. 31	79,343	...	31,517	69,135	5,000	20,000	20	...	+ 6,517	76,970	35,787	12
Fleming, Reid & Co.	Dec. 31	200,662	...	87,511	131,606	5,250	54,688	12	25,000	+ 2,573	497,012	68,941	7
Hirst (Geo. H.) & Co.	Dec. 31	36,527	4,500	5,107	12,220	...	4,531	7	...	+ 576	31,221	5,485	15
Hollins (William) & Co.	Dec. 31	242,203	...	41,471	57,465	2,250	38,100	6	...	+ 1,121	359,561	15,562	10
Jackson & Steeple	Dec. 31	24,360	1,850	15,709	20,604	...	7,875	15	5,000	+ 2,834	31,779	34,407	10
Taylor (C. F.) & Co.	Dec. 31	67,658	8,275	33,015	90,027	9,600	16,000	10	5,000	+ 2,415	67,995	72,396	10
Wolsey Limited	Dec. 31	144,878	37,751	46,198	84,403	28,125	16,875	4	(a)	+ 1,198	185,375	96,240	2
Woolcombers Limited	Dec. 31	137,838	...	89,499	168,329	15,750	85,000	21	...	- 11,251	165,343		6
Trusts													
American Trust Co.	Jan. 31	77,724	...	23,698	42,273	12,000	9,600	6	5,000	- 2,902	78,503	26,853	5
General Funds Investment	Jan. 15	21,348	...	9,137	11,702	3,750	4,125	5	830	+ 432	22,027	22,914	25
Greenfriar Investment Co.	Jan. 31	42,151	...	17,643	34,456	...	16,875	4	...	+ 768	43,871	36,573	6
International Investment	Jan. 31	64,168	...	32,920	96,171	13,950	15,500	7	...	+ 3,470	66,899	35,835	7
London and Clydesdale	Feb. 1	87,518	...	33,145	77,393	11,719	9,375	6	...	+ 12,051	83,965	67,475	6
Merchants Trust	Jan. 31	162,340	...	61,506	139,730	32,500	28,234	6	...	+ 772	163,545	33,725	12
Scottish Eastern Investment	Jan. 31	92,427	...	29,273	59,906	11,120	10,833	6	5,000	+ 2,320	91,794	39,185	10
Scottish Northern Investment	Feb. 5	91,958	...	32,496	81,208	8,921	19,453	12	25,000	+ 21,878	94,648	33,698	20
Second British Assets	Dec. 31	123,065	...	33,719	82,544	12,237	14,988	8	5,000	+ 1,984	117,064	36,713	10
Second Scottish American	Feb. 2	95,802	...	32,291	44,343	6,200	20,667	20	5,000	+ 424	97,028	24,027	10
Union Commercial Investment	Jan. 31	45,677	...	23,792	25,036	22,500	4,500	14	Dr. 4,735	+ 1,527	41,988	171,836	10
United States Debenture	Jan. 31	252,518	...	173,006	273,006	57,750	100,000	10	15,256	...	247,738		2
Other Companies													
Aberdeen Comhworks	Dec. 31	17,190	3,890	3,120	4,915	...	3,125	5	...	- 5	7,467	3,497	2
Beats' Industries	Nov. 30	42,986	...	30,753	38,990	2,750	18,750	37	...	+ 9,253	54,332	149,060	25
Bent's Brewery Co.	Dec. 31	373,379	...	168,032	264,547	21,000	73,601	25	35,000	+ 38,431	270,630	158,586	7
Borax Consolidated	Sept. 30	636,900	75,000	139,171	398,841	40,000	48,750	7	50,000	+ 421	543,817	135,793	6
British Power and Light	Dec. 31	335,124	...	125,303	224,414	44,625	80,900	6	...	+ 19,778	271,390	245,126	8
British Thomson-Houston	Dec. 31	559,776	229,667	243,603	439,913	52,500	70,000	7	100,000	+ 21,103	572,516	245,126	7
Bruce Peebles & Co.	Dec. 31	34,197	13,000	19,897	30,218	5,107	14,222	8	...	+ 658	32,247	19,036	10
Darnell (J.) & Son	Dec. 31	36,965	997	13,452	20,208	...	10,000	10	5,000	+ 1,548	35,484	20,486	7
Engineering Components	Dec. 31	22,230	...	19,553	27,577	2,334	15,625	25	...	+ 1,594	24,861	80,883	7
Evans (D. H.) & Co.	Jan. 31	307,552	...	76,120	106,027	12,000	63,000	7	...	+ 1,120	345,378	51,532	7
France (Wm.), Fenwick & Co.	Dec. 31	190,982	47,024	34,956	48,100	4,125	28,125	7	...	+ 2,706	196,675	64,712	7
Gamage (A. W.)	Jan. 31	111,633	...	48,647	142,863	9,625	37,500	7	...	+ 1,522	107,967	33,416	17
Hine, Parker & Co.	Jan. 31	19,642	...	11,142	37,911	2,500	8,250	7	...	+ 392	21,915	177,776	30
Hoffmann Manufacturing Co.	Dec. 31	226,446	...	135,054	195,601	37,500	50,000	10	50,000	+ 2,446	257,611	177,026	8
H.P. Sauce	Dec. 31	157,114	...	147,114	239,278	9,100	97,713	30	40,000	+ 301	180,026	88,303	7
Kern Oil Co.	May 31	259,442	135,597	46,801	82,096		26,750	6	20,000	+ 51	305,770	199,171	10
Lancashire Electric Light	Dec. 31	225,537	...	170,468	185,852	62,995	108,750	7	...	+ 1,277	256,949	251,195	10
London Brick Co.	Dec. 31	386,210	100,000	283,080	385,390	32,000	200,000	10	50,000	+ 1,080	354,325	251,195	8
Manchester Royal Exchange	Feb. 28	54,534	...	Dr. 15,806	109,548		120,000	8	70,000	- 13,805	78,254	30,780	7
Midland Counties Electric	Dec. 31	329,927	...	275,548	294,244	81,250	120,000	8	70,000	+ 2,298	365,400	25,410	10
Morris & Jones	Dec. 31	24,096	...	22,265	44,619	10,500	6,300	7	5,000	+ 465	27,668	87,600	10
Nathan (Joseph) & Co.	Sept. 30	173,081	...	72,849	102,635	51,000	7,964	10	20,000	+ 6,115	159,256	37,039	10
Oakey (John) & Sons	Dec. 31	37,672	...	35,303	42,936	6,000	25,616	10	5,000	+ 1,313	41,956	15,139	8
Opperman (S. E.)	July 31	56,857	11,190	9,844	24,385		7,500	10	2,000	+ 344	49,334	62,792	2
Peck, Froom & Co.	Dec. 31	216,482	...	48,558	81,478	28,250	20,000	4	...	+ 308	150,152	98,447	10
Provincial Newspapers	Nov. 30	266,471	15,668	88,360	161,398	52,500	10,000	2	20,000	+ 5,860	189,344	98,447	10
Robinson (Peter) & Co.	Jan. 31	75,051	...	17,832	20,446					+ 17,832	57,241	30,828	10
Robinson (Thomas) & Son	Dec. 31	57,789	8,215	29,396	62,436	11,250	16,619	7	...	+ 1,527	47,704	147,900	10
Rylands & Sons	Jan. 19	106,983	...	102,408	148,034	15,436	29,587	12	30,000	+ 2,405	131,944	39,836	10
Saxone Shoe Co.	Dec. 31	234,707	34,517	45,356	80,939	15,438	29,687	12	...	+ 231	222,926	320,979	10
Scottish Power Co.	Dec. 31	340,234	...	283,008	295,918	96,000	152,000	8	35,000	+ 8	369,711	320,979	10
Shanks & Co.	Dec. 31	53,838	14,905	38,933	94,103	4,664	23,200	8	10,000	+ 1,069	34,271	21,105	10
Simpson (S.) Limited	July 31	46,179	...	19,211	28,341	12,500	2,500	2	4,803	+ 592	109,480	98,798	10
Southern Waterworks	Dec. 31	249,031	...	70,131	77,033	48,134				+ 21,899	217,595	20,373	10
Squirrel Confectionery Co.	Dec. 31	26,474	1,475	Dr. 4,980	12,929	312	7,563	27	...	- 12,855	24,382	32,809	10
Taylor Tunnicliffe	Dec. 31	24,280	...	23,850	24,474	5,700	18,750	12	...	+ 400	26,554	10,652	10
United Newspapers	Dec. 31	33,705	...	14,299	13,781				259	+ 259	24,133	32,809	20
Waller & Hartley	Dec. 31	45,555	...	30,431	47,510	4,800	23,400	60	5,000	+ 2,231	41,896	32,061	25
Waxed-Papers	Dec. 31	70,431	...	32,448	50,469	11,609	15,105	20	9,630	+ 8,893	74,474	37,014	10
Webley & Scott	Dec. 31	62,934	8,079	37,367	45,046		20,488	10	...	+ 2,480			

needed) is to ensure "a complete fusion between military plans and thought and production plans and thought," not only in the realm of strategy, but also in the realm of battle tactics.

To accomplish this last purpose, there is to be a body which the Minister referred to as a "General Staff of War Production," but whose formal title is apparently to be the Joint War Production Staff. This body is designed to be an exact parallel to the Chiefs of Staff Committee on the military side. It will consist, in addition to the Minister of Production, of his Chief Adviser on Programmes and Planning, Sir Walter Layton, of the three Assistant Chiefs of Staff of the fighting services, and of the highest technical officers of the three Production Ministries. The new Staff (again in parallel with the military organisation) will be served by a Joint War Production Planning Group, whose members, though they will be drawn from the same sources as the Staff, will work together in a single office. The Minister explained that this plan had been suggested to him on his arrival by Sir Walter Layton, and that it "accorded in almost every aspect with the broad conclusions which I myself had reached." *The Economist* takes no small pride in finding its former editor in charge of arrangements which it has itself frequently advocated.

The arrangements for integration of British with American production are still somewhat indefinite. The structure of Combined Boards arranged by the Prime Minister in Washington at Christmas time had one obvious gap. There are boards to correlate strategy, to control raw materials and to assign to the different combatants the weapons that they jointly produce—but there are as yet no formal arrangements to co-ordinate the production of these weapons. This gap, it now appears, is to be filled. The changes that have been made, both in Washington and in London, in the past three months make the necessary arrangements much simpler. What is, in effect, needed is a representative of Mr Lyttelton to sit with Mr Nelson in Washington and a representative of Mr Nelson to sit with Mr Lyttelton in London. It is apparently not intended that Lord Beaverbrook shall remain in America very long and "it is intended to send someone, perhaps of Ministerial rank, to preside over the

various British bodies and to concert with our American Allies all the measures necessary." It is very much to be hoped that the man chosen for this most important post will not only have the technical qualifications but will also be the type of man who is appreciated in America. Generally speaking, the qualities that make for success in British party politics do not make for easy co-operation with Americans.

Apart from these problems of integration and liaison, whether with the fighting services in this country, or with the United Nations, Mr Lyttelton has the internal task of giving cohesion and leadership to the domestic production programme. For this, his staff is to be divided into four main Divisions. One is to be the Programmes and Planning Division under Sir Walter Layton; its functions are adequately conveyed by its title. Another is the Production Division, which will deal with all matters, common to the three Production Ministries, which concern the actual production of arms, as distinct from the construction of programmes and the placing of orders. A third Division will deal with Raw Material matters, including general policy, imports and allocations. The Regional Division is to be the fourth. It is proposed to expand the existing capacity clearing centres and to organise all small firms (of which there are 26,000) in groups attached to local organisations which "would have as their main function that of exercising a general supervision of the allocation of orders to firms so as to avoid overloading, wastage of capacity and things of that sort."

This is the administrative machinery which, after several false starts and hesitations, has at last been set up. As Mr Lyttelton himself said, administrative measures cannot cause immediate improvement. The next task, after many weeks spent on machinery, is to use it to tackle the problems. Many of these were implied in the Minister's speech or drawn to his attention in subsequent speeches. Perhaps the most important of them all, as was suggested in *The Economist* last week, is to devise means of making the most economical use of the management skill of the country. This is an even scarcer ingredient of production than the three that Mr Lyttelton already controls, and one of his first tasks should be to subject it also to close allocation.

Balkan Base

WHETHER Hitler's spring offensive falls to the north or the south of the Black Sea—or both—the lands which lie between the frontiers of Austria and the Dardanelles will be the main base for the attack. Disorder, breakdown, opposition here would hamper military operations seriously. There are few areas in Europe where it is more essential that the "new order" should work.

It is not only a matter of easy communications and an undisturbed base line. South Eastern Europe is to make its contribution in manpower and in materials. A quota of a million men has been allotted to Hungary, 300,000 to Roumania, smaller groups of "volunteers" to the Slovaks and the Croats. No publicity has been given to Bulgaria's quota, but unofficial reports put it in the neighbourhood of 200,000. Apart from Roumanian oil and a few metals from Yugoslavia and Hungary, food-stuffs are the materials in chief demand. The Germans are trying to increase the output of wheat and maize throughout South Eastern Europe. In Hungary, the introduction of more mechanised methods in agriculture is to double the yield. In Yugoslavia, the papers are full of appeals to farmers to increase the acreage under grain. The peoples of Roumania and Bulgaria, formerly self-sufficient, have bread cards, yet are still being urged to meet the insatiable requisitioning by more production.

These are no small demands to make on conquered countries, and as they stand on their Balkan base, the Germans cannot but feel how thin is the crust and how great the disturbances that surge below. In each country

they have to face the passive and sometimes active opposition of the peoples. If they could have stopped short at unobtrusive occupation, all might have been well. The anti-German feeling is weakest in Hungary, whose troops have on the whole seen little fighting in Russia, and whose Government was able to bargain for a more or less complete control in internal affairs at the cost of complete submission to Germany in the foreign field. But the Germans cannot stop short at a heavily camouflaged investment of these territories. For one thing, they have fierce physical opposition to put down. This is strongest, naturally, in Yugoslavia, which alone of the states north of Greece fought to keep the Germans out. General Neditch, the Serb puppet ruler, has just issued an appeal for peace on the grounds that, after the war in the spring of 1941 and Mihailovitch's campaign in the autumn of the same year, the Germans will exact a terrible, indeed an annihilating, punishment on the Serbs if they revolt again. The timing of this warning is significant. In a few weeks, the snow—with its betrayal of tracks and footmarks—will have gone. The cold which made life in the open barely possible has gone already. The Serbs are taking to the forests and the mountains. The guerilla war is about to begin again.

Even where the Germans entered "by invitation," and the people watched the process with passivity, or indifference, a year of the "new order" has altered the general attitude. The losses on the Russian front—Roumania's casualties are over 200,000—were enough to embitter the people. Economic disaster has increased the discontent.

Gone are the days when Germany was the great stable market and the biggest single factor in peasant security. It is no longer the market but the open gullet. Into that hungry maw, the surpluses and the necessities of South Eastern Europe have largely disappeared. While all the countries have meatless days and bread cards, the grain and the livestock roll off up the Danube, and in return comes—virtually nothing. Germany's debt to Roumania is something like 40 thousand million lei. Some estimates put the debt to Bulgaria as high as the total national budget for one year.

However, except in Serbia, popular discontent is not a serious military problem. The Germans can rely on their own soldiers and Gestapo officials. For the policing of the people, they can also count without exception on the support of the governments. In other spheres, however, the quiescent or puppet rulers are giving trouble. Their front with Germany against Russia, against Britain or against their own people, may be united, but it is anything but united between themselves. One Vienna Award does not wipe out the political enmity of centuries. Underneath the façade of Tri-partite Pact and Axis collaboration, the old splits have reappeared. The most serious cleavage is the question of Transylvania. The tension between Hungary and Roumania has not for one moment subsided since October, 1940. The loss of Transylvania, the heavy casualties suffered by the Roumanian army fighting on the Russian front, Hitler's new demands on Roumania, the obvious fact that Hungary had suffered far less in Russia and was doing far less for the next campaign have combined to provoke the Roumanians into a very excitable state. What may be the last straw was the recent report—passed on by the Bulgarians and probably correct—that Hungary had proposed to Bulgaria a new partition of Roumania. This led to a bitter outburst from Michael Antonescu, the Roumanian Foreign Minister, and a threatening reminder that Roumania had not abandoned its claim on Transylvania.

There are also points of friction between Hungary and Italy. As a bait to secure greater collaboration the Germans are offering the Magyars a position of predominance in the Northern Balkans. There has been talk of the "return" of the Banat and of the creation of a free port at Fiume. But this is direct trespassing upon Italy's preserve, Croatia. The Italians have countered Germany's support of Hungary by stirring up further trouble among the Croats, using the disturbances to send in more troops and then pointing to the need for police work in the Balkans as a reason for cutting down the consignments of Italian manpower to the Russian front. And Hungary is not the only power at loggerheads with Italy. A fine dispute is brewing between Italy and Bulgaria over control of Salonika. The Bulgarians, not content with Macedonia, Morava and Thrace, wish to round off their conquests with one of the chief ports of the Aegean. The Italians claim it as part of their "pro-

tection" over Greece—possibly with an eye to its inclusion later in a "Greater Albania." Finally King Boris of Bulgaria, playing every card he can to keep his country from fighting Russia—a move which might drive his pro-Slav people to open revolt—has gone to Hitler to plead that Turkey's attentions are so aggressive that the Bulgarian army must be left in Thrace.

The German military straitwaistcoat is firm enough to contain all these lunatics. It is doubtful whether even the Hungarian-Roumanian tension will resolve itself into fighting, so long as German troops and German Gestapo provide a framework of "order." Politically, the Balkan base is rickety but still secure. Economically, its plight is less certain. After a year of the new order, standards are everywhere in headlong deterioration. Because of Germany's requisitioning and inability to send in goods in exchange, nearly everything is in short supply. In Bulgaria prices have risen between 100 and 300 per cent. The coming spring and summer will aggravate the economic problem. It is not possible to drain away millions of men from the Balkans, where mechanisation of agriculture is at a very primitive stage, and expect at the same time to double and treble the yield of the harvests. This year's output must be lower if Hitler gets his quota of men; and it does not look at present as though any of the governments will refuse. Yet if standards are lowered still further in the Balkans, the appalling tragedy of Greece may be repeated. There is typhus in Croatia, in Roumania, and Hungary. It is not far from there to the German frontiers.

The situation in the Balkan base is deteriorating, of that there can be no doubt. It has not yet deteriorated far enough to be anything more than an inconvenience when the spring offensive is launched. Its really dangerous implications are for the future. At the first sign of a definite military breakdown in Germany, the only element of cohesion in the Balkan situation will vanish. The region will fall apart into an anarchy of national and civil war, with an inevitable accompaniment of famine, plunder and disease. Possibly the Germans still feel sufficiently confident of victory to scout this possibility. But is it certain that victory will exorcise the spectre of anarchy and collapse? Even if the Germans win a campaign in Russia, they will be more exhausted, their stocks will be lower, more of their subject peoples and their labour force will have been lost in the holocaust. On what reserves will they draw to shore up the shaking Balkan structure? Can the peoples of South Eastern Europe—or indeed of Europe generally—bear much longer the hideous load their masters have laid upon them? The end may come not by riot and revolt, but by a crumbling away of the social order in disease and famine and exhaustion. If the fields are not tilled and the wheels no longer turn, even the proudest conqueror cannot march. The ground beneath the Germans' feet is not so much mined as hollow. Under the weight of yet another campaign, will the crust hold?

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The Merchant Marine

LAST week, Mr A. P. Herbert succeeded in raising, on the adjournment, the delayed controversy over conditions in the merchant marine. The debate, which was by no means a full-dress affair, arose out of the discussion aroused by the tabling of motions, some six months ago, by Lord Marchwood in the Lords and by Mr Herbert in the Commons, suggesting the setting up of a Royal Commission to enquire into the affairs and future of the merchant navy. Merchant seamen are among the sections of the community which find the value of their services to the nation quite exceptionally increased by war-time conditions. While in peace they performed useful work, they now perform a service vital to the prosecution of the war and as dangerous as any carried out by the fighting services. Yet there is no guarantee that after the war recent improvements in seafaring conditions can be maintained or even that continuous employment can be provided. To-day, when the importance of the merchant navy is plain to all, there is an opportunity to examine the conditions which govern its future with some possibility that due consideration will be attached to its claims.

The most remarkable features of the Commons debate were unanimity on the aim and lack of appreciation of the conditions under which it could be realised. There are, of course, two main issues: what can be done to improve conditions while the war is on?; and what can be done to build up and maintain a large and efficient merchant navy after the war? The first is a question of practical possibilities; the second of high policy.

So far as immediate improvements are concerned, the limiting factor is, of course, the necessity of preventing humanitarian considerations from impeding the war. Mr Noel Baker, replying for the Government in his new rôle as Joint Parliamentary Secretary to the Ministry of War Transport, pointed out with justice that all seaworthy ships must be sent to sea, irrespective of the living quarters which they provide for officers or men. This is unavoidable. Moreover, with the awakening of public interest in the merchant navy, several important reforms have already been introduced during the war. Most important of all, the seaman is now assured of continuous employment. There has been an increase in the basic rates of pay for all ranks; compensation is provided for loss of kit, whether through marine or war risk; pensions are given to the dependants of men killed as the result of a war risk; and four free travel warrants a year are allowed, as for the fighting services.

There is a good case for rejecting a plea for the immediate setting up of a Royal Commission purely on grounds of expediency, although there appears to be evidence that the notion is acceptable to considerable numbers of actual seamen. The machinery which already exists in the form of the National Maritime Board (on which ship owners, officers and crews are represented), the Officers' Association and the Seamen's Union, has in the past proved capable of working with the Government for the betterment of conditions. Recent correspondence suggests that the limited nature of the results which they have obtained has prevented them from obtaining the full confidence of the seagoing community. But the inevitable delays associated with the work of a Royal Commission, and the fact that day-to-day improvements would be prejudiced until its findings were known, could not fail to impede immediate progress. Mr Shinwell summed up the complaints of the moment as relating to "food scales; crews' quarters; the training of seamen; manning on deck and below; the long hours during which men in the catering department labour; and matters of that sort." There was no disagreement that the Government and the shipowners must go to the limits of possibility in removing grounds for complaint on these issues and there is no doubt that

progress can best be made by pressure of public opinion—which the debate has helped to arouse—on the parties immediately concerned.

But the larger issue is infinitely more important and more complicated. Heroism, and its recognition to-day, provide no guarantee that improvements in conditions won during the war can even be maintained, much less advanced, when peace is gained. There is no general realisation that improved conditions depend essentially on the post-war prosperity of British shipping, which itself depends on the resurrection of international trade and on the share of it which is carried under the red ensign. Yet, even this almost self-evident proposition conceals many problems of great importance. The first is that the improvement of seafaring conditions; the construction of ships with better quarters; the maintenance of continuous employment; and the provision of a uniform system of entrance, training, advancement and pension rights would substantially raise the costs of British shipping and worsen its competitive position in comparison with the merchant navies of other nations. If more ideal conditions are imposed on the industry in the interest of the merchant seaman, the merchant marine will either be smaller than if its costs were unregulated, or its cost to the nation in the form of subsidies will be raised. If conditions of entry, employment and retirement of merchant crews are regulated by the state and a substantial portion of the cost is borne by the Government, it is by no means clear whether such assistance can, or should, be divorced from more or less complete state control of the shipping industry as a whole. It is clearly impossible to discuss seafaring conditions in the post-war world in isolation either from the question of international trade or from the more circumscribed question of the future of the shipping industry.

There is indeed a good case for concluding that the cost of maintaining a large merchant marine with steadily improving conditions for all its crews should be borne by the State. The shipping industry, as is abundantly clear to-day, is not merely a commercial asset; it is vital to the safety of the nation. The essential difficulty arises from the fact that the merchant navy combines some of the features of a commercial venture, a public utility and a fighting service. If its size and character are left to be determined by purely competitive forces, there is good reason to suppose that its working conditions will be far from ideal. If working conditions are regulated to an extent which public recognition of the value of the services of the merchant seaman requires, the merchant navy may well be too small for national safety. The issue must be faced that the achievement of both aims may well require the shipping industry to be subject to a far greater degree of public control, and supported to a far greater extent by public money, than is generally contemplated to-day. The utmost restoration of international trade is of basic importance, but this would not in itself secure an adequate share for the British merchant navy.

There is a further complication which was hardly hinted at in the Commons. The widespread ambition to foster a powerful merchant navy is scarcely compatible with high farming in Britain. Both are advocated on security grounds, but it is not generally realised that they are, in the last resort, alternative solutions. The champions of security through maximum production of food at home imply a minimisation of food imports and consequently of the total trade which Great Britain can do with the Dominions and the world at large. The champions of security through the maintenance of an ability to import, and to keep the sea lanes open even in the thick of war, postulate a strong navy, a strong air force, a strong mercantile marine and international trade at the maximum. It is obvious that food production at home can never provide a complete answer to enemy blockade and

that security demands that, where the two solutions compete, preference must be given to merchant shipping. It is not possible to promise the moon both to the farmer and to the merchant seaman.

The future of the merchant marine, and the problems which it raises, must form an integral part of any reconstruction programme. If the case in the short run against

reference to a Royal Commission rests on the necessity for speed, in the long run it rests on the virtual impossibility of considering the question of the merchant navy in isolation. This is no argument for postponement of the issue; it is a plea that it should be considered in its setting, both by the parties concerned and by the general public.

The Controllers

THE table on the next page lists the names and the previous business affiliations of the persons who are generically referred to as "the Controllers." In actuality, the description is not universally applicable, nor does it mean exactly the same thing in its various applications. In the Ministry of Food, for example, the persons listed are the active heads of the sections of the Ministry; their status is, in effect, that of civil servants. The Controller of Light Metals is much more directly subject to his departmental superior in the Ministry of Aircraft Production than any of the Ministry of Supply controllers are to their bureaucratic counterparts. The Controller in the full sense is, in fact, a phenomenon almost confined to the Raw Materials Department of the Ministry of Supply. The Controller deals directly with the trade he controls. He derives his legal powers from the Minister, who alone can issue orders and regulations. But the administrative jurisdiction of the Controller is considerable, and his position is one of substantial power within his trade. In very many cases—perhaps most—the administrative expenses of the control are either levied from the trade or defrayed by the trade association.

A glance down the list will show that the consistent policy has been followed of appointing as Controller a prominent personality from the trade to be controlled. There are, it is true, exceptions to this rule. The four names given under the Ministry of Works and Buildings, for example, are of independent men. This was not always so; until a few weeks ago the Cement Controller was Lord Wolmer (now, as Lord Selborne, translated to the Ministry of Economic Warfare), who had been chairman of the Cement Makers' Federation. Two of these four Directors have been appointed since Lord Portal's advent to the Ministry, and it is perhaps not fanciful to suggest that the choice of independent persons has something to do with Lord Portal's experience at the Raw Materials Department, where the opposite policy has been so deliberately pursued.

With a very few exceptions, the policy is consistent—though no other controls are in the position of the Steel Control, where the Controller is the chairman of Baldwin's; his superior, the Parliamentary Secretary, is a partner in the firm of chartered accountants which for many years has managed most of the price-fixing associations in the trade; and the Minister himself was, in peacetime, the chairman of the Iron and Steel Federation. Another remarkable case is the Petroleum Board, a body which, when it was incorporated in the apparatus of control, was wholly self-appointed. Other cases are not so spectacular as these, but in their different ways they tell the same story. The deliberate theory underlying the whole structure has been that industries should control themselves. Other instances of the same tendency of thought could be quoted from many parts of the economic legislation and administration of the past decade. For example, the Mines Department, when it had decided, as part of its organisation for the wartime control of coal production, to appoint a Coal Supplies Officer for each of the 17 mining districts, approached the trade association of each district with the offer to appoint the association's nominee, if it would pay his salary.

The system of self-control has certain advantages from the Government's point of view. It certainly makes for the quiet life, since there will be few objections except from persistent weekly journals and perhaps, occasionally, from a minority in each trade which values independence above the fruits of "co-ordination." The

system is also undoubtedly useful in setting up a complex machinery of control in a hurry, as at the outbreak of war, since delay in finding suitable controllers and acquainting them with the facts of their industries is avoided. Indeed, the usual official defence of the system alleges that the appointment of "indigenous" controllers (as they may be called) is necessary in order that the control may operate with skill and experience. But, if this is so, then *à fortiori* nobody but a financier should ever be appointed Chancellor of the Exchequer, nobody but a soldier to the War Office, nobody but a farmer to the Ministry of Agriculture. There is no reason why a controller, like a Minister, should not have a skilled and expert staff. The contention of those who criticise the official policy is that the man who takes the responsibility for making decisions should be independent.

For this contention there are three main reasons. The first and by far the least important is what may be called the moral argument. A controller is in a position of very considerable power to influence, not only the relations between his trade and the consumers of its products, but also the relative position of different firms in the trade and of different consumers. Even with the closest supervision by the Ministry that is responsible for him, he could use his power in his own interest. Of actual dishonesty—that is, the lining of private pockets—it should be said at once that there has been no trace. On the contrary, the controllers are men of the highest probity, who are determined to do their duty with scrupulous care. Of a certain—doubtless subconscious—tilting of the scales there is rather more evidence. There are few producers who do not, in greater or less degree, believe that they get rather less than their full deserts in a free market. In many trades there is a dissident minority which the majority believes to be disturbers of the commercial peace. These beliefs are perfectly sincere and honest; what more natural than that they should affect the decisions of perfectly sincere and honest controllers?

This, however, as has been stated, is not the most serious count in the indictment, since there is no reason whatever to suppose that such impropriety is widespread. The second reason for objecting to the policy of indigenous controllers lies in the effect it is almost certain to have on the economic structure of the country. As has frequently been pointed out in these columns, the British economy was already, before the war, moving with ominous rapidity towards a state of monopoly or near-monopoly. This was the solution found by the dominant section of the Tory party for the problem of discovering a middle course between *laissez faire* and socialism. Indeed, it was only natural that what had become a businessman's party should turn to businessman's economics. What is more surprising is that so few voices have been raised to protest against the damage done to the public interest by a policy which parcelled out the national economy into a number of exclusive baronies. The Brummagem system that has grown up since 1931 might almost be called that of the Corporative state, save that it has lacked the firm supervision of an energetic state administration. It is a system that is intended to be strong in its parts, weak at the centre; the best name for it is Economic Feudalism.

This system was already enough of a threat to the roots of British prosperity before the wartime controls gave it an obvious and immense impetus. Even a wholly self-supporting economy will produce less wealth for its citizens to consume if its producers are allowed to follow

the slogan of High Profits and Small Turnover than it some external force, either of competition or of state control, forces them to maximise output. But in the case of the British economy, the effects may well be disastrous. This island, with its present population, depends absolutely on being able to import raw materials and food-stuffs. In paying for these imports, it now has no natural advantages except the ability of its industrial population to turn raw materials into manufactures that can sell in competition. Now it is a silly delusion to suppose that producers, either individually or collectively, can be put into the position of monopolists without acting as monopolists and there is a great deal of evidence from the 1930's that this was, in fact, the consequence of the policy pursued. As it happened, however, the effects were hidden by the accident that the decade coincided with a substantial movement of the terms of trade in Great Britain's favour. The relative movement of prices made it possible for the necessary quantity of imports to be paid for by a smaller quantity of exports and a veil was drawn over the uncomfortable fact that, if more had had to be paid for the imports, it would probably have been impossible to do so. The worldwide crisis of the primary producers fostered, in Great Britain, the delusion that a deliberate high-cost policy would not impede the progress of the standard of living. This temporary and accidental good fortune will, in all probability, desert the country after the war. The British economy, deprived of its foreign assets and reserves, will be exposed to the cold winds of a world in which primary producers will be organised, while innumerable competing manufacturers will have sprung up. And to face this situation the country will be bequeathed by the wartime controls an industry which will have almost forgotten what low costs or competing prices are, an industry entirely wedded to high-cost "stability." The prospect is frightening.

The third reason is more important still, because more urgent. The wartime necessities of the community and the peacetime interests of specific industries are frequently in conflict. It is in the community's interest that many sorts of industrial capacity should be increased as rapidly as possible; it is in industry's peacetime interest that capacity should be kept in close relation to normal

demand. It is in the community's interest that all unnecessary consumption of scarce materials should be promptly and drastically restricted; it is in industry's interest to leave normal channels of trade intact as long as possible. It is not suggested that indigenous controllers cannot see the public interest; they can, and they act upon it. But in most of these cases, the necessity is not clear from the start, it appears gradually. The emergency, against which steps should be taken, develops very slowly from the possible to the probable to the certain to the imminent to the urgent, and at all stages there is room for differences of judgment on the quantitative extent of the steps that should be taken. It is only human nature that the man whose whole life has been and will be in the trade should hesitate and hang back, that in a painful necessity he should see the pain more clearly than the necessity. In wartime, no emotion is stronger than the patriotism that leads men into the army. Yet there are always so many men who can give themselves perfectly honest reasons for not doing what the manifest public interest requires that the voluntary system has to be abandoned. Why should the clarity of human thought, when in conflict with human interests, be rated any higher in commercial matters, where the public interest is not reinforced by any so powerful patriotic emotion? "No man hath quickened his own soul," and the result of the policy of allowing industries to control themselves has been a consistent record of Too Little and Too Late.

This is not a matter of small importance; it lies at the very centre both of the productive war effort and of the post-war national economy. It is not, of course, suggested that the controls be abolished, or that their functions be performed by the Civil Service, with all the imperfections of a bureaucracy in business matters. Nor is it suggested that the controllers should not be recruited from the ranks of businessmen. But it is seriously suggested that they should be businessmen without any connections whatsoever with the trades they are to control. And it is seriously suggested that, even at this late hour, there are few changes in administrative machinery that would do more either to improve the productive effort of the country or to increase the confidence of the people that nothing was being allowed to stand in the way of victory.

THE CONTROLLERS

CONTROL	CONTROLLER	MAIN PREVIOUS BUSINESS CONNECTION
Ministry of Supply		
Steel	Col. Sir Charles Wright	Baldwin's.
Non-Ferrous Metals	A. M. Baer	British Metal Corporation.
Alcohol	T. A. Board	United Molasses; family connections with Distillers Co.
Plastics	L. P. B. Morriam	British Associated Plastics; British Xylonite Co.
Diamond Dies and Tools	R. L. Prain	Anglo-Metal Co.; Mufulira; Roan Antelope; Rhodesian Selection Trust.
Chemicals	F. W. Bain (Chairman of Central Board)	Imperial Chemical Industries.
Fertilisers	H. Cunningham	Fertiliser Manufacturing Association; Scottish Agricultural Industries (I.C.I.).
Sulphuric Acid	N. Garrod Thomas	National Sulphuric Acid Manufacturers' Association.
Sulphate of Ammonia	F. C. O. Speyer	Imperial Chemical Industries.
Timber	Major A. I. Harris	Past President, Timber Trades' Federation.
Wool	Sir Harry Shackleton	Taylor & Shackleton, Spinners; Chairman, Woollen and Worsted Trades' Association.
Cotton	Frank Platt	Lancashire Cotton Corporation.
Flax	J. S. Ferrier	Wm. F. Malcolm & Co.
Hemp	A. Landauer	A. Landauer & Co. (Hemp and Fibre Merchants).
Jute	H. S. Sharp	J. Sharp & Sons, Dundee; Association of Jute Spinners and Manufacturers.
Silk and Rayon	H. O. Hambleton	Hambleton & Co., Silk Weavers.
Paper	A. R. Reed	Albert H. Reed & Co. (linked with Associated Newspapers); London Paper Mill Co.
Industrial Diamonds	Sir Cecil Rodwell	Consolidated Gold Fields of South Africa; Roan Antelope, etc.
Leather	Dr. E. C. Snow	Chairman, United Tanners' Federation.
Rubber	F. D. Ascoli	Dunlop Plantations, Ltd.
Ministry of Aircraft Production		
Light Metals	G. W. Lacey	British Aluminium Co.
Board of Trade		
Tobacco	A. H. Maxwell	Macmillan, Maxwell & Co. (Tobacco Leaf Merchants).
Petroleum	Sir Andrew Agnew (Chairman of Petroleum Board)	Shell Transport & Trading.
Ministry of Works and Buildings (Directors)		
Building Materials	Sir Harold Howitt (Chairman of Board)	Peat, Marwick, Mitchell & Co. (Chartered Accountants).
Cement	J. Norman Daynes	King's Counsel; Chairman of Appeals Tribunal under Coal Act, 1938.
Ministry of Food (Directors)		
Bricks	L. W. Hutson	Cullen, Lockhead & Brown (Architects).
Roofing Materials	R. G. Cromwell	Hall & Co., Ltd. (Builders and Coal Merchants).
Ministry of Food (Directors)		
Manufactured Foods	F. W. Aldridge	Co-operative Wholesale Society.
Chocolate and Sugar Confectionery	W. Wallace	Rowntree & Co., Ltd.
Bacon and Ham	J. Loudon	John Loudon & Co., Ltd. (Produce Importers).
Tea and Coffee	Sir Hubert Carr	Retired Tea Grower.
Cocoa	J. Cadbury	Cadbury Brothers, Ltd.
Rice	H. L. Sanderson	Chas. Winble, Sons & Co. (Produce Brokers).
Dried Fruits and Edible Nuts	A. E. Gough	Overseas Farmers' Co-operative Federation, Ltd. (marketing organisation for Empire Co-operative Producers).
Imported Cereals	J. V. Rank	Joseph Rank, Ltd., & Ranks, Ltd.
Home-Grown Cereals	C. D. B. Ellis	Ellis & Everard, Ltd., and Joseph Ellis & Sons, Ltd.
Cereal Products	C. A. Loombe	Reckitt & Colman, Ltd.
Bread	J. N. Frears	Frears & Blacks, Ltd.
Emergency Bread Supplies	W. S. Duthie	Allied Bakeries, Ltd.
Oatmeal and Pearl Barley Milling	I. Maclean	Thomas Borthwick (Glasgow), Ltd.
Cakes and Biscuits	Howard Hughes	Alfred Hughes & Sons, Ltd.
Edible Pulses	L. T. Houlding	Sanday & Co., Inc.
Meat and Livestock	H. S. E. Turner	New Zealand Refrigerating Co.
Canned Fish	F. Wilkinson	Co-operative Wholesale Society.
Fish	J. Adamson	McClelland, Ker & Co. (Chartered Accountants).
Animal Feeding Stuffs	Sir Bryce Burt	Indian Agricultural Service.
Starch	J. Roberts	Reckitt & Colman, Ltd.
Cold Stores	E. F. Farrow	Hay's Wharf, Ltd.
Eggs	J. A. Peacock	Nurdin & Peacock, Ltd. (Wholesale Produce Importers).
Fresh Fruit and Vegetables	C. H. Lewis	National Federation of Fruit & Potato Trades, Ltd.
Potatoes	Capt. J. Mollett	Potato Marketing Board.
Fruit Juices and Pectin	G. T. Shipston	California Fruit Growers' Exchange, Ltd.
Canned Fruit and Vegetables	B. E. Payne	J. Travers & Sons, Ltd.
Wholesale Co-ordination and Unrationed Foods	C. E. Davies	H. H. & S. Budgett & Co., Ltd.
Milk Products	H. E. Davis	Dominion of New Zealand Dairy Sales Division (London Manager).
Milk	S. Foster	Milk Marketing Board.
Oils and Fats	H. Davis	Lever Bros. & Unilever, Ltd.
Transport	A. G. Marsden	Cadbury Brothers, Ltd.
Warehousing	S. Whibley	Clarke, Nickolls & Coombs, Ltd.

NOTES OF THE WEEK

Threat to Calcutta?

The fighting in Burma has taken a turn for the worse. Japanese troops have succeeded in cutting the Mandalay-Toungoo road and it is doubtful whether they can be dislodged. Yet it is possible that the chief danger does not lie in the Japanese advance up the Sittang. The immediate aim of the Burma campaign is to cut off China from India; a proximate aim, to prepare a springboard for an attack on the Indian coast. For both these ends, an advance deep into the interior to Mandalay and beyond would be costly and wasteful. The Burma Road is cut if the ports that feed it are cut off. So would be the new Assam Road. India will be attacked not from the interior of Burma but from the coasts, across the Bay of Bengal. The most



ominous news of the week is therefore the report of a Japanese penetration of the Yoma hills which lie between the Irrawaddy and the coast. The objective is control of the coastal province of Arakan. At Kyaukpyu, 75 miles south of Akyab, there is a sheltered natural harbour. Akyab itself—only some 400 miles from Calcutta—has a harbour that can take big ships at high tide and is an important air and seaplane base. Complete Japanese control here would immediately menace Calcutta and hence the gateway to the Assam Road. Coupled with the capture of the Andaman Islands, only 700 miles south of Calcutta, it may close the Bay of Bengal to Allied shipping.

The Daily Mirror

Amid all the controversy regarding the threatened suppression of the *Daily Mirror*, one point stands out with reasonable certainty: Mr Morrison's warning to the paper and his subsequent denunciation of its policy could not have been undertaken lightly. Contrary to a fairly widespread belief, the present Home Secretary is no dictator who seizes every opportunity of exercising his emergency powers; he is not a man who wilfully courts unpopularity but is rather one who is over-anxious lest his popularity should suffer. It is most unlikely that, in view of the buffeting he recently suffered over 18B and the perpetual heckling he receives over the *Daily Worker*, he would have attempted a fresh hurdle unless he—or much more likely the War Cabinet—had been really afraid that the *Daily Mirror* was having a harmful effect on the nation's war effort. Whether there is just cause for this fear is a question which cannot readily be answered. The *Daily Mirror* claims that, so far from its policy being harmful to the war effort, it has consistently urged stronger measures for mobilising the nation—which have eventually been adopted. And yet—

though the *Daily Mirror* would probably be surprised to learn of it—other papers have urged the same reforms even earlier and even more vigorously and have not been threatened with suppression. Clearly there is a distinction between the substance of criticisms and the methods chosen to present them. In what, therefore, does the offence of the *Daily Mirror* consist? What sort of criticism is it that the Government, which has shown a quite remarkable tolerance to Press criticism throughout the war, considers harmful? The only official clue to an answer lies in Mr Morrison's statement—"general, violent denunciation, manifestly tending to undermine the Army and depress the whole population..." It is also important to notice that intent to undermine or to depress is not a point at issue—publication of harmful matter does not excuse the paper if it is done "with a reckless and unpatriotic indifference to its harmful effect rather than with a deliberate intention to produce such an effect." This may perhaps be interpreted as meaning that when criticism is regarded as an end in itself instead of as a means to a more vigorous war effort, it becomes intolerable.

But ought the Government's intolerance to be carried to such lengths that the paper concerned is suppressed out of hand, without warning and without appeal? Fleet Street's all-but-unanimous negative is not, by itself, convincing; since it seems to be an article of faith in many parts of Fleet Street that no paper should ever be suppressed in any circumstances. But this is certainly not true. It is possible for a newspaper's editorial policy to endanger the safety of the community; and when it does so, the newspaper deserves to be suppressed. In fact, the question cannot be decided on the lofty planes of high principle, since the high principles are in conflict. It must be decided as a matter of particular fact. Has the editorial policy of the *Daily Mirror* in fact been damaging to the national cause? That is a matter of opinion, and in the long run there is only one opinion that counts, that of the House of Commons. In spite of the general preference for judicial rather than executive procedure, this necessity of bringing the matter before Parliament is the strongest argument for proceeding under Regulation 2D rather than under 2C, which would bring it before the courts. There is still another consideration in this complex matter. Even though the *Daily Mirror* may have caused depression and despondency? Among the suppression excite alarm and despondency? Among the *Daily Mirror's* very numerous and varied readers there must be a great many who disregard or discount its editorial columns and are mainly concerned with its other features.

Taking the Offensive

There is an air of expectancy the length of the Eastern Front—from Leningrad right down to the sands of Libya. Somewhere along this vast line the spring offensive will soon be launched, and just as the movement of troops and materials behind the Russian front presages new activity, so the Mediterranean zone has flared up into action in the last week. The Axis Powers are attempting to run more and more supplies into Libya. For some time past Britain has appeared to be able to retaliate only in the air. This week, however, has brought news of successful naval engagements. Eleven enemy ships have been sunk by submarines and an important British convoy has got safely into Malta, losing only one merchantman—a brilliant action, for Admiral Vian's light screening forces had to stand up to cruisers and battleships of the Italian Navy. They were driven off and at least one torpedo struck the battleship *Littorio*. The Axis concentrations are not confined to Libya. Reinforcements have reached all the Greek islands and although they are being used to put the screws on Turkey, a frontal attack on Alexandria and Suez is a far more likely objective. Given the imminence of the attack, it is fortunate that both Sir Stafford Cripps and General Nye have been able to hold conferences in Cairo and that changes in the Middle Eastern High Command—in the direction of youth and energy—are in the wind. It is perhaps too much to be hoped that the Allied forces should not wait for the attack but, should take the initiative. The unexpected blow gains treble strength and there is all too little evidence to suggest

that British plans are worked out on the basis of finding what the enemy least expects and then performing the impossible. There are two ways of making plans: the German and Russian way, which is to determine the scheme and then consult experts on the execution thereof, and the British way, which is to concoct a plan and then find out from the experts why it is impossible. Perhaps the passage through Cairo of Sir Stafford Cripps and General Nye—both men who represent the new sense of urgency in British political life—will leave its mark. In this war the hazardous, the unexpected, the impossible has so often succeeded. Even if full success were not achieved, it would be worth while risking partial failure in order to disrupt the smooth working of the enemy's timetable of offence.

Soviet Russia is showing some anxiety on the score of its Allies' readiness to take the offensive this year. M. Litvinov, in the United States, has appealed for greater activity on several occasions, M. Maisky used the presentation of the Order of Lenin to four British airmen as the occasion of an urgent appeal. The Russians have obviously analysed British habits of thought with remarkable precision. There was hardly a fallacy—official and unofficial, which M. Maisky did not touch on—the old "assurance of victory" talk: "No figures of potential human, industrial and natural resources will help the allies if these are not mobilised"; the fixation of 1943 as the Anglo-Saxon zero hour: "the decisive moment is the year of 1942. The decisive place is the front of the USSR. We have to start from this if the allies really desire to achieve victory"; the defensive outlook: "on all other fronts the allies should take the initiative into their own hands, and for this to be achieved they must outwit the enemy. These are the undoubted lessons of the war. They have been true for Britain—and for Russia—for the last three years. How many of them are still to be learnt?"

Mr Casey

The British and Australian Governments—and Parliaments—have apparently decided to let the affair of Mr Casey drop. Mr Churchill will have his way, and Mr Casey will go to Cairo to replace Mr Lyttelton. No contretemps should ever have arisen. No one, in either country, it seems, doubts Mr Casey's fitness for this post at the joint between the western and eastern war zones. He has been chosen as the best man available, not as an Australian representative; but the fact that he is an Australian is an added merit, both for the Cairo appointment and for the membership of the British War Cabinet that goes with it. It was equally for his qualities and experience that Mr Curtin wished him to remain in Washington. The text of the Churchill-Curtin telegrams has been published as a White Paper. In his first reply, on March 13th, to Mr Churchill's suggestion, the Australian Prime Minister made it quite clear that Mr Casey would be difficult to replace in Washington and that, in his view, "no approach should be made at this juncture." On the other hand, in his cable of March 14th—after Mr Churchill had urged that Ministers and Chiefs of Staff wanted Mr Casey in Cairo, that Mr Casey himself was known to want a change and that Mr Menzies might be suitable to replace him—Mr Curtin made it equally clear that, in the circumstances, the full extent of his demurrer was that Mr Casey should remain to meet Mr Evatt, Australian Foreign Minister, who was going to Washington. Mr Churchill was fully entitled after this message to cable his offer to Mr Casey—and to be surprised at the tone and substance of a later public statement by Mr Curtin suggesting that his wishes had been over-riden. It is true, as Mr Curtin cabled on March 20th, after Mr Churchill had expressed this surprise, that Mr Curtin had never disguised from the outset that he preferred no approach to Mr Casey and no change at Washington. Mr Churchill's persistence after the cable of March 13th, his reference to Mr Casey's wish to move and his suggestion of Mr Menzies as a substitute were perhaps not very tactful—though, even so, he had the powerful support of Ministers and Chiefs of Staff for his importunity. But Mr Curtin's further cable on March 14th was an unmistakable signal for Mr Churchill to go ahead, which he did at once. Mr Curtin apparently did not receive Mr Churchill's cable of March 14th saying that he was approaching Mr Casey immediately, and the first intimation he received that the offer had been made and accepted was from the BBC broadcast over the Aus-

tralian system—which was annoying. But the fact remains that his permission had been very properly sought and very specifically given, however grudgingly.

The Will to Death

The week's fighting in Russia has brought no marked changes. The Germans are still holding out at Staraya Russa, at Rzhev and at Vyazma. There is no change on the Orel-Kursk sector and no decision in the fighting round Kharkov. Meanwhile, the first signs of a definite spring thaw are slowing down the Russian attacks, and the evident relief of the Germans suggests that they are hoping for some respite during the weeks of mud and immobility. The time will be used to gear up to its utmost striking pitch the whole of the terrific German army machine on Russian soil. There seems little doubt now that the heaviest of the German blows will fall eastwards, and it is significant that there is something like a closing of the ranks in the German High Command. Von Rundstedt has been put back on active service, and a recent German propaganda film has made much of a visit of von Brauchitsch to Hitler. This is probably a preface to his reinstatement. Hitler's reasons for calling back his generals are obvious. He took over supreme command at a moment, not of great military, but of great moral danger. The Russians were certainly not going to break up the German armies, but there was a real question whether the German people could face the ordeal of a winter war. It looks now as though Hitler's political flair again served him well, for morale has not broken. It is rather a Dunkirk spirit that has prevailed. The Germans have been rallied, not by the thought of easy success, but by the ideal of total sacrifice and death, accepted unquestioningly in the service of Germany. To the propaganda, both British and Russian, which accused the German authorities of halving casualties and concealing the horrors of the front, Goebbels has made the reply—the psychological technique faintly resembles his adoption of the V-sign—of rubbing in the tragedy and underlining the holocaust, and whipping up patriotic fervour by sacrifice, not success. The number of the *Völkischer Beobachter* which appeared on March 15th, the German Day of Remembrance (*Heldengedenktage*), was a gruesome example of the new technique. On the front pages, there were four leading articles; on "Our Dead Comrades"; on the memory of a dead staff member of the newspaper; on the theme "Every dead man for Germany," described as a cry coming from the *Invalidenfriedhof*—the cemetery for the higher German officers; on "Comradeship" achieved only through comradeship in death—together with a poem to a dead soldier. The back page went even further—a four-column leader was devoted to "Thoughts on the Death of a Soldier," and a letter was reproduced from a blinded soldier writing to tell the mother of one of his comrades that her son was dead. How long a loyalty bolstered up by such stimulants can survive, only the trained mass-psychologist can say. But there is a strength in this will to death and will to destruction with which the United Nations are still spiritually unequipped to deal.

Agricultural Priorities

Last week the Minister of Agriculture reported progress. In the war, the ploughed acreage has increased by about half, and the output of potatoes, other vegetables and oats has in each case risen by three-fifths. Measured by the number of tractors per acre, British agriculture is now the most mechanised in Europe. Mr Hudson's account was impressive. But it is still possible to argue that the effort that is being made might be rendered more effective in terms of human food—its only object. Though complete figures of production are not published, there is some reason to believe that the larger part of the increase in output from the extended acreage has gone to replace imported feeding stuffs. That is to say, there has been an undue bias towards the growing of crops to be converted into animal food rather than towards foodstuffs for direct human consumption, which under siege conditions would be the best use of the land and its resources. The output of animal feeding stuffs is said to have doubled, while the output of wheat has increased by little more than a quarter. Moreover, it is claimed, the bias within the policy of producing animal feeding stuffs has been too much towards food for meat cattle, the most wasteful converters of feeding stuffs, and too little towards food for milk cattle, the most valuable

converters in terms of human food. It is very doubtful, in war conditions, whether the numbers of meat cattle should have been maintained, as they seem to have been from official statements, while dairy herds have been increased very slightly, and the numbers of sheep, pigs and poultry have fallen very considerably. It is a problem of priorities. The Government's policy is shown in the ratio between the respective prices fixed for the different kinds of agricultural produce, which give too little incentive, relatively, to the growth of food for direct human consumption and, in the case of indirect human foods, too little to milk, and possibly eggs, as against meat. It is an attitude which reflects, to no small extent, the balance of influence in British farming and farming traditions. In war economy, it is wasteful.

Co-operation in Farming

Just as the determinant of wartime agricultural programmes is the shortage of shipping space, the determinant of wartime agricultural methods is the scarcity of labour. Lack of manpower is the reason given why, say, another five million acres, in addition to the extra six million acres already brought in, cannot be ploughed up; and this is the main motive which has caused the remarkable increase in the numbers of tractors used since 1939. Plainly the problem is to make the maximum use of the limited human and mechanical resources available. The test is the volume—and balanced dietetic value—of foodstuffs produced. To decide upon the best foods to produce (which is still unfortunately a matter of dispute and political manoeuvre) is only the first step. No less important are the methods and organisation of food production, and there is a growing opinion that, in agriculture as in industry, there is room for considerable improvements in the direction of local and regional co-operation. In industry small firms are the problem, in agriculture small farms. Mr Hudson pointed out last week that four-fifths of Britain's farms are under 150 acres in size; and obviously the maximum pooling of machinery and labour over regions is required to achieve the maximum output. It is not enough to have more tractors per acre than any other country; it is also necessary to use them to the full, regardless of the financial resources of individual farmers. And the same is true of labour and fertilisers. Smallness of acreage, bank balance—or outlook—should not be permitted to be a bar to efficient standards of production. Much has, admittedly, been done to meet the overheads of efficient production, for small and large farms alike, by drainage and other schemes; and ploughing-up and other subsidies are designed to prevent expansion from being impeded by the limited resources of individual farmers. But these, again, are only first steps. Most subsidies are based on acreage, ploughed-up or used for this or that purpose, and not on results in terms of output. Mr Hudson has spoken emphatically of the need for higher standards and, rightly, of the work which county war agricultural committees are doing to achieve these. There is little doubt that the proposals made, among other people by the Communist Party at a conference some weeks ago, for the pooling of all agricultural machinery under the direction of the war agricultural committees, and for the extension of the hiring out of machinery to small farms, together with the labour needed to work it, are proposals of the right kind; or that the demand for an increase in the Women's Land Army very much above the present total of 25,000, to be used largely in mobile regional detachments, is well-founded. The analogy between industry and agriculture in this matter of regional co-operation is, admittedly, very imperfect. But, in both cases, the needed margin of extra output must depend upon collective action locally by small units; and in at least one county, Hertfordshire, the war agricultural committee has accepted proposals from the workers in their area to set up a production committee (analogous to those set up in war factories) to assist in the stepping-up of output.

Collective Responsibility

In the House of Lords on Wednesday, Lord Hankey drew attention to what he believes to be defects in the machinery of Cabinet Government. No other man living has had a longer first-hand acquaintance with British Cabinets than Lord Hankey. Except for a brief retirement just before the war, he has been a part of the Cabinet machinery, as a

Cabinet official or, from 1939 until a few weeks ago, as a Minister, ever since the last war. He spans the gap from Lloyd George to Churchill. It is perhaps not easy to agree with his opinion that the Defence Committee of the Cabinet and the office of Defence Minister should be abolished. As Lord Hankey himself emphasised, the Prime Minister must use the machine and the methods that suit him. Mr Churchill, too, has a long and varied experience of Cabinets, going back to Lloyd George—and beyond. And the personal office of Defence Minister would presumably be the cornerstone of the Great General Staff that many people are calling for to unify the three Defence Forces. But the reasons which Lord Hankey gave for his proposals were shrewd and sound. "Members of the War Cabinet would be fully informed, which is not really the case today." "It would create a larger cadre of potential Prime Ministers, familiar with all aspects of the war." "It would improve the collective responsibility of the Cabinet, which has been somewhat weakened by the establishment of the Defence Committee." These views are no less wise for being old-fashioned. It is also Lord Hankey's opinion that the position of Ministers of Cabinet rank outside the actual War Cabinet should be improved. Contact between Mr Churchill and his lesser colleagues is not easy in wartime, but it is none the less essential; and, as Lord Hankey claimed, every step that will make for "better team work" would be an aid both to the war effort and to its undisputed leader.

Turkey Under Pressure

With the spring offensive on the horizon, the pace of diplomatic preparations in the potential zones of battle is increasing. One of the chief obstacles to a German advance into the Middle East is the determined neutrality of Turkey; yet it seems as though Hitler were unwilling to force war on the Turkish people. Anatolia is unpromising campaigning country, and the Turks, whose equipment is steadily increasing under Lend-Lease arrangements, are tough fighters. Moreover, to open a front in Turkey would be to bring Russia's allies on to the southern coasts of the Black Sea. Yet if the Caucasus is to be taken from the rear, some means has to be found to prevent Turkey from being a serious military obstacle or from developing into an enemy base, and the Germans are back at their old game of mixing bribery and threats. New negotiations have opened between the two Governments. Husrev Gerede, the Turkish Ambassador in Berlin, has gone to Ankara and von Papen has followed all the German Service Attachés back to Germany for consultations. What the Germans are offering is open to speculation—parts of Syria, perhaps, possibly the Dodecanese, probably the Vilayet of Mosul and possession of Iraq's oil supplies. What they are asking in return is probably neutrality of the Swedish kind—that is to say, a neutrality which is not actively co-operative but which permits certain privileges to the Axis—for example, passage of Axis ships through the Dardanelles and even of German troops across the Turkish railways. To reinforce their demands the Germans are, of course, playing on the Russian bog. The handing over of the Straits by Britain to Russia has been one of the most plugged themes since Mr Eden's

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December visit to Moscow. The recent bomb attack on von Papen was attributed to Communists—and the Turks did in fact detain some Soviet officials and raided Hachettes for Russian books and publications. Yet, in spite of the pressure and provocation, there seems little doubt that Turkey's neutrality will be maintained against all comers. M. Yalchin, discussing Germany's policy towards Turkey in *Yeni Sabah* this week, recalled the Turco-German alliance of 1914, which he declared was directed against Czarist imperialism, and continued: "This time, however, we saw the danger coming from Germany, and we therefore secured the friendship of the Western democracies; that was a measure of defence, and remains such, but if we realised that we had made a mistake, or understood that Germany was not menacing Europe and Turkey, we should be delighted. Judging the situation openly and candidly, however, we declare that we are very far from observing that the German danger has disappeared and has been replaced by an English danger or a Russian danger." M. Yalchin generally reflects the views of the Turkish Government, and it does not look as though the Nazis are likely to secure any modifications of neutrality in their favour.

The Civilian in Invasion

Once again, the civil population has been given invasion instructions, and once again it is clear that the prevailing thought in the minds of those responsible for the country's defence is that at all costs there must be no refugee movements. The wording of the original instruction, however, has been changed for the better. "Stay put" was translated by Sir John Anderson this week into "stand firm"—which has a much more encouraging and martial ring. "Stay put" implied that civilians were to do nothing to repel the invader, whereas Sir John said that they were not intended to adopt a purely passive role. The difficulty, of course, for the civilian is to decide what active part he can play, and it has been the lack of official guidance in this respect that has been the chief cause of uneasiness. So far as most men are concerned, their obvious duty—if they wish to help to fight the invader—is to join the Home Guard now. But Sir John Anderson recognised that there may be some men who cannot find the time for training and he referred to the possibility at a later stage of including them in the Home Guard under special conditions. The other development mentioned in his statement was the establishment of local invasion committees in many parts of the country. Their duty will be to survey their probable needs if fighting reaches their districts, how these needs can be met, and how the civil and military authorities can best help each other. They will allot specific jobs to particular individuals, and Sir John outlined the sort of jobs he had in mind—cooking and distributing food, filling craters and shell-holes, digging trenches, providing billets. If the invasion committees really set themselves to their tasks, a big gap in the invasion plans will have been filled. But presumably the new committees will be the same, in personnel at least, as the civil defence emergency committees, not all of whom, by any means, proved equal to their responsibilities. It is to be hoped that there will be active supervision and guidance by the Regional Commissioners to set a highest common standard in respect of invasion, as well as air-raid, preparations.

Army Airmen

The formation of an Army Air Corps, announced this week, does not mean that an Army Air Arm is being established. The change is administrative; and the Army Co-operation Unit of the RAF is unaffected and remains under the RAF's direction. The troops affected are the Army's airborne units, whose personnel have up to now remained attached to their various regiments for administrative purposes, such as records and pay. They will now be brought together into a single Corps for the purposes of filling in forms; they are already together, of course, for operational purposes. The only pilots concerned in the change are glider pilots. The change is interesting because it marks another move to cut across the old traditional sectionalism of the British Army, which tends to impede or complicate the development of new branches; it is in the same category as the recent setting up of a separate Corps of Mechanical Engineers—though very much less important in its actual consequences. Inevitably, in spite of its merely administrative character, this change will

rouse new discussions about land-air co-operation. In the Army Co-operation branch of the RAF, there are pilots and ground staff who were trained soldiers before they were seconded to be airmen, and it would be folly to lose any of the value of this dual training. Tactically and technically, here are the men needed in modern warfare, neither soldiers nor airmen, but both; and the evidence which exists that, neither in equipment nor in operational training, is this fact turned to effective use, is disturbing. The problem is not whether the Army or the RAF should control the whole corpus of aircraft and personnel for Army co-operation and Army use. It does not matter. The separate control of either would almost certainly be a mistake. The problem is rather to establish some single general control at the top and joint training below; and the present solution, which divides the air accessories of the Army between the two separate Services, seems to the layman to make the worst of both worlds. And in equipment Army Co-operation remains a Cinderella.

Part-time Workers

One of the big bottlenecks in industry is due to the lack of adequate opportunities for would-be part-time workers. The number of women with domestic responsibilities who cannot put in a full day in a factory but could put in a morning or an afternoon is difficult to assess, but it must be large; yet only a fraction are being utilised. Industry appears to have shown a lack of adaptability in this matter. Managements have shown insufficient interest and workers have shown some fear of a new form of dilution. The firms which have successfully tackled the problem of part-time work have found that most of the objections raised were not valid. The losses anticipated from taking on inexperienced labour have been appreciably offset by increased productivity per head because of the short hours of employment. The objections of full-time workers that they were in danger of being undercut have been overcome by tactful handling and by insuring, through slight increases in bonus if necessary, that average earnings were not reduced by the new arrangements. Since success seems to have attended the efforts of those who have handled the problem with determination, it may be asked why such attempts have not been more widespread. Apart from the reluctance of industry to introduce schemes for part-time workers, the Government does not appear to have pressed manufacturers to study each other's experience—though it did encourage them to pool their knowledge through the Mutual Aid Groups and the Capacity Clearing Centres when it was a matter of engineering. Another obstacle is that part-time work is often most practicable in the daytime, and if part-time workers are to be absorbed in large numbers, more full-time workers may have to go permanently on to night shift, or take on night shift work much more frequently.

Ruling on Hoarding

It cannot be said that the Ministry of Food's latest hoarding order completely clears up the position. In one respect, there is certainly an improvement. Rationed food, or food which a householder has grown or made himself, is exempt from the order, and a person may, therefore, possess any amount of sugar which he has saved out of his ration on jams and home made chutney. This was clearly the only course to take in order not to penalise the thrifty housewife, though it also means that the greedy housewife who bought up large quantities of jam or soap on rumours of rationing gets away with it. In the case of unrationed food the new ruling is more dubious. No one may hold stocks which would exceed "an amount reasonably necessary for consumption over a period of four weeks"—to quote from Major Lloyd George's statement in the House. This will obviously raise considerable difficulties in the case of such foods as pepper and other spices, salt, marmite and a host of similar foodstuffs of which a very small quantity lasts some households a year or more. It is probably true that in practice there would be no prosecution in such cases, and it is also true that the court has the right to decide that a longer period may be justified if exceptional circumstances exist. But in the case of such foodstuffs as condensed milk and cocoa, which are semi-necessaries to some households but the housewife's last recourse in others, difficulties may well arise. In the one household, a few tins would apparently represent legal hoarding, whereas in the other the same amount

may only be the consumption of a week or two. No doubt the new order will be used sparingly in gross cases, but it might be as well if the housewife were told that she need not turn over her stocks of unrationed foods every month and start again with a fresh lot.

Back to Capitulations

The succession of Nicholas Kallay to Laszlo Bardossy as Prime Minister of Hungary does not mark any change in Hungarian policy. Bardossy is a really sick man and probably feels that he cannot face the stern tasks that lie ahead this summer, when it seems likely that a very large Hungarian army—the Germans have asked for a million men, the Hungarians say there is equipment for 300,000—will be fighting beside the Germans on the Russian front. Kallay has had a quiet and undistinguished political career and has no connection with any of the extremist parties. His choice does not, however, imply any opposition to the Germans. Throughout the Balkans they have largely abandoned their habit of making use of extremist groups. In Hungary there is the particular reason that the system of parliamentary authoritarianism commands the support of nearly all of the political groups. But the tendency to transfer support from indigenous politicians to the *Volksdeutsche*, or local German racial communities, is apparent throughout South-Eastern Europe and may well be due to a change of policy which in the event of a German victory would have very far-reaching implications. All over the Balkans live small groups of Germans whose standards of wealth and education are, on the whole, higher than those of the peoples they live among, but who, for the last two or three centuries, have been content to preserve their racial difference while accepting foreign citizenship. Since the advent of Nazism, these groups have first been converted to fanatical National Socialism, and now they are being moulded into something more. In Roumania and Croatia they are well on the way to complete autonomy. They have their own schools and cultural associations. In any village where they form more than a 10 per cent minority, double language regulations have been introduced. Before long they may well get complete extra-territoriality in the sphere of justice and economic activity. In Hungary, the *Volksbund* is not so well developed, but the Germans are sponsoring it, and a new development is a linking together of all the local national groups by means of liaison officers. The final outcome of this system is obvious—a German organisation of "capitulations" (on the model of the former special protections of foreign rights in countries like Egypt) throughout South-Eastern Europe, islands of prosperity and capitalistic development in the surrounding agrarian wilderness, a *Herrenvolk* in active practice and physical presence.

Advertising in Wartime

The Advertising Association has recently issued a pamphlet* in defence of sales publicity in war. This apologia makes a good case for the continued publication of advertisements in the press for the sound reason that advertising revenue—which forms an essential element of the income of all newspapers—obviates reliance on secret subsidies from Government or other sources. In helping to secure the freedom of the press, advertising performs a vitally important social function in war and peace alike. It is, of course, inevitable that advertising space should be diminished as newspapers are reduced in size, and there is a good case for reducing advertisements relatively to editorial matter as well as absolutely. *Advertising in Wartime*, however, seeks to prove a social function on other less defensible grounds. It claims that sales publicity is more than ever necessary for the housewife in days when choice is restricted; that to remove the instructive advice on household management which the advertiser so often conveys would be a serious deprivation. The pamphlet defends goodwill advertising on the score that only if this is kept alive in the home market during the war, can the nation rely on a successful post-war export drive and the manufacturer cut loose from the fear of losing his place in the sun. Lastly, it suggests that advertising provokes a sense of corporate pride and responsibility in the labour force of the industry concerned. These arguments are so pompously foolish as to come near to spoiling a sound case. There is, of course, no justification for the advertisement of con-

* *Advertising in Wartime*. Issued by The Advertising Association, Ludgate House, 110, Fleet Street, London, E.C. 4.

sumption goods on the score that the housewife relies on this information. The possibility of buying goods off the basic ration is governed by the state of stock at the shopper's favourite emporium and the attitude of the assistant behind the counter. It is a gross disservice to stimulate the desire to spend or to foster shop crawling. On the score of goodwill, it is true that, in the few remaining neutral countries, it is important to continue to advertise British goods. In the home market, the issue lies between competing British manufacturers, who can more easily be prevented from encroaching on each others' intangible assets by cutting down advertisements than by fostering them. There is no case, as the pamphlet suggests, for maintaining poster advertising simply in order to prevent the bankruptcy of the 800 firms engaged in the poster industry. Total war is a ruthless business and this form of enterprise would appear to be a clear case for drastic concentration. In newspaper advertising, pride of place should obviously be given to official announcements and charitable advertisements; the remainder of the space should be devoted to advertising goods and services which can still be provided, and provided without encroaching on scarce resources; and the limiting factor to all advertisements, apologia or no apologia, is the scarcity of paper itself.

Shorter Notes

The attack made by the United States Pacific fleet under Admiral Halsey on the Japanese-occupied islands, Wake and Marcus, stands out as the week's good deed in the Far East's naughty world of defensive fighting and retreat.

Since the Saadist and Liberal Parties officially abstained from the general election in Egypt, the Wafdists' sweeping victory is hardly surprising. Nevertheless, it reflects popular opinion faithfully, and Nahas Pasha is at liberty to interpret the voting as a fair plebiscite in his favour.

The United Nations will give a wholehearted welcome to the news that General MacArthur has been awarded the Congressional Medal of Honour, the highest decoration given by the United States.

A printer's error occurred in a Shorter Note on food hoarding on page 391 of *The Economist* last week, and the last sentence should have read . . . "the Ministry might well take powers to requisition them [food stocks] in an emergency rather than to penalise prudence and thrift."

According to a written parliamentary reply, the number of illegitimate births in England and Wales last year was 30,453, compared with 25,942 in 1939. In London alone the number was 1,931 and 3,105 respectively.

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AMERICAN SURVEY

Industrial Mobilisation

(From An Industrial Correspondent)

Cleveland, Ohio, February 15th

INCREASING requirements of war material for the vastly extended fronts have been speeding up the rate at which America's industrial capacity has been turning to the purposes of war.

The few weeks in which the public has been able to observe the work of Donald M. Nelson as chairman of the new War Production Board have been very reassuring. The charts kept in Washington which record the thermometer of public and editorial opinion show a sudden and extreme subsidence of criticism of production, a change which is, however, sometimes merely the inverse of criticism of other phases of the war effort. Unhampered any longer by uncertainties and conflicts in authority, Mr Nelson has been bringing an end to many an old debate and placing upon non-essential trades the responsibility for obtaining munitions orders—not merely being receptive to them—if they are to continue running.

The shutting down of the assembly lines of Michigan's enormous automobile industry will probably be regarded as the point where American industrial mobilisation entered its second and swiftest stage. The steel industry had already become engaged almost entirely upon orders for military and ancillary needs, but the final cessation of the manufacture of civilian cars, a spectacular event in itself, was followed shortly afterward by orders to a number of other manufacturing groups to taper off, concentrate the small remaining civilian production (if any) in a few plants and turn their facilities to the hardware of war. The electrical refrigerator industry, like the radio industry, is to cease altogether.

The actual conversions of American industries yet to be accomplished are expected to require more than a year. The full tide of output from these transformed plants will probably be reached early in 1943. Thus four great streams of munitions production are now rising: the output of the original and enlarged plants, such as the arsenals and the aeroplane factories; the output of a string of new Government-owned arsenals, mostly completed in the summer of 1941; of a group of specialised factories built by the automobile industry for the making of bombers and now just coming into production; and of innumerable small and large works whose facilities have been gradually moving over into Government work but which are now to swing even more heavily and exclusively into it. The earliest of these streams is probably near its peak, but the latest will not reach it for many months.

The controversy is now subsiding over the question of what interests or inertias were responsible for putting off the conversion of the remaining industrial capacity in the manufacturing trades, but the problems incident to the gigantic operation are only beginning to be generally apprehended. In the steel industry, for example, the elaborate series of preference ratings is causing congestion in the upper ranges. In the automobile industry, unemployment is expected by some to reach a peak of more than 200,000 before it begins to subside. The assembly plants themselves must be completely rearranged and every usable tool reset, the great specialised machines greased up and walled off, and a series of new products introduced, tooled and learned by the workers.

In general, the automobile plants will become producers of parts for a series of new and larger aeroplane plants now under construction or recently completed. The industry had a peacetime out-turn of under \$4,000,000,000 of automotive products in good years and has assumed orders for \$8,000,000,000 of Government work annually. It will draw on an even larger number of sub-contracting plants, consisting in the main of about 100 plants scattered through the central manufacturing region which formerly supplied automobile parts.

New Construction Work

The construction of new plant, as projected in the original defence programme (dating from May, 1940), was to have been well completed by this time, but a new wave of factory building has been imposed upon the old. Plans for this second series of plants are in general the blueprints of the old—the constructional forces merely continuing with their work—but included in them are several buildings of a sort almost unknown even to American industry. Decisions to build these works were reached last autumn in the so-called "victory programme," of which only the outlines reached the public before it was absorbed into the immense imperatives which followed Pearl Harbour. Details of the projects began to be released to the various manufacturers in that same week and are now beginning to materialise in excavation work in the snow and frozen ground of prairie sites in the central west. Works for the manufacture of aeroplanes and tanks lead in size, and, including their parts, almost in numbers, for the reason that existing factory space is unsuitable for such very large work. The whole amount of new plant capacity to be started this year comes to \$6,000,000,000, of which all but a billion is subscribed by the Government. This volume exceeds everything started between May, 1940, and Pearl Harbour.

The supplying of materials, equipment and labour for the construction of the new plants and the conversion and operation of the older plants is already testing to the limit the resources of many an industry. The strains are being met by voluntary transfers of men from non-essential employment to the new work, by training of specialist machine operators on a grand scale, by suppressing almost all private construction save small houses, and by squeezing down the use of essential materials in civilian trades.

Appropriations of federal funds for defence and war purposes since May, 1940, plus those proposed by the President, now approximate \$139,000,000,000. Of this enormous sum, about \$100,000,000,000 has been written into contracts of all types and about \$17,000,000,000 paid out. Disbursements of about \$20,000,000,000 have been made for defence purposes in the last 20 months, but this sum includes the subsistence and pay of the forces, as well as payments on much work yet to be delivered, such as ships. The rate at which orders have been placed is already beginning to turn upwards, responding to the sharp acceleration in appropriations after America's entry into the war. The rate of deliveries, however, cannot be expected to change for some months.

The absorption of productive plant into munitions and other work for the American, British and other Governments is expected to reach a point near the end of the year where about half the national manufacturing capacity is devoted to war. The proportion was recently about one-tenth, but the saturation of the steel industry and the closing of automobile production has considerably raised it.

The Transport Problem

The decline of civilian goods will make many and important changes in the retail and other trades and in the manner of American life, but as yet the economic landscape is scarcely altered. Though new tyres and automobiles are obtainable by only a few, the amount of traffic in most American cities has not declined enough to be observed by other than statistical methods, such as the receipts of the parking meters along the pavements. The consumption of petrol, indeed, has risen, but this is apparently due to the increase in the movement of freight by motor trucks. Owners of approximately 30,000,000 motor cars, including delivery vehicles, have been told they will have no new tyres when their present sets are worn out, and it is expected that next summer's hot weather will result in many cars being laid

up. So serious, however, would be the effects upon normal American living if any considerable number of merchandise deliveries had to be given up suddenly, or if suburban millions turned to the use of public conveyances, that the rationing of petrol is almost certain to be undertaken as a means of conserving rubber and enabling the necessary changes to be made gradually.

One aspect of this problem is that of moving the industrial workers to the new factories now being finished. The sites of all of these works were selected before anyone in the United States had calculated the chances of the rubber supply being cut off. A bomber plant now being completed by Henry Ford in Michigan had expected to draw its working force from a radius of as much as 30 miles. A northern Ohio shell-loading plant was built by workmen who drove daily for distances equally great, and now finds itself unable to get enough operatives to man it. Proposals for meeting these emergencies range from rushing through the construction of many publicly-owned small houses of wood-frame construction to the requisitioning of enough automobiles from families which do not themselves require cars for essential uses.

The reality of the declining American standard of living has scarcely been comprehended save in a somewhat academic way. The measure of its decline has been stated in figures by Leon Henderson, head of the Office of Price Administration—\$65,000,000,000 of civilian goods this year will have to satisfy a national income of around \$95,000,000,000—and the usual measures to drain off this "consumption gap" were also suggested by him. The bearing of this decline upon the expectations of organised labour is yet to be worked out, when the new War Labour Board considers the demands of the steel and automotive unions for increases of \$1 a day and other concessions.

The Tides of Special Interests

[FROM OUR WASHINGTON CORRESPONDENT]

February 28th

THIS past week-end the Price Administrator, Leon Henderson, has been making an identical speech before a variety of audiences, underlining the statistics of our incipient inflation as a prelude to the new Tax Bill. His theme is simple—seven-eighths of the recent increase in national income payments has been in the form of salaries and wages. Present federal taxation will draw off about thirteen billions of the anticipated hundred billion dollar total; federal borrowings may run between eighteen and nineteen billions more. That will leave around seventy billions available for other uses. But the proportion of the national productive effort currently earmarked for war purposes will not provide enough goods and services at present price levels to meet the demand represented by available income. Mr Henderson estimates the gap at around fifteen billion dollars. The relation to the new Tax Bill is obvious.

These speeches have a somewhat Canute-like sound in view of the tides moving in the opposite direction. One place where the administrator made his case was before the National Farm Institute in Des Moines, whose annual discussion of the state of the union attracts some 1,200 farmers and cattlemen, many of them heads of farm organisations and leaders in commodity groups in the Midwest-Great Plains area. Six days later the Senate passed a Bill, introduced and supported by the members constituting the farm bloc, prohibiting the Commodity Credit Corporation from selling farm products owned or held by the Government at less than "parity" prices. The products referred to represent transactions of the past few years on the "ever-normal granary" principle whereby excess stocks were taken off the market through the mechanism of Government loans supporting prices at 85 per cent of parity. Sales of these stocks (in which the Government has 1-1/4 million dollars invested) would stabilise farm prices, holding down incipient rises in corn and wheat.

The Farm Programme

These particular commodities have a special relation to current price movements and to the disposition of the farm economy. The expanded production goals recently set by the Secretary of Agriculture emphasise dairy products, livestock and poultry—cheese, milk, eggs and pork are primary

items under lend-lease. Production of all of these is highly sensitive to feed costs—the hog population at any given season directly reflects the corn-hog price ratio. In addition, in order to increase domestic oil supplies and offset losses of imports from the Orient, the goal of soy-bean acreage has been raised from 5,855,000 acres for 1941 to 9,000,000 for 1942. A rise in the price of corn would be highly disturbing to the relative profitability of an acre that could alternatively be used for soy-beans.

In view of these critical considerations, President Roosevelt followed a somewhat unusual procedure in addressing a letter to the President of the Senate in which he said: "I believe that irreparable damage to the war effort and to the farmers of this country would result from enactment of this legislation . . . Food production is playing a vital part in the conduct of the war. Not only this country but all of the United Nations are relying upon abundant production of food by the farmers of America . . . The curtailment of the production of livestock products would, of course, be followed by higher prices for livestock products and substantial increases in the cost of living, which in turn would lead to more inflation and demands for higher wages . . . The goodwill of the consuming public should not be shattered by grasping for a few extra dollars in the name of farmers." Yet the Bill was passed by 50 to 23. (Whether the House will take similar action in the light of an almost certain veto remains to be seen.)

Parallel to the column in which the morning papers carried this news was a column reporting the delivery to the President of a united front statement by the Labour War Board—a six-man board on which the AFL and the CIO both have members—urging him to resist the establishment of any policy restricting general wage increases. The statement acquired additional pertinence from the fact that it was issued just before the National War Labour Board began consideration of the Steel Workers' Organising Committee's demand for a dollar-a-day rise as part of its forthcoming contract with "Little Steel" (the by-no-means-little steel companies outside the US Steel and Bethlehem groups). This decision will be an important bench mark in labour policy—shall wages of organised workers be stabilised at their present levels, with future increases limited to adjustment of the scales of under-privileged workers, or not? If not, how can the resulting income be kept from competing for goods and services which are already behind demand to the magnitude of fifteen billion dollars?

War Profits

A third item of interest in connection with the new Tax Bill is the profits of the companies engaged in war enterprises. Figures of the earnings of fourteen aircraft companies holding \$2,101 millions of defence contracts show that the profits in relation to stockholders' equity, at the beginning of the period, jumped from 26.3 per cent in 1939 to 44.3 per cent in 1940. Corresponding figures for four shipbuilding companies with \$1,189 millions of defence contracts show that the profits in relation to stockholders' equity, at the beginning of the period, jumped from 17.9 per cent in 1939 to 35.3 per cent in 1940. The Todd Shipbuilding Company has made history by calling public attention to its unavoidably excessive current rate of return. Other companies may be less inclined to take this attitude toward their gains. In this connection there is a cycle of events that is worth remembering—and not worth repeating. The profits of World War I formed a large part of the factual basis for the cynicism of the inter-war years. That cynicism found public expression in the Congressional investigations, of which the Nye Committee was typical. The companies called to testify felt exposed, even—or perhaps particularly—in cases where the facts did not justify their exposure. The likelihood of a similar accounting after World War II figured along with anxiety as to postwar excess plant capacity in industry's reluctance to get into war production in the summer of 1940. Adequate taxes on profits in the new Bill could break this cycle.

Meanwhile, farm prices, wages and profits are all doing nicely. In his speech on Monday night the President stated that a current check indicates the country will meet the production schedules called for in his January message on the state of the nation. That means the civilian slice of the economy will be reduced to a point where we shall live as lean as we did at the pit of the depression. Higher prices will only bid up this quantity of goods without increasing it; Mr Henderson is unquestionably on solid ground. But the tides of special interest, lapping at his feet, threaten to cut the ground from under him.

American Notes

Partnership in Production

Mr Nelson's imaginative and level-headed approach to the problem of securing the fullest co-operation from organised labour for the production drive is one of the outstanding achievements of his short tenure of office. It is particularly striking in view of the current rash of anti-labour bills, which express the persistent hostility of certain Congressional groups toward the unions, and the ignorance and unsympathetic mood of the general public, with its periodic demands for "cracking down" on labour. Mr Nelson obviously attaches great importance to securing labour's confidence and support. A large proportion of his recent broadcasts have been addressed to labour; he has introduced a plan for labour-management production committees which are being rapidly established throughout the defence industries; and his speech this week to CIO leaders, while frank, made a good impression. He assured them that the need for production would not be used as an excuse to whittle down labour's hard-won rights, and he opposed the abolition of the 40-hour week at present as possibly harmful to production. The only concession he requested was the abolition of double pay for Sunday as the defence industries go on to three-shift, seven-day operation. This has already been conceded by the Automobile Workers Union; the Glass Workers have withdrawn their demands for time and a half for Sunday work; a number of unions have offered their Sundays to the war effort without pay; and Mr Murray and Mr Green have pledged themselves not to resort to strikes. This retreat from extremist positions is partly a calculated counter to the Congressional demand for abolition of the limitation of hours, as well as a response to Mr Nelson's conciliatory policy. Mr Nelson, Mr Knudsen, and the President have all attempted to head off the movement for such legislation by making public the hours actually worked in defence industries, which in some cases are as high as 60 a week, and a Department of Labour survey which showed that in only 2 out of 650 cases did the necessity of paying overtime interfere with the fullest utilisation of plant facilities. The Administration's policy is to secure labour's co-operation in production and in stabilising wages by the grant of fuller partnership in production and by defending its privileges wherever possible. Its success depends largely on the Administration's ability to restrain anti-labour elements from passing drastic legislation, such as that suspending all union contracts for the duration, which would embitter labour and destroy all hopes for industrial peace and co-operation.

Financing Plant Expansion

One of the sharpest contrasts between this war and the last is provided by the degree to which the present expansion of industrial plant is being financed by the Government. "This war," says the *Nation*, "is clearly public property." From 1917-1919 the federal government spent in all only \$500 millions on new plant; on December 31, 1941, federal commitments amounted to \$7,366 millions and were being increased rapidly. Private financing of new plant on the same date totalled only \$1,326 millions, exclusive of that provided by foreign governments, which was a mere \$155 millions. The coyness of private capital—wary of being saddled with useless facilities after the war—has withstood every inducement devised by the Government. Defence contracts have been assignable for bank loans; and companies building new plant for defence work have been given the right to amortize the cost completely over a five-year period, deducting up to one-fifth of the total cost from income in any one tax year for both normal and excess profits taxes. The RFC offered loans to defence manufacturers at 1½ per cent, but only about \$300 millions have been borrowed. In July and August, 1941, the Government entered the field directly in two ways: by agreeing to reimburse manufacturers completely for the cost of any new facilities over a five year period (Emergency Plant Facilities Contracts), and by establishing the Defence Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, to advance funds to private enterprise to build new plant, to be owned by the DFC, but leased to the companies and operated by them. The RFC itself also has almost unlimited powers to build plant and operate it if necessary, in fact to "take any action necessary to expedite the defence programme."

A manufacturer availing himself of the Emergency Plant Facilities contract may provide the funds for expansion or use the contract as security for a loan; he holds the title to the property until the contract is completed, and then has the right to retain the facilities by paying the Government the cost price less depreciation, obsolescence, and other loss of value. Aircraft and shipbuilding companies have been the largest users of this scheme of financing—the Ford Company is erecting an aircraft engine plant costing about \$30 millions on an Emergency Facilities Contract—but total commitments at the end of October were still only about \$300 millions. By far the greatest expansion of plant has been financed by the Defence Plant Corporation, which on November 15th had commitments of about \$2,300 millions. All the facilities which it has financed are leased to private companies and operated by them, though the corporation has the right to engage in manufacture itself. Leases are either at the nominal rate of \$1 a year, in which case the price of the product to the Government does not include any allowance for the cost of the facilities, or at a figure to cover depreciation, in which case the cost of the product includes the rental of the facilities. This latter method is used when part of the product is sold to private customers. The manufacturer has the right to buy the new plant at the end of the emergency period on the same basis as that applied to Emergency Plant facilities. The great preponderance of Defence Plant expansion over both private financing and that accomplished under the Emergency Plant Facilities Contracts means that private capital has been unwilling, in the main, to accept any liabilities extending even over a five-year period, and that this time the cost of expanding facilities for the war effort is to be borne directly and immediately by the community. This is probably more satisfactory to both parties; what is less so is the influence of industry over what facilities shall be erected and where. As the war progresses it seems likely that the Government will have to extend its responsibility beyond that of financing pure and simple, in order to eliminate the possibility that plant expansion is being dictated partly by short or long-term private interests instead of being governed by the necessity for the most efficient and speedy production of war material.

Selective Service

Brigadier-General Hershey, Director of Selective Service, has stated that, as the demands for manpower grow, the present provisions for deferment of calling-up will have to be changed, with greater emphasis on retaining men of special skills in industry and less on exempting those with dependants. He forecast that manpower reserves would be badly strained in the next twelve months, and that if the nation delayed the most effective distribution of manpower, the Government may be forced to use compulsory powers. Use is already being made of Selective Service machinery to seek out men with special skills and qualifications. A 4-page questionnaire is being sent out to the 9,000,000 men between 35 and 44 who registered on February 16th, and the information obtained will form the basis for a national roster of men of scientific or other professional qualifications and those with skills needed in the defence industries. An amendment to the Selective Service Act has also been introduced in the House of Representatives, which provides for the compulsory registration of all women from the age of 18 to 65 and the securing of information on their capacities and skills. American reserves of manpower and womanpower are very great; there are, for example, 28,000,000 men between the ages of 20 and 44. These vast resources are, however, being steadily reduced by the requirements of the forces and of industry. The information on all available skills cannot be collected too quickly, and exemption from military service on the ground of dependants, so deeply ingrained in American thinking, can hardly be maintained for long in the face of the requirements of total war.

Industrial Hoards

The War Production Board is moving gradually toward a stricter policy in dealing with excessive stocks of scarce metals held by private industry. Steel plate producers have been warned not to make further shipments to three railroads whose stocks are declared to be far in excess of the working minimum, and earlier this month the WPB ordered 200,000 lb. of metal scrap to be requisitioned from an owner who had persistently refused to sell at the rates established by the Office of Price Administration. Although

it has possessed the necessary powers since October, 1941, the WPB and its predecessors have in general avoided requisitioning, and have depended, instead, upon drives to buy up private stocks of aluminium, copper, and other critical materials. The inventory and requisitions branch has so far bought up 3 million of the 20 million lbs. of aluminium lying idle in private stocks, and has launched a similar campaign to collect copper. The drive to collect iron and steel scrap has so far only produced about 68,000 tons. If further efforts do not result in substantial transference of these stocks from private to public ownership in the near future, the WPB may be expected to use its power to requisition much more drastically.

Toledo, Peoria and Western

The seizure by the government of the Toledo, Peoria, and Western Railway is the first case where action has been taken because the war effort was endangered by the recalcitrance of management. Two aircraft works and a shipbuilding company were taken over by the Government for short periods because strikes were impeding production, but in this latest instance it was the refusal of the President, Mr George McNear, to submit to arbitration which prompted the step. Six requests by the Government, including a personal appeal from President Roosevelt, were turned down by Mr McNear, who "respectfully questioned the right of the Government to order arbitration." The case had been handled by five different Government authorities, and proposals for arbitration had been accepted by the two Railway Brotherhoods concerned. The railway itself is a small one, and as the strike had not stopped operation, the importance of the incident lies largely in its effect upon the conduct of future disputes and upon morale. Such defiance of Government, in the Ford tradition, will not occur often, and the present Administration was unlikely to be more tender in its treatment of capital than of labour. However, it is just as well for labour to have concrete assurance that compulsion is being applied equally to both sides; and for management to understand that the Government does not intend to tolerate obstruction from any source.

Copper Requirements and Supplies

American requirements of copper in 1942, estimated by the War Production Board at 2,000,000 short tons of 2,000 lbs, are twice the country's consumption in 1929 and higher than the average annual world copper output in the ten years before the war. About one third of the total will be needed in the form of brass, one fifth in the shape of rolled products, and the greater part of the remainder in the form of electrical equipment. Possibly as much as a third will go into new plant. Although the United States is the world's largest copper producer, domestic production, which is expected to be about 1,000,000 tons in 1942, will satisfy only half its requirements. There is a small production of secondary copper, but most of the remaining million tons will have to be provided by Latin America and from production in Canada, Northern Rhodesia, and the Belgian Congo which is in excess of British war needs. Figures are not available for imports of Latin American copper into the United States during the last three months of 1941, but it was probably close to 500,000 tons and about 650,000 tons are expected during 1942 from these countries. Chile alone will probably provide about 500,000 tons. Production in Canada, Northern Rhodesia, and the Belgian Congo probably exceeds 700,000 tons and the great Nchanga deposits in Rhodesia, which are only partly developed, will almost certainly be exploited further. Essential requirements will thus be met, but there will be little margin for other needs, and the priority system will have to be administered with great strictness.

Information and Censorship

Contradictory explanations by the Army and Navy of a recent air raid alarm in Los Angeles appear to have brought to a head demands for an overhaul of the government information services. The established practice of most departments of holding press conferences means that there are innumerable sources of news and views beside such specialised agencies as the Office of Facts and Figures, the Office of Government Reports, and the Office of the Co-

ordinator of Information, and arrangements for co-operation between them seems almost non-existent. For instance, in this case, the Navy declared it had been a false alarm, while the Army suggested that commercial planes, flown by fifth columnists and possibly based on Mexican soil, had caused the alert. Other recurring complaints concern the scantiness of information, its "patchiness," unequal treatment of correspondents, and overoptimism in communiques and official statements. The Navy has been under fire, for example, for emphasizing a local success against Japanese bombers and remaining silent on losses around Java. Responsibility for the passing of censorable information is also diffused and journalists have not always been able to secure confirmation of their stories and to find an "appropriate authority" to release them. The other side of the picture was indicated by Byron Price, the Director of Censorship, when he pointed out that if voluntary censorship was a failure, "dark days were ahead for free speech." The demand for more news in wartime is probably unreasonable, but there is room for a great deal of improvement in the handling of information. It is to be hoped that the departments—notably the Army and Navy—will not allow their natural desire to control their own press releases to obstruct agreement on policy and the creation of an efficient central organisation to co-ordinate both the distribution of information and necessary censorship.

Shorter Notes

The Department of Labour has announced that in the year ended January 31st average weekly earnings for all manufacturing industries increased 25.4 per cent.

The Defence Plant Corporation and the Metals Reserve Company have announced agreements with a large American sulphur company under which \$20 millions will be made available for the production of nickel in Cuba.

Plans for the construction of an additional 350,000 dormitory units for workers in war industries more than doubles the original defence housing programme announced in September.

Only about half as many people as expected have become unemployed in Detroit through the conversion of the automobile industry, and re-employment is taking place much more rapidly than had been forecast.

The Interstate Commerce Commission has refused a request from the Office of Price Administration for the postponement of freight rate increases on ten groups of commodities. Increases had been granted of 6 per cent in rates for most industrial products and of 3 per cent for farm commodities and some ores.

Mr Wilson, President of General Motors and Mr Reuther, head of the United Automobile Workers Union, have agreed to negotiate in the presence of press representatives on questions relating to a new contract and methods of increasing production in the company's plants.

Mr Nelson has announced that aircraft production has increased 50 per cent since December 7th, the date of America's entry into the war.

Mr Palmer, Co-ordinator of Defence Housing is leaving for England to study housing under war conditions and post-war housing planning.

THE WORLD OVERSEAS

The Riom Trials

(By a French Correspondent)

AT the National Assembly of July, 1940, immediately after the Armistice, M. Pierre Laval promised that the persons responsible for the outbreak of war and for the defeat would be punished. A Supreme Court of Justice was set up by law on July 30th. On August 2nd, a decree laid down its composition and assigned to it the function of

examining and sitting in judgment on all persons who, over an undefined period, have been guilty of crimes or omissions, or have betrayed the duties of office with which they were charged, in connection with the events which occurred during the transition from peace to war before September 4, 1939, and in connection with those events which later aggravated the consequences of the situation so created.

Thus the trial which was projected in the autumn of 1940 was at least as much a trial of war guilt as a trial of responsibility for defeat. None the less, the question of the origin of the war has disappeared as the trial has proceeded. M. Daladier is reproached with having lost the war, and no longer, as in August, 1940, with having declared war without an express mandate from Parliament.

The determination of the Vichy Government to "punish the guilty" and to impeach, in the persons of M. Blum and M. Daladier, the Republican regime itself, is illustrated by the indictment of the accused by the Head of the State himself. A Council of Political Justice was set up in August, 1941. It consisted exclusively of members whose political views were opposed to those of the defendants. On October 10th, M. Daladier, M. Blum and General Gamelin were condemned by Marshal Pétain, on the recommendation of this Council, to fortress confinement. Eighteen months passed between the issue of the instructions and the opening of the hearings. Moreover, between September, 1940, and February, 1942, circumstances and the men in power changed. At the beginning of the period, M. Laval and his team of politicians believed in a rapid victory for Germany; they thought that the trial would take place after the signature of the peace. Now, this political team is no longer in power at Vichy. M. Laval continues to intrigue behind the scene; M. Déat is in Paris and has become a common German agent; M. Bergery, after having been ambassador in Moscow, is out of a job. Power is divided between the upholders of collaboration with Germany, attracted by the ideology and methods of National Socialism, such as MM. Pucheu, Le Hideux, Benoist-Méchin and Marion, and certain notables, chiefly traditionalists, among whom are the royalists. The latter section, that of the revolutionaries of the Right, who favour a policy of neutrality and wait and see in foreign affairs and are reactionary and Catholic in internal politics, is dominant in the entourage of Marshal Pétain for the moment, and has succeeded in restraining the activities of the collaborationists. This party would have found it difficult to consent to a trial which would have thrown back on France the responsibility for the war—a trial which would have aroused an indignant revolt among the French people. On the very day when the trial opened, a disciple of M. Maurras, M. Thierry Maulnier, proclaimed in a very outspoken article that France was not the defendant. France had the complete right, he wrote, morally, politically and historically, to take up arms to defend what remained to her of the victory so dearly won in 1918. If she committed a crime in September, 1939, it was a crime against herself, not a crime against foreign countries.

The Riom trial is to be deplored when the enemy occupies two-thirds of the national territory. It is absurd since the vital questions are not asked. It irritates the Germans, who are interested solely in pinning responsibility for the war on to France and England. It is a partisan trial which enrages circles on the Left and dis-

satisfies the great majority of French opinion, which is more concerned about the chances of liberating France than the reasons for her misfortunes. It is characteristic of the Vichy method of Government which, caught between German pressure and the force of French public opinion, shows sufficient resistance to ensure that the Germans are not satisfied, but agrees to too many concessions to avoid alienating the French. Partiality is apparent at every turn. It was decided to go back only as far as 1936, because M. Blum and the *Front Populaire* came into power in 1936, and Marshal Pétain was Minister of War in 1934. But it was in 1933 that Hitler seized power and Germany left the League of Nations and started to rearm on a large scale.

Defendants' Forum

It is clear that the Vichy Government is anxious not to implicate the generals because Marshal Pétain himself is in the front row—Minister of War in 1934 and a member of the Supreme National Defence Council without interruption throughout the period between the two wars. In order to clear the high command, an attempt has been made to load all military responsibility on to General Gamelin alone. Examination of the conduct of operations or strategic theories is forbidden. But this manoeuvre has already recoiled upon its authors, for the two principal defendants have spoken, not as accused, but as accusers. M. Blum used the only possible language, the language of politics, while M. Daladier denounced Germany as solely responsible for the war. The main charge against M. Blum is the social legislation of 1936. M. Blum replied that it was desired by the country and unanimously adopted by both Chambers. Reproached with having tolerated sit-down strikes, he replied that, if he had had the factories evacuated by force, there would have been riots, blood would have been shed and the country weakened still further.

Thus, against its will, the Vichy Government is providing the defenders of the Republic, who have been imprisoned for eight months, with a forum. The French people are to-day once more aware of them; and they are now the more attracted by free institutions because they suffer increasingly from the yoke of the occupier and the police state of Vichy. MM. Blum and Daladier have displayed high civic courage during the hearings, and the affair has every chance of turning out to the confusion of the Vichy Government. It is not impossible that the trial, which has been adjourned for Easter, will be stopped, under German pressure.

It is too early to analyse in detail either the proceedings or the reactions of French opinion. But a few provisional points need to be made:

- (1) There is no doubt that the army was not supplied in sufficient quantity with new weapons; anti-tank guns, anti-aircraft guns, planes and tanks.
- (2) Essentially, this lack was due, not to inability to organise and produce, but to the fact that the necessary production was started too late.
- (3) Existing armaments—for in spite of everything the French Army in May, 1940, possessed 3,500 tanks—were misemployed, not because the generals were fifth columnists, but because they had not grasped the essence of modern strategy.
- (4) An impartial enquiry after victory may establish individual responsibility for delayed output. But if the magnitude of German armament is measured, it provides some indication of the immensity of the task which the democracies laid on France. Taking figures given by the current issue of *La France Libre*,

Hitler has spoken of an expenditure on war preparations of Rm. 90 milliards in six years; M. Daladier at the trial spoke of Fr. 62 milliards in two years, that is only Rm. 5 milliards (at a rate of Rm. 1 to Fr. 12). Neither France nor any of the democracies understood the implications of total war, and France was in the most exposed position.

Singapore and Canada

[FROM OUR OTTAWA CORRESPONDENT]

February 23rd

The fall of Singapore has provoked the most sombre comment in Canadian newspapers since the start of the war; it reflects the general realisation that Canada, facing a two-front war, is now exposed to raiding, perhaps to powerful attacks. Pressure has grown upon the King Government to revise its war plans in order to provide greater home defence facilities. For the first time, military plans, based upon maintaining a strong army in Britain, are under serious challenge.

The Canadian Parliament's first secret session was held to allow members to discuss coastal defences, chiefly of the British Columbia region. Canadian military thinking has been conditioned since the last war, and without sign of change so far in this war, to regard Britain as the first line of Canadian defence. Approximately half—much the best half—of the Canadian army is in Britain. The axiom of Canada has been that if England falls, Canada is next. But declarations of this kind have become rarer, and a drive for stronger home defences is in full swing in Parliament and outside. Howard C. Green, Vancouver MP, told the House: "Canada is in deadly peril. . . I am convinced that sooner or later our coastal cities and hamlets will be bombed."

There is no disposition to ask for the recall of Canadian troops in England, but to build up substantial coast defences and garrisons as separate forces. This would possibly delay the completion of plans to transform the Canadian Corps in Britain into a two-corps army, to which the Canadian General Staff committed the Government in January.

A second consequence of Singapore is found in plans to raise the sights on Canada's munitions programme, which, in dollar values, reached an output of \$1,000,000,000 in 1941. Like snow fading before the spring sunshine, the claims of munitions officials (including the Minister, Mr Howe) that the stage of full production was at hand, have vanished. Mr Howe announced a new objective for 1942; munitions production at "two and a-third times" the 1941 output. Factories will be asked to make two or three tanks for every tank produced last year. Where 1,000 Bren guns were delivered, 2,300 Bren guns must be made now. For every million rounds of ammunition, there must be 2,300,000 rounds in the coming months. Production problems are well in hand after an eighteen-month battle of industrial transformation, and Canadian munition makers will probably attain the new objectives.

These developments are a victory, such as could not be foreseen a few months ago, for those who regard the production of equipment as Canada's foremost job, since this country, along with Britain and the United States, possesses a capacity for surplus war production beyond the needs of its own armed forces. The lesson of Singapore, as a lesson in the need of equipment, restored the balance in favour of restraining the competition of excessive military demands for manpower in order to assure maximum production.

Political Currents

Political consequences are different. At no previous stage in the war has the King Government faced a greater threat, despite the lull gained in the February by-elections. The Government's policy in seeking, through a national plebiscite, release from pledges not to introduce conscription for overseas service is designed to free the Government's hands against future emergencies. But the rise of sentiment for greater home defences will make the plebiscite campaign more difficult.

The elements of political crisis in Canada lie in the re-appearance of Mr Meighen, the return of the Quebec Nationalist, Henri Bourassa, to the limelight, and the renewal of Premier Mitchell Hepburn's feud with Mr Mackenzie King. Prospects of a working agreement between Ontario imperialist Conservatives and Quebec Nationalists were described in Parliament by a prairie member, D. A.

McNiven, KC, as a "cloud in the political horizon reminiscent of the most sinister political alliance that ever darkened the pages of Canadian history." Events of 1911 are being recalled, when the Navy issue brought the Bourassa Nationalists out in force against contributing to the British Navy, and the reciprocity issue carried the Conservatives to power. Echoes of the old campaign are heard, as Mr Bourassa predicts that Canada will be annexed by the United States within ten years, and as he charges that Canadian policy is being dictated in Washington, not London.

The defeat of Mr Meighen in South York (Toronto) on February 9th, exceeded the fondest hopes of the Government. The defeat of Paul Bouchard, Nationalist and former Rhodes scholar, in Quebec East, when he ran against the new Minister of Justice, the Hon. Louis St Laurent, strengthened the King Liberals in French-speaking Canada. The election of the Hon. Humphrey Mitchell, the new Minister of Labour, in Welland, provided a reverse for the CCF, for the Conservatives and Hepburn Liberals alike. But Mr Hepburn definitely aligned himself with Mr Meighen, and he himself remains as the unpredictable factor. He captured the headlines on both sides of the border by remarking that "the proud US fleet is in hiding." He alleged that the Japanese were making captured United States marines pull rickshaws in Shanghai.

The governing factors in Mr Hepburn's conduct at present are his enmity for Mr Mackenzie King, and the fact that he faces an election owing to the expiry of his tenure of office. The point at which he crossed the line—between useful gadfly to official complacency and national nuisance no longer to be tolerated—is a subject of popular discussion. He seems firmly entrenched in Ontario, the most powerful province, though many of his former friends have repudiated him. Unless his legislature extends its term to avoid an election campaign in war-time, defections in his voting strength may provide a Waterloo. But no one in Canada could be sure of that.

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Discontent in Roumania

[BY A CORRESPONDENT]

March 14th

RECENT reports about mounting discontent in Roumania are too persistent and specific to be ignored. During the last few weeks alone there have been unmistakable signs, such as a new wave of arrests, the sentencing of a well-known Transylvanian leader to five years' hard labour for criticising Antonescu and, more significant still, the resignation of General Iacobici, Chief of the Roumanian General Staff.

It appears that articulate—though necessarily underground—opposition is centred in the nuclei of the former political parties now dissolved and, more especially, in the person of M. Maniu, the veteran peasant leader. After having fought King Carol's reactionary rule and opposed the acceptance of the Vienna award, M. Maniu remained in opposition after the change of regime. He opposes Antonescu's policy on two main grounds. He looks on the restoration of Transylvania as *the* national objective, realising that collaboration with the Axis can never secure that aim. Secondly, he is opposed ideologically to the anti-democratic and essentially anti-peasant doctrines of National Socialism. He is believed to be in favour of active collaboration with Russia, especially since the new Anglo-Russian alignment.

Public opinion, too, has undergone important changes since last June. From a state of bewilderment, public feeling passed first into war weariness, which is now giving place to active hatred against the Nazi overlords. The Roumanians, a nation of village-minded peasants, nurse no imperialistic ambitions, nor do they feel any urge for "holy crusades." They refused to be taken in by the new slogans, feeling instinctively that they were being used as tools and were, moreover, being pushed eastward with a view to drawing them away from their western national strongholds.

The wide support originally enjoyed by Antonescu—he was brought into power, it will be recalled, by the wave of dissatisfaction that swept over the country after King Carol's surrender—soon melted away. His complete sell-out to the Germans and his left-handed association with the extremist Iron Guard, who after the clash in January, 1941, became his fiercest enemies—and, ironically enough, are now said to be held by Hitler as a trump card in reserve for exerting pressure should other means fail—rapidly weakened his internal position. So when Antonescu was issued with his marching orders in June, 1941, he no doubt thought that his big chance had come—a war with limited liability and with rich yields, consisting of territorial gains, military glory and the consolidation of his regime.

Events, however, turned out differently. The war did not end, either in time or in space, as Antonescu had expected, and his miscalculation has brought appalling calamities for Roumania. Roumanian casualties, suffered mostly beyond Bessarabia, have been staggering. The army was not equipped for winter warfare; desertion became widespread.

But prolongation of the war, for which the country had been obviously unprepared, has struck a still heavier blow, not only on morale, but on the whole life of the nation. Roumania is facing an acute shortage of essential foodstuffs, beginning with bread—which is the staple food and in which present rations are more than 50 per cent below normal consumption—and extending over a wide range of necessities. These shortages have long passed the stage where price regulation, black market penalties or organisation can bring a relief. The governing facts are a greatly increased demand owing to the war, a greatly decreased production, owing to the mobilisation and, perhaps most important of all, to the peasant's retrenchment behind self-sufficiency. As the market can no longer supply him with his requirements, the peasant, never too closely connected with the market, is simply withdrawing from it.

As it is the Roumanian peasant who also provides the fighting force, it is easy to see that he is becoming once again the dominating factor in the Roumanian situation. Very little is known about the purpose of Antonescu's recent visit to Hitler's headquarters, but the Swedish report, according to which the two have agreed that Roumania will send for the spring campaign "as much help as her general situation allows", may well provide a clue, with the stress on the word "allows."

The Oil Position

For nearly two years the Roumanian oil industry has been completely under German control. Nominally, control is exercised by a Roumanian government department, which

works in conjunction with a government-owned prospecting company. In practice, however, both are in close "collaboration" with the *Continental Oel Gesellschaft*, of Berlin, which provides expert advice, working capital and, to some extent, drilling equipment.

Germany's real difficulties lay elsewhere. For one thing, there was the transport problem, after the severance of the sea route which normally carries the bulk of Roumanian oil exports. The inadequacy of alternative means of transport not only held up deliveries even within the 1940 quota of 1.5 million tons, but imposed a check on output at the wells for lack of storage facilities. It appears that the transport question has in the meantime been largely solved by pipeline improvements, increasing the loading capacity at the Danube ports, increasing the Danube tanker fleet, quicker turn-rounds and the reorganisation of railway deliveries. Moreover, since the beginning of the Russian war, a substantial part of the deliveries go directly to the east, and whether this simplifies the transport problem as a whole or not, it certainly relieves congestion on the west-bound traffic.

Germany had to contend, however, with a second difficulty—declining production. In the early months of the war British and French interests were blamed for deliberately slowing up production, and Germany's first act, almost when gaining economic control over Roumania was to raise the export quota for Germany to three million tons, double the previous figure, while German experts were to steep up production. However, these efforts have proved fruitless; not only could output not be raised, but it continued to dwindle. The truth is that the yield of the wells has been declining ever since the peak output of 1936, for the simple reason that the oil reserves are beginning to give out. Various estimates published before the war put the known reserves at between 30 and 60 million tons; these have since been drawn upon to the extent of four years' output.

Production, export and home consumption in the last three years were as follows:—

	(In thousand tons)		
	Production	Export	Internal Consumption
1939	6,240	4,175	1,785
1940	5,750	3,530	1,850
1941	5,250	3,100	1,700

With the present reduced crude output, the refining industry is working considerably below capacity. Last year's refinery production was 4.8 million tons (crude), compared with an average of eight million tons in 1934-38 and a total capacity of about 11 million tons. Refinery yields are considerably below those obtained in the American industry, so is the quality of Roumanian aviation fuels and lubricating oils.

Land of Electricity?

[FROM OUR GENEVA CORRESPONDENT]

February 24th

SWITZERLAND, "the land of electricity," is a slogan which sounds odd nowadays when, owing to the lack of water, the general consumption of electric force has had to be reduced by about 30 per cent., and the situation is becoming worse every day. Last summer was not warm enough to melt the snows on the higher mountains and rainfalls were abnormally scarce in autumn, so that when winter began the lakes and artificial lakes level was at least 50 per cent under the average. Cold arrived early and, owing to the frost which has not ceased since Christmas, the water reserves are dwindling to such an extent that drastic measures had to be taken to assure the necessary force to industry. The Government had to curtail street lighting during the hours before and after the blackout, to limit to 48 hours a week the use of electric boilers, to prohibit the use of heating appliances, to reduce the train and tram-car services, and even to urge industrialists to save at least 25 per cent of the force they usually employed. Swiss radio stations have even cut down the length of their broadcasts. As wintry weather continues unbroken and is likely to last for some time longer, no improvement in the situation can be expected before the middle or end of March.

It is easy to realize what that means for Switzerland where, with a population of 4 million, there are 900,000 electric engines of all types, 14 million lamps, 160,000 electric cookers, 590,000 wireless sets, 500,000 electric

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Books and Publications

Shorter Notice

"A History of the Ukraine." By M. Hrushevsky.

It was incorrectly stated in *The Economist* of March 7th, on page 314, that this book was published by the Cambridge University Press. In fact, it was published by the Yale University Press, and is handled in this country by the Oxford University Press. Price 24s. net.

Books Received

- Plan for Africa.* By R. Hinden. (London) Allen and Unwin. 224 pages. 7s. 6d. net.
- War-time Control of Prices.* By C. O. Hardy. (London) Faber and Faber. 216 pages. 5s. net.
- Economic Control of Iron and Steel Works.* By F. L. Weyenberg. (London) Chapman and Hall. 332 pages. 25s. net.
- The Swedish Collective Bargaining System.* By P. H. Norgren. (London) H. Milford. 337 pages. 20s. net.
- We Have a Future.* By N. Thomas. (London) H. Milford. 236 pages. 15s. 6d. net.
- Nazi Europe and World Trade.* By C. Lewis. (London) Faber and Faber. 200 pages. 10s. net.
- The American Maritime Industries and Public Policy, 1789-1914.* By J. G. B. Hutchins. (London) H. Milford. 627 pages. 28s. net.
- Neutrality, 1941.* By H. B. Whiteman, Jr., Undergraduate Prize Essay: Yale University. (London) H. Milford. 71 pages. 6s. net.
- League of Nations: World Economic Survey, 1939-41.* (London) Allen and Unwin. 275 pages. 7s. 6d.
- Disease and the Social System.* By A. Guiridham. (London) Allen and Unwin. 239 pages. 10s. 6d. net.
- An Introduction to Political Economy.* By V. W. Bladen. (London) H. Milford. 299 pages. 10s. 6d. net.
- Excess Profits Tax.* By C. L. King and M. Moore: Cumulative Supplement containing the Finance Act, 1941. (London) Butterworth. 44 pages.

German Europe

Basic Industries

THE annual reports of leading German industrial concerns suggest that the greater part of the programme of expanding capacity was completed during 1941. For the second year in succession, reports almost generally indicate that the replacement of machinery had to be postponed. Output in the coal-mining and iron and steel industries was probably maintained at the level of 1940. The output of lignite, largely used in the generation of electricity and as raw material for synthetic petrol, increased. The production of synthetic rubber, textile fibres, plastics and light metals probably exceeded the record figures of the previous year. Further expansion depends on the necessarily slow construction of electric power stations. Germany's basic industries thus seem to have reached virtually the limit of expansion under present conditions. It may, however, be possible that the administrative unification of the German and Polish Silesian coal area, of the Saar territory and French Lorraine, and of the lignite area in central Germany and the Sudetenland, which was completed during 1941, will result in some increase in the output of coal, iron and steel during the early months of 1942.

The main difficulty in Germany's basic industries is the shortage of labour, particularly of skilled labour. There is hardly any coal-mining report which does not point out difficulties in the supply of labour. Skilled German miners were called to the colours in increasing numbers last year, and were replaced by foreign workers, mainly from eastern Europe. The iron and steel industry, on the other hand, laid stress on difficulties in the supply of coke. The actual output of coke increased considerably; but one of the main objects of the Four Year Plan was self-sufficiency in the production of pig iron from German low-grade iron ore, which requires considerably greater quantities of coke. Iron and steel concerns report that during 1941 the percentage of German low-grade iron ore used in blast furnaces was still increasing; new capacity which had been built for the use of German ores came into operation. Costs of production were thus still rising.

The coal and iron industries in German-occupied countries returned to more normal conditions during 1941. But not one of the occupied countries reached pre-war output figures. It can be roughly estimated that, at present, Greater Germany, including the Polish provinces, Lorraine and Luxemburg, produces two-thirds of the steel output of the entire continent and three-quarters of the total coal output. In other words, Germany now holds a virtual monopoly. "Industrial collaboration" largely depends on German supplies of coal and iron and steel to manufacturing industries in occupied countries.

The limits on the capacity of the basic industries of German Europe are obvious. By conquest, Germany succeeded in concentrating Europe's coal and iron and steel industries within her new boundaries. This new concentration of industries, however, was drained of manpower last year by the prolonged war against the Soviet Union. Germany was forced to import workers from occupied and dependent countries, which inevitably impeded the full exploitation of the capacities of the countries they are taken from. Scattered figures published in France, Belgium, Holland, Hungary and Roumania show that the basic industries of all these countries have experienced difficulties in the supply of labour. More workers are needed if output is to be maintained.

It has frequently been suggested that the location of industries in Germany has been drastically changed since the beginning of the war. Germany is credited with the successful transfer of whole industries from the west to the east. But there is no evidence to support this. The facts which can be gathered from German publications, particularly from the formation of new concerns, suggests a different conclusion. It is the new capacity which has been constructed since the beginning of the war that has been located in central and eastern Germany—synthetic oil plants and chemical works in the Sudeten area and Silesia; and aircraft and tank factories in Austria. The important manufacturing industries in the Ruhr area and in Southern Germany have not been moved. In fact, after the collapse of France, the evacuated industries of the frontier zones at once moved back to their old sites. Upper Silesia,

the Olsa territory and Dombrowa, a huge industrial area now under unified German administration, is still largely a coal, iron and steel producing area, which the Germans intend to develop into a second Ruhr area. After some reluctance, the leading German concerns are now setting up subsidiary companies in Silesia. Krupp, for example, has founded the *F. Krupp Schlesiische Industrie GmbH*. But the wartime development of this area is almost exclusively in the hands of the state-owned concerns, particularly the H. Goering works.

There are many signs that Germany's main interest in the Danubian countries is the forced establishment of substitute industries. Cellulose and artificial textile fibre plants are being constructed in Hungary and Roumania. In Roumania, preparations have been made for the manufacture of synthetic rubber from natural gas. The *Otto Wolff* concern founded the *Ferro-Wolff AG* in Agram; imports of machinery for Croatia and exports of agricultural produce are the main objects of the company. The concerns controlling the foundation of substitute industries in the east collaborate at the same time with French and Belgian groups for the expansion or construction of substitute capacity in western Europe.

It may safely be assumed that some of these plans will remain on paper. Two main obstacles, the shortage of labour and inadequate transport communications, will prevent their completion during the war. At present, industrial activity has chiefly been concentrated within the boundaries of Greater Germany. The occupied countries have become accessories, or sub-contractors. A glance at the economic map of the continent, however, shows that the administration of the most important industrial areas of occupied Europe has been profoundly changed. Some areas are now under direct German administration; others are controlled by German cartels or continental companies; German state companies, such as the H. Goering Works, and semi-state organisations, such as the numerous firms owned by the German Labour Front, are leading in the control of foreign industries.

Concentration and Rationalisation.—Recently there has been some opposition to the extreme concentration of industries as well as to rationalisation. Indeed, German industry would seem to have reached the limit of concentration. Any further concentration of armament orders in the most efficient factories would mean a further transfer of workers to places where housing conditions are already in quite inadequate. The only appreciable possibilities are in another direction. Successful industrial collaboration with occupied countries enabled Germany to keep a considerable part of its civilian industries going. Now the needs of the production programme demand the use of every available worker and all available capacity; the problem is no longer to comb out civilian industries for workers, but to convert a considerable part of these industries bodily to war production, which has the advantages of leaving the workers *situ* and bringing into military use machinery that was formerly used for non-military purposes or thrown idle. The Order Bourses, which have been instrumental in the sub-contracting of war orders, initiated this new move. At the same time, the smaller firms, having lost orders since the new concentration began, are trying to combine in such a way that they will be able to take on war orders again; it seems that so-called "manufacturer rings" are the favourite method whereby the resources of several firms are combined by founding a new firm, and this new "head firm" is able to take large orders, which can then be distributed among the member firms.

Fixed Prices.—It is estimated that roughly 30,000 different articles are supplied to the German *Wehrmacht*; fixed prices have been established for 300, and this number will be increased to 1,000 by July 1st. The "working staff" established in the High Command of the *Wehrmacht* is now the sole arbiter for fixed prices; it decides to which price group a factory belongs. Difficulties have been encountered in fixing prices for manufactures in whose production sub-contractors participate. The German press reports that firms are eager to belong to the lowest price group. This may be true, because a firm which is placed in the lowest price group is entitled to the whole profit.

THE BUSINESS WORLD

Oil Company Shares

SINCE Japan occupied some of the world's richest primary producing areas in the Far East, there have been two diametrically opposed schools of thought on the question of the appropriate Stock Exchange valuation for the shares of "blitzed" companies and industries. The first is, broadly, that prices should be highly selective, on the basis of the facts of war geography. For example, where a product as indispensable as oil and petroleum is concerned, supporters of this view maintain that, while the securities of companies physically in the war zone should be valued somewhere near a break-up figure till the end of the war or the reconquest of their territories (whichever is the earlier), the shares of other producers situated well away from the scene of hostilities should, if anything, be written up, because the demand for their product will be even more urgent than before. The opposite school maintains that, in the last resort, companies all over the world are in much the same boat so long as the main issue of the war remains undecided. There are no "safe areas" to-day. Only a few months ago, the markets were valuing Eastern rubber, tin and oil shares on the basis of ample distance from the scene of operations. But given the rapidity with which the war is engulfing one area after another, the only place likely to be 100 per cent immune is (inappropriately) Mars. On this reasoning, the shares of oil companies operating in the Americas may command a limited—but only a limited—premium over those whose fields are actually in or near enemy hands. Investors with the courage of their convictions should, it is argued, regard "submerged" Eastern producers and, say, electrical undertakings in Birmingham as being almost equally bad risks if the war is lost, while the former will be the more promising "recovery equity" on an Allied victory.

In fact, the market, quite properly, has steered a middle course between these two extreme views. With a few exceptions, oil company shares have fallen in price since Japan entered the war, but those of companies nearest hostilities have fallen most. Until Axis progress is halted, the oilfields of the South Pacific and Burma are obviously outside the Allied orbit, and those of Persia and Iraq are war-threatened. But the Americas still maintain a relative isolation, and the war would have to be going ill indeed if they were brought into the first line of operations. Whether shares in oil-producing concerns, even there, however, are, at this juncture, appropriate media for investment, unless it is frankly speculative, is another question. It is one of the minor ironies of this most baffling of all wars that the status of the producers of the most indispensable of its raw materials should almost invariably be a function, at this time, of conditions which have little or no direct relationship to world demand. The conditions making for uncertainty, from the investor's viewpoint, vary with almost every company, but their effect in each case is to make a conservative dividend policy highly probable.

To take the largest British undertaking first, it is hardly to the point to argue that the properties of the Royal Dutch-Shell group, lost or threatened in the East, produced about one-quarter of the group's peacetime output, whereas the market price of Shell £1 units have dropped by more than 40 per cent since Japan came into the war. Measurement in terms of any historical price figure is fallacious; estimation must be based on the group's prospects, pure and simple. Even in prosperous days, conservatism was the hallmark of Royal Dutch-Shell finance. To-day, the group is faced with the prospect, not only of a substantial immediate loss of earning power, but of the necessity of undertaking heavy capital expenditure to restore its properties after the war. Even then, there will be a considerable time lag before anything like full pre-war earning power can be reinstated. Already, Shell ordinary dividends have been cut to 5 per cent free of tax from a pre-war figure of 20 per cent free of tax. If the directors decided to conserve their wartime liquid resources entirely, and suspended dividends, who could criticise them?

Among other large British producers, Burmah Oil,

supplier of the Indian market, has lost its refinery at Rangoon and its oil-bearing areas farther north are threatened by the enemy's advance. In these circumstances, the directors may deem the retention of all available cash resources imperative. Anglo-Iranian Oil, whose profits have been halved since the war and whose dividend has been reduced from 20 per cent to 5 per cent, is farther from the scene of immediate hostilities, and its political environment has been improved by the Anglo-Russian occupation of Persia. But the shares of any producer in the Near East must inevitably carry a considerable war risk, given the present position and reputed intentions of the German armies.

If investors turn their attention to the New World, the United States is, so far as they are concerned, a closed market. Mexico, represented on the London Stock Exchange by the traditionally speculative shares of Mexican Eagle, affords an opportunity for those who wish to gamble on the possibilities of whole or partial restoration of the expropriated foreign ownerships. That "risk," however, is for the specialist, not the ordinary investor. The most important area where British companies are well established and actively producing is Trinidad. Here, a number of producers are paying satisfactory dividends, and, for obvious reasons, they are being pressed to increase their output to the utmost. Little, if any, of the financial fruits of their increased activity and the more rapid depletion of their oil resources, however, is likely to be passed on to shareholders. The extent of the burden of taxation is exemplified by the experience of one of the most progressive of these companies, Trinidad Petroleum Development, which out of current earnings is first required to pay the Trinidad Government a special wartime "cess" based on production. The residual profits bear local income tax, British excess profits tax at 100 per cent of a pre-war standard which, after all adjustments, remains highly unfavourable, and, finally, income tax at 10s. in the £, subject to Dominion tax relief.

In Central and South America, the Canadian-registered British Controlled Oilfield has important and extensive rights, *inter alia*, in Venezuela. The company, however, has paid no dividend, and neither its preferred shares nor its common voting trust certificates come within the present range of the general investor to whom near-income prospects are a consideration. Venezuelan Oil Concessions is the most important British-owned producer in Venezuela, and its

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output, under Royal Dutch-Shell management, has been increasing through the past decade. Taxation, however, is an important factor, and any substantial increase in the dividend, which was reduced from 22½ per cent to 16½ per cent four years ago, seems improbable in present circumstances. Another Venezuelan company, Ultramar, is in the development stage, and, until a profit and loss account is forthcoming, investors cannot be certain whether the rapid increase in the price of its shares in a relatively narrow market has left them dear or cheap, on a long view. Finally, Anglo-Ecuadorian Oil and, in Peru, Lobitos are well-established and progressive concerns, but the yield on their shares, at current prices, can scarcely be called generous for an extractive industry carried on overseas.

The table opposite suggests that, having regard to the limitations discussed in preceding paragraphs, the present level of prices for oil shares as a whole, even after the falls of the last three and a half months, appears to be discounting future possibilities rather than current income prospects.

With few exceptions, the oil share market would seem to have only limited attractions at the present level of values for investors proper so long as the war lasts. Regarded as "recovery equities," the shares of many of the largest concerns may well eventually hold out interesting prospects. The difficulty is that one is hardly able to assess those prospects now. Investors without inside knowledge may well deem it prudent to wait until the outlook is a

Company (and last Balance Sheet Date)	Latest Year		Share (or Stock) Denomination	Share Prices		Yield (%) on Last Dividend
	Earnings (%)	Dividend (%)		Dec. 5, 1941	Latest Price	
Shell Transport (Dec. 31, '40)	5.3†	5†	20/-	65/-	40/-	2.50†
Burmah Oil (Dec. 31, '40)	16.5	15	20/-	67/6	32/6	2.54
Anglo-Iranian (Dec. 31, '40)	6.4	5	20/-	59/3	39/4½	
<i>Companies in Trinidad:</i>						
Apex (Trinidad) (Sept. 30, '41)	41.4	30	5/-	28/3	28/-	5.36
Trinidad Central (Dec. 31, '40)	19.0	7	10/-	8/3	7/9	9.03
Trinidad Leaseholds (June 30, '41)	37.2	15	20/-	66/3	67/6	4.44
Trinidad Pet. Development (July 31, '41)	17.2	15	20/-	67/6	65/-	4.61
United Brit. Oil (Dec. 31, '40)	6.5	7½	6/8	8/7½	7/9	6.45
V. Oil Concessions (Dec. 31, '40)	15.3	16½	13/4	36/3	35/-	6.38
British Controlled Oil (Dec. 31, '40)	Nil	Nil	5/-	2/7½	2/9	
Ultramar (Dec. 31, '40)	†	†	10/-	38/-	53/6	
<i>In Ecuador:</i>						
Anglo-Ecuadorian Oil (Dec. 31, '40)	17.6	10	20/-	26/9	24/9	8.08
<i>In Peru:</i>						
Lobitos (Dec. 31, '40)	30.8	10	20/-	40/-	35/7½	5.61

* Not allowing for Dominion tax relief, where applicable.
† Free of Tax. ‡ No profit and loss account yet issued.

little clearer before substantially increasing their stake in a market which may have further vicissitudes to endure before the day of Allied victory.

Finance and Banking

Warships Week Imperturbability

Despite its smashing of records, riddling of bullseyes and passing of targets, London's Warships Week has left the banking position and the money market curiously undisturbed. At no time has the disturbance to credit been sufficient to force the market to seek special assistance from the Bank of England—and this despite the fact that most of the clearing banks have been making up during the week. The authorities, no doubt stung by the memory of the difficulties experienced by the money market during London's War Weapons Week, decided that there should be no cause for complaints on the score of stringency this time, and throughout the week the credit position has been kept in a state of almost abnormal ease. The payment of some £60 millions in respect of vested Canadian securities at the beginning of this week helped the position greatly. In addition, the banks had no Treasury deposit receipt payments to make this week, while the maturities, after allowing for £10 millions of prior encashments, amounted to £40 millions. Most important of all as an equilibrating factor in this week's exceptional disturbances of the credit position, was the further prior encashment of TDR's by the clearing banks. Some measure of these encashments should be provided next week, with the publication of the national debt return covering the month of March. It is probable that the greater part of the huge total subscribed to Government loans during the past week will be found to have been financed by the maturity and encashment of TDR's. If to this be added the contribution to the Warships Week total provided by the reinvestment of funds liberated by the last Vesting Order on Canadian securities, the achievement of this week, commendable though it may be, will be seen in somewhat truer perspective than is provided by the mere totals.

The Bank Return

The surprising ease with which Warships Week has passed is well reflected in the Bank return showing the position on Wednesday afternoon—by which time some £100 millions had been subscribed towards London's target figure of £125 millions. Despite the drain on bank cash which this would suggest, the banks' deposits at the Bank of England stood at the exceptionally high level of £156,824,000 at that moment. This represented an increase of £19,880,000 on the figure for the previous week and readily explains the abundance of credit in the money market and the readiness of all the clearing banks to buy bills freely from the market even on their making-up days. The market, in fact, reports that, despite the heavy 50 per cent allotment which it obtained at last week's tender for Treasury bills, it has been unable to satisfy the banks'

demand for bills. Most discount houses have allowed their portfolios to run off appreciably during the week, and their cash position has been so comfortable that balances have been occasionally offered by them. The main factor in easing the position has been the increase of £19,615,000 in the Bank of England's holding of Government securities. This probably represents ways and means borrowing, and suggests that the clearing of balances due from the banks to the Exchequer in respect of their own and their customers' subscriptions to Government loans has been either staggered or delayed. No other explanation would satisfactorily explain the manner in which the huge amounts subscribed during Warships Week have been ignored and have had to be supplemented by Ways and Means borrowing. The note circulation continues its steady climb. It gained £844,000 during the past week, thus reaching the new high record of £755,067,000.

Silver and Rupee Exchange

The Bombay silver price, which last week reached a peak of Rs 80½ per 100 tolas, broke sharply to Rs 76 13a at the end of the week, but has since been climbing again and has touched Rs 78½, which is the equivalent of a London and has touched Rs 78½, which is the equivalent of a London quotation of nearly 35d. per standard ounce. The Government of India continues to hold its hand in the Bombay market, but has again sold in London in the minute quantities required to satisfy genuine industrial demand in this market. The London quotations for both spot and forward have remained unchanged at 23½d. The renewed rise in the Bombay price has reawakened some apprehension about the possible consequences of the continuance of this movement on the rupee exchange. It is true that, if the Indian price for silver reaches about Rs 109 per 100 tolas, the point will have been reached at which the bullion contents of the 11/12ths fine rupee coinage will be worth more than their nominal value. But it does not follow that, even if this high price is reached, the exchange rate of the rupee will have to be adjusted as it was in the early 1920's, when the rupee appreciated to over 2s. in the wake of the rising price of silver. The position is fundamentally different to-day. In the first place, the whole rupee coinage is in process of being reminted to a fineness of 500/1,000, which means that the open market price would have to rise to Rs 200 per 100 tolas before reaching melting point for this part of the currency. Even more convincing is the fact that the Reserve Bank now has the right to issue notes of small denominations. If, therefore, the Bombay silver price were to rise to the bullion parity of rupee coins such coins would undoubtedly tend to disappear into hoards. But they could be readily replaced by paper currency, and the rupee rate of exchange would not on that account have to be moved from its present anchorage of 18d.

It will, however, be wise to bear in mind the monetary aspects of the change in India's status which is at present being discussed. Although the basis of the rupee ratio controversy disappeared when sterling left the gold standard, it must not be assumed that the intensively vocal and active school of thought in India which has clamoured for a return to the traditional parity of 16d. is dead. The issue, involved as it is with important vested interests and carrying with it memories of bitter politico-financial contention, may flare up into prominence again. It is very much to be hoped that the interests and activities of Indian politicians, even if they are to be given free play with currency matters, will find more constructive scope than any such arbitrary tampering with the rupee exchange; but one should be prepared for some intensive lobbying by the "16d. traditionalists."

Bank of England Profits

The considerable increases in the turnover of business handled by the Bank of England and in the investments held by the banking department hardly affect the even tenor of the Bank's profits. At the half yearly general Court, held towards the end of last week, it was announced that the profit for the half year amounted to £438,768, compared with £437,199 for the previous half year. After deducting tax at 10s. in the £, £436,590 is required to meet the net outlay of the traditional 6 per cent actual half yearly dividend. The declared profits of the Bank have over a long period of years been kept close to the amount required to meet the 6 per cent half yearly dividends, after payment of tax. There is evidently a considerable measure of management in this stability, given the considerable fluctuations that have occurred—especially since the war—in the earning assets and the expenditure of the Bank.

Far East Bank Dividends

After the recent statement from the Hongkong and Shanghai Banking Corporation that no announcement re-

garding a final dividend for 1941 could be made in view of the prevailing uncertainties, four other Eastern banks have cut their dividends. They are the National Bank of India, which has reduced its interim from 8 to 6 per cent, and the Mercantile Bank of India, whose second interim of 3 per cent is to be the last distribution for 1941, making 9 per cent for the year against 12 per cent paid for 1940, the Chartered Bank, whose distribution has fallen from 10 to 7½ per cent, and the Eastern Bank, which is paying 4½ per cent for 1941 against 6 per cent for 1940. All these banks are in an exceptionally strong position. For many years past they have ploughed back into reserves—both hidden and published—far more profits than they have distributed. Their profits for 1941 would have easily sufficed to repeat the previous year's distributions. Yet the cuts in their dividends must be deemed a wise and conservative move. For the time being, some of their earning power has disappeared, while some of it is in danger. In the circumstances the standing of the banks in question can only be strengthened by the dividend policy which they are pursuing.

British Insurance Looks Ahead

An important address was delivered before the Insurance Institute of London on March 16th by Mr Arthur E. Morgan, the President of the Institute. Mr Morgan's speech falls into two parts—the first a record of some of the work which British insurance is doing in the furtherance of the war effort, the second a plea for pre-planning its part in post-war reconstruction; and in both the emphasis is on co-operation—co-operation within the market, with the Government and with the American insurance industry. The war has brought the various sections of the British market together for common effort in many directions, and numerous committees composed of representatives of the tariff companies, the independent companies, and Lloyd's have been established. Most important of these is the Trading with the Enemy Joint Insurance Committee, which, through the Ship Warrant Scheme and

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL - - £3,000,000

RESERVE FUND - £3,000,000

Head Office: 38 BISHOPSGATE, LONDON, E.C.2

London 117/122 LEADENHALL STREET, E.C.3

Branches 28 CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52 MOSLEY STREET

Over 40 Agencies and Branches throughout the Far East, &c.
Drafts granted on Agencies and Branches, Bills of Exchange bought and received for collection. Letters of Credit and Travellers' Cheques issued, and every description of banking business transacted. The Bank also undertakes Trusteeships and Executorships.

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government)
Branches and Agencies throughout Australia.
Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia. 8,394 Agencies at As at 30th June, 1941:—
Post Offices in Australia ... £130,752,179
General Bank Balances ... 150,553,865
Savings Bank Balances ... 77,144,818
Note Issue Department ... 2,389,454
Rural Credits Department ... 19,796,546
Other items ... £380,635,862

London Office: 8 OLD JEWRY, E.C.2.
Also at AUSTRALIA HOUSE, STRAND, W.C.

A. H. LEWIS, Manager.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1
ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £77,000,000
CLAIMS PAID EXCEED - £140,000,000
(1941 Accounts)

NATIONAL BANK OF INDIA LIMITED.

Bankers to the Government in Kenya Colony and Uganda.
Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES:

Aden and Aden Point	Delhi	Tuticorin	
Amritsar	Kandy	Zanzibar	
Bombay	Karachi	Kisumu	Kenya Colony
Calcutta	Lahore	Mombasa	British E.A.
Cawnpore	Madras	Nairobi	
Chittagong	Mandalay	Nakuru	
Cochin (S. India)	Nuwara	Entebbe	Uganda
Colombo	Eliya	Jinja	
	Rangoon	Kampala	

Dar-es-salaam Mwanza Tanga ... Tanganyika Territory.

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

AUTHORISED CAPITAL - - - \$50,000,000

ISSUED AND FULLY PAID-UP - - \$20,000,000

RESERVE FUNDS (HONGKONG CURRENCY) \$10,000,000

RESERVE LIABILITY OF PROPRIETORS \$20,000,000

Head Office, HONGKONG, temporarily transferred to LONDON OFFICE, 9, Gracechurch Street, E.C.3. Acting Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9 Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases. Full particulars may be had on application.

otherwise, has been a considerable factor in the denial of comfort to the King's Enemies; because of its high standing abroad it has been possible for British insurance, by withholding facilities, to hamper the transport of materials required by the enemy, and in this a unified market has collaborated wholeheartedly with the Ministry of Economic Warfare; it has also assisted in securing support from United States insurance interests, a special mission, of which Mr Morgan was a member, having visited Washington last October. Another matter in which the industry has given aid to the Government has been the administration of the various schemes of insurance against war risks; the Government, for its part, has reciprocated by placing with the market its fire and marine insurances on food and supplies, thus avoiding a heavy fall in premium income, which could have been utilised by the enemy as a peg on which to hang prejudicial propaganda. Looking to the post-war period, Mr Morgan expressed the view that British insurance could no longer afford the extravagance of two voices, and that the companies and Lloyd's should form a committee which in matters affecting the industry as a whole—not, however, such questions as rates or commissions—could speak with authority. And, as a further step, he advocated the creation of an Inter-Allied Economic Council embracing all interests, on which insurance should be represented, so that "in the planned economy to which we all look forward, those countries able to serve, and in whatever direction they are able to serve having the qualities essential to that service, shall have their place in their special spheres." Mr Morgan's words will no doubt be closely studied in insurance circles.

Motor Insurance Refunds

Following the decision to abolish the basic petrol ration, insurance companies and underwriters at Lloyd's have announced that motorists who lay up their cars at any time will receive a *pro rata* refund of premium; similarly, any policy which expires before the ration is withdrawn can be extended *pro rata* for any further period to suit the require-

ments of the policyholder. No doubt the majority of policyholders who take their cars out of commission will wish to cover fire and theft risks, the premiums for which are quite modest and can be taken into account in the adjustment between insurer and insured. The refunds, coupled with reduced renewal premiums, will naturally involve considerable reductions in income for motor insurers in the current year. Hitherto, lower premiums on private car insurances have been largely offset by increased commercial vehicle business, but this position cannot be maintained in face of the abolition of the basic ration.

US Film Companies' Sterling

Reports have reached this country from New York that American film companies expect the complete unfreezing of their sterling holdings by the time the present agreement regulating the conversion of their sterling earnings expires next November. These messages should be treated with the greatest reserve. There can be no doubt that the American film companies would like to be allowed to convert the whole of their sterling balances into dollars, and there is equally no doubt that before the negotiations begin for the renewal of the agreement, a certain amount of lobbying and kite-flying of varying shades of tactfulness and subtlety is to be expected. The New York messages are the opening shots of this campaign. The reports, which evidently emanate from the American film interests, suggest that by next November, when the present agreement comes up for renewal, the eight companies concerned will, between them, hold sterling to the amount of about £11,000,000. At present, the film companies are allowed to convert into dollars at the official rate half their earnings in this country. Whether these terms will be relaxed in favour of the American companies in eight months' time must depend upon many factors bearing on our dollar position which it would be unwise to anticipate so long in advance.

Investment

Warships and the Market

Whether it was the military bands, which miraculously appeared to stimulate the Londoner to greater saving, or the efforts of spring to assert itself, the tone of the stock market has been a good deal brighter than most people dared to hope. It is true that the accepted indices show very small movements and that turnover has been moderate, but it is a surprising fact that the number of bargains marked in the first half of the week is rather above the average for the preceding two months. A good deal of this business has occurred in the more speculative sections, such as foreign rails and oil shares, while the pause in the Far East has encouraged some bargain hunting in tea, rubber and tin shares. This move is probably due as much to the more aggressive policy adopted by the Allies in the Pacific as to the rather quieter conditions prevailing over a large part of that field, which probably mean reorganisation for a fresh series of efforts on the part of Japan. Actually, these movements in speculative stocks, like the slump and recovery in tobacco shares, are matters of minor moment. What is really interesting is the very moderate effect on the stock market of the huge money movements which are taking place. Literally, almost the sole reflection of them appears to be a modest demand for long-dated gilt-edged stocks which are, presumably, being bought out of the proceeds of the Canada vesting money. It is futile to attempt any comment on how the huge total of London Warships Week is composed until the floating debt figures are made public, but it is clear that the necessary transfers are being arranged with even less friction than in the past market. Incidentally, it is interesting to note that the Stock Exchange, having set itself a total of £6,000,000, looks like passing double that figure. It seems impossible sense contributions of members. Almost the only other development of the week is a slightly increased heaviness in "shorts," probably a reflection of an anticipated excess of supply in the near future. This heaviness helps to account for the fact that the ex dividend minimum price of 5 per cent Conversion loan has been dropped from the previous figure of 104 to 102. The fall is, however, mainly a reflec-

tion of the inevitable fact that, at its approaching redemption date, this stock cannot stand above par plus accrued interest.

Informative Accounts

The 1941 accounts of Harding, Tilton and Hartley, makers of the "Van Heusen" products, are sufficiently outstanding in their method of presentation to warrant special mention. The profit and loss account is a very full statement, and it differentiates between provision for tax payable in the year 1942-43 and further provision for the previous period, while the meaning of these appropriations is explained in the report. The balance sheet shows each class of fixed asset at its value on the registration of the company and the depreciation since provided. It also states the provision for future bad debts and the fraction of its total cash held abroad. On the other side of the account, current liabilities are dissected according to their nature, and include the final dividend provision. The principal classes of assets are also grouped into totals, clearly extended, so that it is possible to take in the situation at a glance. It need hardly be said that the showing is a very strong one. Nor is this all, for there are comparative statements of both assets and liabilities, and profits and their distribution, for the seven years since the company became public. The former tabulation shows for each year total fixed assets as a percentage of total net assets, after deducting current liabilities and provisions. This percentage has fallen from 35 in 1935 to 16 in 1941. Meanwhile, reserves and surplus, including income tax reserve, have risen from 20 to 43 per cent of total net assets. The analysis of profits shows, *inter alia*, average figures for the seven years; the percentage obtained from various exceptional sources and the percentages in which the total available has been paid out in taxes or dividends, devoted to writing down assets, or placed to reserves. The presentation of these accounts appears to be technically excellent in almost every particular, a fact which is doubtless due to the circumstance that Mr F. R. M. de Paula, an eminent authority on accounting, last year became joint managing director of the company. If there is one criticism of them, it is that, while

profits rose year by year—until wartime restrictions reversed the trend—the valuation of fixed assets fell as steadily. This seems to indicate growing secret reserves due to an under-estimation of published profits. If this is the case, it is in accordance with the best practice of the past; but there are growing doubts as to whether a more liberal interpretation of published earnings would not be in the public interest, and in the long run in that of the proprietors. That any undervaluation which may have occurred has been slight arises from the nature of the business, and does not alter the fact that a similar procedure would in some cases considerably distort the true position.

Tobacco Scare

The market has this year been singularly free of pre-Budget influences, so far, but one of the principal movements of recent weeks has been a sudden fall in the prices of some of the leading tobacco shares, on the rumour that supplies were to be cut as part of plan for saving shipping. The fall has to a large extent been made good on the announcement by the Control that nothing was known of any such intention, but uncertainty remains. It is, of course, the fact that the import of tobacco takes up shipping space, and, although the amount involved is relatively small, no possible saving ought to be neglected in the present situation. The Government has, however, hitherto always argued that certain luxuries, including beer and tobacco, should be supplied in ample amounts, and this policy has had the enthusiastic support of the Exchequer, since these two commodities furnish one of the easiest means of "painless" collection of large amounts of revenue. There is, thus, no need to look for a curtailment of supplies unless the

	PRICES			DIVIDENDS		
	High 1941	Low 1942	Close Mar. 25	10-Year Average	Last Year	Yield %
British American...	106/3	71/10½	74/4½	19.29†	14.59†	3.923†
Carreras "A".....	125/-	103/9	102/6	20.46*	27.50	5.365
Gallaher.....	122/6	110/-	109/4½	22.65	27.50	5.028
Godfrey Phillips.....	39/9	35/-	32/6	10.04	10.00	6.299
Imperial Tobacco...	135/7½	117/6	125/7½	22.20†	17.50†	2.786†
United Tob. (Sth.) Ltd.	92/6	77/6	77/6	32.58	36.67	4.732

† Tax free.

* On present capital.

authorities see, in the present straitened circumstances, a sufficient reason for a drastic revision of policy. As to the possible effects of additional taxation on tobacco, the facts are that rising consumption has gone hand in hand with rising prices. With the wage bill still mounting, and many forms of expenditure curtailed, or threatened with reduction, it seems very probable that the demand for tobacco will remain very inelastic. This is the more probable since the smoking public is prepared to accept substantial variations in the character of the goods supplied as well as in their cost. The accounts of the larger concerns, up to last autumn, showed on the whole that profits had been well maintained. Statements of Gallaher and Godfrey Phillips for the calendar year tell a similar story and stress the rise in turnover. Gallaher, who have suffered severely from enemy action, show only a modest decline in earnings. The table shows the position of the leading companies operating at home and also of BAT and United Tobacco South. It will be seen that the dividends still show an improvement over the ten-year average in most cases and that the yields discount further progress.

Company Notes

Cammell Laird and Baldwins

It is unfortunate that the accounts of many leading heavy industrial companies have become significantly less informative since the outbreak of war. The moderate fall in profits after tax for Baldwins, and after tax, depreciation and contingencies for Cammell Laird, shown in the full accounts of both concerns for 1941, provides little indication of the movement of gross earnings. After provision of £40,000 against nil for retrospective repairs, available earnings of Cammell Laird, whose preliminary statement was discussed in *The Economist* of March 7th, are down from £241,852 to £186,548, representing 21.0 against 23.7 per cent. General reserve receives £100,000 as before and the carry forward is

reduced from £104,813 to £102,611. The 10 per cent dividend on ordinary capital is repeated by both Cammell Laird and Baldwins, and in the latter case the cover is raised from 10.1 to 10.8 per cent. As in the previous year, there is no transfer by the latter concern to reserve and the carry forward is some £10,000 higher at £54,272. With an improvement in profits after tax from £602,502 to £676,950, *Guest Keen Baldwins*, controlled jointly by Baldwins and *Guest Keen and Nettlefolds*, is able to restore the payment of 5 per cent on ordinary shares, which received nothing in

	Baldwins		Cammell Laird	
	1940	1941	1940	1941
Profits after tax*.....	360,411	341,645	266,115	243,981
Fees.....	5,863	5,840	2,549	2,762
Depreciation.....	150,000	150,000	...	40,000
Debentures and sinking fund.....	...	...	21,714	19,670
Prof. dividends.....	59,150	51,312	...	...
Ordinary capital:—				
Earned.....	145,398	134,493	241,852	186,548
Paid.....	144,487	124,737	102,062	88,750
Earned %.....	10.1	10.8	23.7	21.0
Paid %.....	10	10	10	10
Reserve.....	Nil	Nil	100,000	100,000
Carry forward.....	44,516	54,272	104,813	102,611

* Also after depreciation and contingencies for Cammell Laird.
† Provision for deferred repairs.

1940, the rate of equity earnings amounting to 4.7 against 0.3 per cent. *English Steel Corporation*, in which Cammell Laird owns a substantial interest, shows earnings for preferred and deferred shares of £280,024 against £430,246, after an increase in depreciation provision of £100,000 to £500,000. There is, however, a small rise in the less tax rate of payment on deferred shares, which receive 17½ against 20 per cent tax free, equivalent to 35 against 34.7 per cent less tax. Balance sheets generally show a moderate rise in liquid assets, higher turnover being reflected in sub-

HALIFAX BUILDING SOCIETY

Stronger Than Ever

Extracts from the 89th Annual Report to be presented to the Shareholders at the Annual General Meeting at Halifax on Monday, April 13th, 1942.

MORTGAGE ASSETS	£94,394,168
LIQUID ASSETS	
IN TRUSTEE SECURITIES	£23,158,771
CASH AT BANKS AND IN HAND	£6,680,551
TOTAL ASSETS	£124,922,733
SHARE AND DEPOSIT FUNDS	£118,209,665
RESERVE FUNDS AND UNDIVIDED PROFIT	£6,024,369

COPY OF BALANCE SHEET MAY BE HAD ON APPLICATION

GENERAL MANAGERS

DAVID W. SMITH, F.C.I.S. F. E. WARBRECK HOWELL, LL.D.

HEAD OFFICES - HALIFAX

LONDON DISTRICT OFFICE—HALIFAX HOUSE, STRAND, W.C.2

CITY OFFICE—62, MOORGATE, E.C.2

BIRMINGHAM - 25-28, COLMORE ROW
BELFAST - 14, DONEGALL SQUARE WEST
EDINBURGH - 75, GEORGE STREET
GLASGOW - 119, ST. VINCENT STREET

LEEDS - 32, COMMERCIAL STREET
LIVERPOOL - 37, DALE STREET
MANCHESTER - 130, DEANSGATE
SHEFFIELD - 49-55, SURREY STREET

BRANCHES THROUGHOUT THE COUNTRY

LARGEST IN THE WORLD

stantial increases in debtors and creditors. In the accounts of *Thomas Firth and John Brown*, whose profits were discussed in *The Economist* of March 21st, there is a rise in debtors of some £900,000 to £2,362,564 and in creditors, including taxation, of nearly £1,400,000 to £4,415,700. The 4s. shares of *Baldwins*, at 4s. 9d., yield 8s. 5d. per cent; the *Cammell Laird* 5s. stock, at 7s. 4½d., offers £6 15s. 7d.

Hadfields' Profits

Profits of Hadfields, after tax, declined in 1941 from £297,496 to £259,457. The fall in equity earnings from £251,859 to £192,154, representing 35.5 against 40.6 per cent, is rather steeper owing to the necessity of providing £32,030 against nil for war damage insurance. Ordinary stock receive 22½ per cent, as in the four previous years, and the carry forward is raised from £588,167 to £659,022, there being again no transfer to reserve. The company is primarily engaged on production of special steels, and it is satisfactory to find that it was fully employed last year and that output again reached a new high level. The balance sheet shows a rise in the surplus of liquid assets from £1,461,116 to £1,540,860, while the total of reserves is unchanged at £516,413. The most striking change is the jump in debtors from £495,859 to £981,040, while stores and work in progress are moderately increased to £2,239,067. These rises are partially financed by a reduction of the total of Government securities and cash by £167,251 to £540,699, and partially by a rise in creditors of some £117,000 to £485,678. Bank overdraft is slightly lower at £369,126, against £390,651. The accounts suggest that last year's trading was highly satisfactory and show that a comfortable margin remains for the ordinary stockholder after all charges have been met. The record, prior to 1935, was a poor one, and the 10s. ordinary stock, at 26s. ex dividend, yields £8 13s. 1d. per cent.

Electric Power Results

In view of the prohibition on the publication of accounts by public utility companies, made last year under Statutory Rules and Orders, no 1941 accounts for electric power operating companies are available. It is, however, still legal to publish the accounts of holding companies which provide shareholders with some indication of the trend of net profits. The most striking feature of the accounts is the similarity of the movement in the rate of profit. In three cases out of four, the rate of equity earnings was higher last year, while for the fourth, *Lancashire Electric Light and Power*, the rate is only 0.1 per cent lower at 7.4 per cent. In no case has the ordinary dividend been reduced during the year. A rise in gross profits has been realised by both *British Power and Light* and *Scottish Power*, but the most substantial increase in the rate of surplus earnings is achieved by the latter concern with a rise of 3.9 points to 25.7 per cent. Mr William Shearer, speaking at the meeting of *Midland Counties Electric*, stated that there had been a moderate increase both in the number

of new consumers last year and in total load. At the meeting of *Scottish Power*, he pointed out that the Glen Affric scheme must be regarded as *sub judice*, but was still receiving the attention of the directors. The following table analyses the results of four leading concerns with a wide geographical spread:—

Company (Years ending December 31)	Total Disclosed Profits	Earned for Ordinary		Dividend	March 18	
		Amount	Rate		Price*	Yield
British Power & Light:						
1939	260,376	104,215	7.7	7	28/3	4 4 7
1940	271,390	85,768	7.3	6		
1941	335,124	80,678	8.0	6		
Lancashire Electric Light:						
1939	289,098	141,042	7.2	7½	34/4½	4 7 3
1940	256,549	125,655	7.5	7½		
1941	225,537	107,473	7.4	7½		
Midland Counties Electric:						
1939	396,976	228,627	11.7	8	38/9	4 2 7
1940	365,400	212,343	12.3	8		
1941	329,927	192,298	12.8	8		
Scottish Power:						
1939	657,393	489,605	19.8	8	38/9½	4 5 1
1940	634,399	475,267	21.8	8		
1941	642,265	489,039	25.7	8		

* £1 ordinary stock.

† Cum. dividend.

The statement of the chairman of *British Power and Light* points out that output increased last year, consolidated revenue from sales of energy rising from £1,299,742 to £1,690,649, while the profit margin between sales and the cost of generation and purchase rose by 12 per cent. There has as yet been no final decision on the rate of war damage contribution. Of four operating concerns, *North-Eastern Electric Supply*, *Northmet Power*, *Electrical Distribution of Yorkshire*, and *Yorkshire Electric Power*, all have maintained dividends on ordinary capital at 7, 7, 9 and 8 per cent respectively. Sir Robert Geoffrey Ellis, chairman of the last-named company, states that depreciation was maintained at the customary level. It is clear from these results that, despite enemy bombing, electrical output was generally well maintained last year. Yields are conservative, not exceeding £4 7s. 3d. per cent for the holding companies.

Courage Accounts

The 1941 accounts of *Courage*, leading Hampshire brewers, show that the decline in income after tax and depreciation, which took place during the three previous years, has been arrested. Total revenue is shown at £404,133 against £403,035 and remaining expenses are strictly controlled, there being no transfer to staff funds, against £5,054. Consequently, equity earnings are up from £216,830 to £225,872, representing 22.1 against 19.8 per cent, while the payment on ordinary stock is maintained at a total of 14 per cent. The directors have doubled the transfer to contingencies fund, at £30,000, and reduced the transfer to rebuilding fund, at £20,425, bringing these funds to £130,000 and £80,000 respectively. General reserve remains at £500,000. The value of freehold and leasehold properties is up from £3,107,904 to £3,126,085, but the accounts contain a warning that, owing to the war, adjustments of the valuation of certain items may be necessary at a later date, and it is possible that the latest property figures require amendment in the light of estimated bomb damage. Liquid items are all moderately higher, the rise in cash from £184,417 to £321,540 exceeding the rise in stocks from £252,025 to £293,974. The breweries have successfully survived the effects of higher taxation on profits and on incomes. In the current year, the main difficulty must be maintenance of supplies of malting barley, but there is as yet no evidence that this is to be drastically reduced. The £1 ordinary stock, at 54s. 9d. ex dividend, yields £5 2s. 3d. per cent.

British Ropes

The full accounts of *British Ropes* for 1941 show remarkable stability of earnings, the reduction in disclosed profits after EPT from £549,336 to £517,185 being explained by the necessity of paying excess profits tax at 100 per cent throughout the year. Charges for income tax, other than tax on interest and dividends, and war damage insurance were £20,000 and £5,000 lower, respectively, so that equity earnings declined only from £169,595 to £154,882, representing 22.8 against 24.4 per cent. The 12½ per cent dividend

dend on ordinary shares is repeated and the carry forward raised from £181,525 to £201,877, after transferring £25,000 against £41,553 to general reserve. The future outlook, as the chairman, Mr Herbert Smith, points out, is largely governed by the possibility of continuing to secure adequate supplies of raw material. The company's balance sheet shows a decline in stocks from £598,828 to £361,495, but Mr. Smith states that there is a rise in the total stocks held by the group as a whole, while those of raw material are maintained at a high level. In this connection, the lack of a consolidated statement is particularly unfortunate. Debtors are some £4,000 lower on the year at £1,133,491, and it appears probable that turnover was not expanded last year. Creditors are up from £1,125,011 to £1,449,022, but there is no shortage of liquid resources, the company having invested £100,000 in a company with allied interests, lent £100,000 free of interest to the Treasury and raised cash holdings from £338,277 to £350,851. The 2s. 6d. shares, at 5s. 10½d. ex dividend, yield £5 6s. 4d. per cent.

British Aluminium

The accounts of *British Aluminium* for 1941 show an improvement in gross income from £912,211 to £973,582. Despite a rise in tax liability from £150,000 to £200,000 and the maintenance of the depreciation transfer at £50,000, equity earnings have risen from £418,156 to £427,332. Ordinary capital again receives 10 per cent, covered by earnings of 18.5 against 16.9 per cent, and, after reserving £100,000 as in the previous year, the carry

forward is up from £194,796 to £222,128. Three years' earnings and allocations are analysed below:—

	Years ended December 31		
	1939	1940	1941
Total profits	1,075,796	912,211	973,582
Taxation	175,000	150,000	200,000
Directors' fees	28,250	29,055	31,250
Depreciation	50,000	50,000	50,000
Debt service	175,000	175,000	175,000
Preference dividend	90,000	90,000	90,000
Ordinary stock:—			
Earnings	557,546	418,156	427,332
Paid	375,000	300,000	300,000
Earnings %	21.9	16.9	18.5
Paid %	12½	10	10

Reserve 150,000 *100,000 100,000
Carry forward 176,640 194,796 222,128

* £500,000 taken from reserve to cover losses in France and Norway.

The balance sheet shows an increase in the total of 4 per cent mortgage debenture stock redeemed from £89,468 to £108,993, leaving £3,391,007 outstanding. Reserves total £4,600,000, of which £500,000 is earmarked to cover losses in Norway and France. Creditors, including taxation, are more than £800,000 higher at £2,807,883, while debtors are some £10,000 lower at £1,266,084. Cash holdings remain almost stable, but £210,000 has been invested in Govern-

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(INCORPORATED BY ROYAL CHARTER, 1853.)

CAPITAL in 600,000 Shares of £5 each - - - £3,000,000
RESERVE FUND - - - - - £3,000,000

Head Office: 38, BISHOPSGATE, LONDON, E.C.2.

London Branches { 117/122, LEADENHALL STREET, E.C.3.
28, CHARLES II. STREET, HAYMARKET, S.W.1.

Manchester Branch: 52, MOSLEY STREET.

BALANCE SHEET 31st DECEMBER, 1941.

(The Figures of Branches in enemy-occupied territories are taken from the latest returns received.)

LIABILITIES		ASSETS	
	£ s. d.		£ s. d.
Capital, Authorised and Issued, 600,000 Shares of £5 each, paid up	3,000,000 0 0	Cash in Hand and at Bankers	14,193,672 17 5
Reserve Fund	3,000,000 0 0	Cash (including Hong-kong Government	
Notes in Circulation	1,684,263 1 2	Certificates of Indebtedness for Surrendered	
Current and Other Accounts, including Provision for Bad and		Coin lodged against Note Issue	593,750 0 0
Doubtful Debts and Contingencies	67,844,490 14 11	Bullion on Hand and in Transit	14,787,422 17 5
Bills Payable	10,146,113 16 4	Government and Other Securities	9,106 7 6
Acceptances on Account of Customers	808,014 19 8	Securities lodged against Note Issue	36,535,924 8 4
Loans Payable, against Security per Contra	1,782,387 15 11		900,000 0 0
Due to Agents and Correspondents	1,202,500 0 0	Allahabad Bank Ltd.—23,403 Ordinary Shares of Rs. 100 each, of	
Profit and Loss	1,054,784 9 6	which 14,665 are fully paid and 8,738 are paid up to the	
Liability on Bills of Exchange re-discounted, £3,482,311 7s. 8d., of	385,467 16 9	extent of Rs. 50 per Share, at cost	534,401 1 1
There is a contingent liability in respect of outstanding Forward		Bills of Exchange, including Treasury Bills	5,487,519 12 3
Exchange Contracts.		Bills Discounted and Loans	23,733,338 12 6
		Liability of Customers for Acceptances, per Contra	1,782,387 15 11
		Due by Agents and Correspondents	4,320 11 1
		Sundry Assets	433,722 4 11
		Bank Premises and Furniture at the Head Office and Branches	1,580,507 7 8
		Balance of Head Office and Inter-Branch Remittances, Drafts,	
		etc., in Transit	5,136,901 14 8
			£90,925,552 13 4

PROFIT AND LOSS ACCOUNT, For the Year ended 31st December, 1941.

Dr.	£ s. d.	Cr.	£ s. d.
To Interim Dividend at 30th June, 1941	150,000 0 0	By Balance at 31st December, 1940	432,602 9 11
" Balance proposed to be dealt with as follows:—		Less Dividend for half-year to 31st December,	
Dividend at the rate of 5 per cent. per annum,		1940	£150,000 0 0
for the half-year to date	£75,000 0 0	Officers' Pension Fund	50,000 0 0
Officers' Pension Fund	50,000 0 0	Bank Premises	50,000 0 0
Carried forward to Profit and Loss New Account	260,467 16 9		250,000 0 0
	£335,467 16 9		182,602 9 11
		" Profits, after providing for all Bad and Doubtful Debts, except	
		as regards Branches in enemy-occupied territories	352,865 6 10
			£535,467 16 9

W. R. COCKBURN, Chief Manager.
R. W. BUCKLEY } Managers.
R. P. MILDREN }
G. H. TANKARD, Chief Accountant.

V. A. GRANTHAM } Directors.
M. M. S. GUBBAY }
A. d'A. WILLIS }

REPORT OF THE AUDITORS TO THE SHAREHOLDERS.

We have audited the above Balance Sheet and Profit and Loss Account with the Books, Vouchers and Securities in Head Office, and with the information received by cable or the signed Returns from the Branches. No direct verification or valuation of assets at Branches in enemy-occupied territories can, under present conditions, be obtained. Subject to these remarks, in our opinion, such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the Bank's affairs, according to the best of our information and the explanations given to us and as shown by the Books of the Bank.

London, 18th March, 1942.

D. C. WILSON } Auditors.
H. C. K. STILEMAN }
Chartered Accountants.

TOWARDS THE FUTURE

"When the war comes to an end there will be 8,000,000 or 9,000,000 people, the mainspring of whose existence will have snapped overnight, and it is essential that we should have an ordered scheme of what we mean to do."—Graham White, M.P., in the House of Commons, 10/3/42.

What are the essentials of this 'ordered scheme' of the future?

READ

DEMOCRACY'S OTHER WAR

It traces a new social pattern for the use of money to create new health, new agriculture, new homes, new happiness...

Contributors:

Lord Northbourne, Richard Stokes, M.P., Lord Sempill, Edgar J. Saxon, Lord Lymington, Sir Reginald Rowe, Professor Frederick Soddy, A. Trystan Edwards, Edward Holloway

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ment securities, while stocks are nearly £215,000 higher at £959,772. Additions to fixed plant during the year amounted to £175,008 against £224,091, while an additional £365,000 has been lent to or invested in allied and subsidiary concerns. The chairman, Mr R. W. Cooper, points out that much new plant came into use last year and that the concern was working to capacity. The £1 ordinary stock, at 43s. ex dividend, yields £4 13s. per cent.

* * *

Associated Electrical Industries

Full accounts of Associated Electrical Industries for 1941 unfortunately fail to disclose the company's tax provision which has been consistently shown in previous accounts and, in 1940, amounted to £992,900. Total profits after tax are revealed as £681,536 against £716,795 and there is no direct indication whether the gross figure exceeded the £1,709,695 earned in the previous period. After raising the depreciation provision from £261,283 to £263,296, there is, however, only a moderate decline in the amount of equity earnings from £395,360 to £365,934, while the rate is up from 14.0 to 14.9 per cent. There is, therefore, a presumption that earnings before tax were higher last year. Ordinary capital receives the customary 10 per cent; £100,000, as before, is transferred to dividend

equalisation reserve and the carry-forward is increased from £265,472 to £285,314. The company's balance sheet and the consolidated statement both indicate a certain shortage of liquid capital and suggest a very substantial increase in turnover last year. The consolidated accounts show a rise in creditors of some £4,000,000 and in debtors of nearly £3,000,000. Cash holdings are reduced from £1,342,543 to £812,565 and there is a reduction of some £90,000 in holdings of British Government securities. There is a highly satisfactory increase in stocks from £9,003,496 to £11,621,725. The company's balance-sheet shows that a bank overdraft of £800,000 has been incurred. No such stringency is apparent in the balance-sheet of *The Insulated Cables*—the profits were discussed in *The Economist* of March 21—where the surplus of liquid assets has risen from £1,306,136 to £1,389,181. Here, however, rises in creditors and debtors are less marked and stocks are up only from £2,108,731 to £2,274,743. The chairman, Mr Alexander Roger, raises the vital question of who should bear the ultimate cost of extensions undertaken in the cause of war production. There can be no doubt that some part of this charge must fall on the company and its shareholders, but what proportion this should be cannot in all probability be determined until later. The £1 ordinary stock of *Associated Electrical Industries*, at 44s. 6d., yields £4 9s. 11d. per cent; that of *British Insulated Cables*, at 94s., offers £4 5s. 1d. per cent.

Industry and Trade

Concentration of Industry

Within its limited scope, the concentration of industry scheme, announced on March 9, 1941, by Mr Oliver Lyttelton, then President of the Board of Trade, had been substantially carried out by the end of last year. It covered the majority of the industries included in the Limitation of Supplies (Miscellaneous) Orders and some, such as cotton and wool textiles, footwear and paper, then affected by the rationing of raw materials. Firms employing less than twenty persons were excluded from the scope of the scheme. Its purpose was not to curtail production but to concentrate it into the smallest number of factories. The time has now come, however, when the output of consumption goods must be further curtailed and when the process of concentration will have to be taken a stage further. The clothing ration for the period beginning June 1, 1942, will be about 25 per cent smaller than the current year's, and new supplies to retailers of many of the household and personal goods covered by the Limitation of Supplies (Miscellaneous) Orders will presumably also be reduced at the end of the current quota period on May 30th.

* * *

Unemployment in February

The absorption into employment of some of the children who left school at the end of last year was one of the causes of the reduction in the number of unemployed persons on the registers of employment exchanges in Great Britain on February 16th. The total number was 188,417, compared with 194,484 on January 12th, and 188,354 on December 8, 1941. It is probable that the February figures would have been lower, but for the fact that severe weather conditions prevailed on the day the count was taken, which made some outdoor work impossible. The 162,175 wholly unemployed included 89,443 men, 10,485 boys, 50,728 women and 11,519 girls. In the category of the temporarily stopped, numbering 17,267, the numbers were 10,426, 238, 6,255 and 348 respectively. Among those normally in casual employment, of whom 8,975 were unemployed on February 16th, there were 8,654 men, 9 boys, 311 women and one girl. On January 12th there were 170,862 wholly unemployed, 14,736 temporarily stopped and 9,250 unemployed casual workers. Some men and boys who had been classified by interviewing panels as being unsuitable for ordinary industrial employment, did, nevertheless, cease to appear on the unemployment registers. The number thus graded was reduced by 654 between January 12th and February 16th, when the figure stood at 26,508. For women and girls, the corresponding classification is "unsuitable for normal full-time employment," and this figure, too, decreased during the month; on February 16th there were 2,065 women so

classified, a reduction of 409. There was also a reduction of 328 women and girls in the classification of those "unable for good cause to transfer to another area," bringing the figure on February 16th to 1,997.

* * *

Cars and Bicycles

The probable effect of the abolition of the basic petrol ration at the end of June on the market in second-hand cars and on the demand for other forms of transport cannot be estimated with any degree of accuracy. Much will depend on the number of private cars that will be affected by the decision. Obviously, if, when the basic ration has gone, supplementary allowances are given leniently, its abolition will be ineffective in terms of petrol saved and prove to have been no more than a piece of window-dressing. While the publication of statistics relating to the number of cars licensed has been suspended, current estimates suggest that it still exceeds 1,000,000 and may be as high as 1,250,000. The number of cars that will be taken off the road will depend very largely on the degree of ruthlessness with which the needs test is applied to applications. It has even been suggested that the number of cars likely to disappear from the road will not exceed 100,000; but this would be a derisory result. A reduction by 100,000 in the number of private cars on the road would not be likely to cause a slump in the second-hand car market, especially as the output of new cars for civilian use has almost ceased, and something like one-eighth of the existing number of cars will no longer be able to secure petrol may refrain from selling them in the hope of being able to run them again in the future. If the number of cars in use were halved, on the other hand, there would probably be a sharp temporary fall in prices. The Government's decision to abolish the basic petrol ration and to reduce supplementary rations is no doubt partly responsible for the increased demand for bicycles. But a serious shortage of bicycles for essential purposes is unlikely; although output for the pre-war market has been substantially reduced from the pre-war level of about 1,500,000 per annum, no less than 500,000 will apparently be produced this year. If current supplies should prove inadequate for all demands, it should not be impossible to devise a scheme designed to meet the most essential needs.

* * *

Cotton Exports

In Lancashire trade circles there has been little surprise at the statement of the Cotton Board that the export system is being revised, in order to safeguard the essential needs of countries directly associated with Great Britain in the war effort. It has been pointed out that direct war needs,

whether for home or export, must have first claim on the output, which is still below the target figure. Export allocations for many markets are, therefore, to be reduced for the next period, beginning on April 1st. The new policy is explained by the statement that, where goods are needed for urgent war use by Dominion and Colonial markets, the problem is less a matter of selling than of organising supplies. It may not be practicable to issue export allocations for the next period by April 1st, but the Cotton Board will notify merchants as soon as possible. Action is also being taken by the Cotton Board to deal with goods produced for markets which are now inaccessible. It is reasonable to restrict the number of hands through which these goods pass, and approval will accordingly only be given to transactions in which the exporter either ships the goods to other British markets in which he himself has a basic allocation or sells them directly to an exporter with a basic allocation. It is apparent that henceforward official control over exports will be more drastic than in the past. The whole industry is rapidly reaching a point where practically all supplies from the producer to the distributor are controlled. As Lancashire's production is limited, the utmost care must be taken to see that the output is distributed according to need.

* * *

Lead Supplies

The fall of Rangoon and the growing difficulties of shipping from Australia have opened a new phase in Allied lead supplies. Burma produces annually between 80,000 and 90,000 long tons of lead, all of which comes from the Burma Corporation's mines not far from Lashio, which is not threatened so far. Since the fall of Rangoon, however, shipments have been stopped. This means an important loss to this country, for, since the outbreak of war, the whole of the Burmese lead has been acquired by the Ministry of Supply. Australia is the Empire's largest lead-producing area and supplies up to 250,000 tons of the metal per annum. The great bulk of this is produced in the Broken Hill area of New South Wales. Besides the Burmese and Australian supplies, the British Empire produces roughly 300,000 tons of lead per year in the United Kingdom, Canada, Newfoundland and South-West Africa, so that until recently the Empire had annually something like 635,000 tons of lead at its disposal. Before the war, the United Kingdom, the largest extra-United States lead-consuming country, absorbed not more than 350,000 tons per year. As more than half of this total went into buildings, an outlet which has been largely stopped, current consumption cannot be much larger than in pre-war years, although lead plays an important part in the production of small arms munitions, battery plates, bearing metals and other similarly important war materials. In fact, hitherto, British lead supplies have exceeded defence requirements, so that the Ministry of Supply was able to allocate lead for certain civilian uses, which are not necessarily essential to the war. The loss of the Burmese lead and reduced shipments from Australia would suffice to enforce a strict lead economy in this country. In addition, however, it is probable that under the Allied pooling arrangement substantial quantities of Empire lead will in future be diverted to the United States. That country is the world's largest producer and in 1941 supplied as much as 460,000 tons from domestic ore. Further, the Metal Reserve Co. acquired some 320,000 tons of lead per annum from Mexico, Peru and Bolivia. This total of 780,000 tons, however, remains short of the United States defence programme and has to be supplemented by supplies from the British Empire, and especially from Canada. Lead is likely, therefore, to enter as a result of the Japanese southwards drive Australian shipments should stop altogether. Even this extreme event, however, would not threaten Allied superiority in lead supplies. Japan produces only 10,000 tons of lead per annum. Germany mines 100,000 tons per annum within its own frontiers, while Italy's domestic production is limited to about 35,000 tons. In addition Germany obtains some 80,000 tons from Yugoslavia and another 75,000 tons from France, Greece, Poland, Czechoslovakia, Spain and Sweden. At present Axis supplies can thus be no more than about 300,000 tons per year.

* * *

Liverpool Steam Ship Owners

Not unnaturally, a large part of the annual report of the Liverpool Steam Ship Owners' Association, issued last

week, deals with the future of world trade and with the position of the British shipping industry in the post-war economy; but it also contains a succinct review of the factors which have shaped the fortunes of the industry since 1850. If post-war plans for peace recognise that the principles of the Atlantic Charter are essential to the re-establishment of a prosperous world trade, then, in the opinion of the Association, the first step will have been taken towards the re-establishment of prosperity to the shipping industry in this and other countries. The Association is convinced that "any attempt to convert the British shipping industry into a national service, by placing its management in the hands of State officials, must prejudice most seriously the chances of that industry retaining its position as the greatest sea carrier of world's trade, on the merits of the services it can place, as an industry, at the disposal of the trade of the world." But it admits that the change-over from war to peace conditions will take time, and that during the transitional period the Government will have to retain a large measure of control over the use of ships.

* * *

Ship Repairs

In its annual report the Liverpool Steam Ship Owners' Association draws attention to the marked rise in the cost of repairs to ships that have suffered war damage. Reports it has received from the committee of the Liverpool and London War Risks Insurance Association, and from the technical experts employed by its own members, suggest, in fact, that costs have advanced far beyond what might have been expected. It appears to attribute the excessive increase largely to the arrangement between the Ministry of War Transport and the ship repairers which has as its basis the "cost plus" system. This has been condemned by the Select Committee on National Expenditure; the Association "finds difficulty in understanding the wisdom or economy of a system the essence of which is that the profit element in it is linked up with the expenditure on time, labour and materials." It has therefore asked the General Council of British Shipping to investigate the matter in consultation with the committees of the War Risks Insurance Association and with experts.

* * *

Release of Coal Miners

Coal mining is one of the industries that has suffered most from the loss of labour to the Armed Forces. Hitherto the suggestion that a limited number of miners should be released from the army has met with refusal on the part of the War Office, but according to a statement made by Lord Templemore in the House of Lords on Tuesday, the Government has now decided to release a certain number of men from a limited number of army establishments. He added that the whole question of releasing miners was under consideration and that a decision would be announced as soon as possible. The case for the release of miners from the Armed Forces is undoubtedly a strong one, for current output is inadequate. Nevertheless, it has not yet been proved conclusively. As Mr Dalton stated in the House of Commons last week, there is scope for a reduction in the consumption of coal for unessential purposes. Moreover, given efficient management and good will among workers, there is no reason why output could not be increased with the industry's present labour force. Compared with 1939, it is understood that on the basis of the industry's total personnel, the output per man shift worked last year showed a reduction. In principle, no member of the Armed Forces should be released unless it is proved conclusively that he is absolutely essential to industry. The present arrangement whereby the final decision rests with the Services is unsatisfactory, and should be replaced by a system of independent panels whose decision will be based on an impartial consideration of the facts.

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

CHARTERED BANK OF INDIA, AUSTRALIA
AND CHINA

FINANCIAL POSITION SOUND AND LIQUID

MR V. A. GRANTHAM'S STATEMENT

The eighty-eighth ordinary general meeting of the Chartered Bank of India, Australia and China will be held at the head office, 38 Bishopsgate, E.C., on April 1st.

The following statement by the chairman (Mr Vincent Alpe Grantham) has been circulated with the report and accounts:

The year 1941 proved to be one of constant and increasing difficulty. When we last met, we did so under the shadow of the threat of extended hostilities in the Far East. Since then the entry of Japan into the war has resulted in the falling into enemy hands of our branches in China, Japan, the Philippines, French Indo-China, Siam, Malaya, Sarawak and Java. Our branch at Rangoon has been evacuated to Mandalay and we still have our business in India and Ceylon, which represents an important part of the bank's total undertaking, together with our interest in the Allahabad Bank, Limited.

The work of the staff, both at home and abroad, has been exemplary. Our European foreign staff, much reduced in numbers, as almost all the younger members have joined His Majesty's Forces, have had to cope with exceptional difficulties.

I am glad to be able to put on record how fortunate we are in our chief manager. We are greatly indebted to Mr Cockburn for his foresight and the manner in which he has guided the affairs of the bank through difficulties such as we have never before had to face.

THE BALANCE SHEET

In view of the position in the Far East, where so many of our branches are situated, I am sure that the shareholders would like to have a rather closer appreciation of how the bank stands today than is, perhaps, disclosed by the figures now before you.

Last year I told you that because of the extreme delay in the delivery of mails from our agencies we had had to rely upon telegraphic information in respect of certain figures when preparing our balance-sheet, with a consequent variation in the auditors' certificate. As regards those of our agencies which were still under our control on December 31, 1941, we have repeated this procedure, but as regards those of our agencies which were then in enemy-occupied territory we have been compelled to utilise the last figures which were despatched to us by mail prior to enemy occupation.

Further, we have had to qualify in our report this year the statement that the profits are shown after providing for all bad and doubtful debts. In the case of agencies still under our control, where we have access to all the information which we require, these have been provided for as usual, but you will appreciate that in the case of agencies in enemy hands we now have no up-to-date information to work upon.

The balance-sheet again shows considerable expansion, the total at £90,925,552 being an increase of £14,811,324 over last year's total of £76,114,228, the previous highest in the bank's history. The increase is largely confined to current and other accounts, which, with an increase of £14,465,559, stand at £67,844,490. Fixed deposits, on the other hand, show a further decrease of £1,980,251 at £10,146,113, and these two diverse movements again reveal the desire for liquidity on the part of our clients, which is so prominent a feature today. The only other changes of note in our liabilities are an increase in acceptances on account of customers of £1,394,877, reflecting a greater demand for this form of finance by our clients, and an increase of some £972,500 in loans payable against security, taken at various branches to finance current requirements.

ASSETS

Turning now to the assets side of the balance-sheet, and bearing in mind my previous remarks, I think you will agree that it shows the bank to be in an extremely strong and liquid position. Cash in hand at £14,787,422 is £3,208,905 higher than a year ago, and comprises 21.8 per cent. of our liabilities on current accounts, or

20.7 per cent. of all our sight liabilities. We again show a large increase, amounting to £9,714,158, in our Government and other securities, the actual total being £37,435,924.

This increase is mainly the result of purchases of British Government securities, chiefly tap issues of a short-dated character. Bills of exchange, including Treasury bills, show a decrease of £2,233,636, but as the balance of head office and inter-branch remittances, drafts, etc., in transit, also showing a decrease or last year's figure, should be added for purposes of comparison it is probable that the real decrease exceeds the amount stated. Bills discounted and loans at £23,733,338 show a welcome increase from the profit-earning point of view of £3,092,402, and I am pleased to say that this increase has not occurred at points in the occupation of the enemy at December 31, 1941.

The liquidity of the bank's position is clearly shown by the balance-sheet figures, and fortunately the bulk of our cash and investments has for some time past been concentrated in the country. The bank is, of course, liable in the various local currencies for its liabilities, but until the end of the war the position in enemy-occupied countries must remain more or less static in so far as we on this side are concerned, and we cannot know with certainty whether our debtors in these territories can meet all their obligations, for under ruling conditions it is impossible to assess the value of the security we hold against them. Nor can we assess the position as regards our own bank premises, although so far as we know at present only small damage has been done.

We have, however, been able to add to our internal funds with a view to these contingencies.

PROFIT AND LOSS ACCOUNT

I now come to the profit and loss account. Up to the time of the entry of Japan into the war we had a good year; a year, in fact, in which our gross profits compared favourably with those of 1940. Since then we have lost the earning power of those branches which are situated in enemy-occupied territory, but the result of the full year's working still shows a profit of £352,865 6s. 10d., after providing for all ascertainable losses and for taxation. No profits for the second half of the year of branches in enemy occupation at December 31, 1941, are included in this figure, although our latest information is that profits were being earned by all these branches.

Adding the balance brought forward from last year of £182,602 9s. 11d., a total of £535,467 16s. 9d. is available, out of which an interim dividend at the rate of 10 per cent. per annum costing £150,000, was paid last October.

In view of all I have said above and the many uncertainties which have yet to be faced, the shareholders will not be surprised that the directors propose that the final dividend be reduced to 5 per cent. per annum for the half-year to December 31st last, costing £75,000. They recommend that £50,000 be transferred to the officers' pension fund, leaving £260,467 16s. 9d. to be carried forward.

FUTURE PROSPECTS

While you will naturally wish me to deal with the effect of the war upon the profits of this and future years, I am confident you will not expect me to make any sort of forecast. We still have a large and thriving business in India, which will, we hope, continue to yield good results, although, of course, it may be affected by the course of hostilities in the East, but it is obvious that the temporary loss of so many of our branches in the Far East, the expenses of which must largely continue while the earning power is absent, must bring about a heavy fall in profits.

No general improvement can be hoped for until a successful termination of hostilities has been achieved, but I want to conclude by saying how encouraging it is that at a time when serious difficulties have to be faced the financial position of the bank should be on such a sound and liquid basis.

EQUITY AND LAW LIFE ASSURANCE SOCIETY

IMPORTANCE OF LIFE ASSURANCE AS METHOD OF SAVING

BOARD'S SOUND INVESTMENT POLICY

SIR GEOFFREY ELLIS'S SPEECH

RATE OF INTEREST

You will observe that the gross rate of interest shown in the report is £5 os. 2d. per cent., as compared with the rate of £5 2s. per cent. indicated in my speech last year. Various factors combined to cause this reduction, but I do not think that any of them are sufficiently important to merit individual comment. I shall return to this subject later.

SURRENDER FIGURES

Before passing to the balance-sheet I should refer to the surrenders shown in the revenue accounts. From the life assurance and annuity fund the sums paid out by way of surrender amounted to £69,599. This is about the amount paid out in an average peace-time year, and shows a considerable reduction on the sums paid out during each of the first two years of the war. In the capital redemption fund, surrenders amounted to the very large figure of £427,881. This was due to three cases where large policies were surrendered for special reasons.

I do not propose to deal with the various items of the balance-sheet in detail. The only change in form is that our three minor subsidiaries now appear under the one heading "other subsidiary companies"; no material change has taken place in our interests in these companies.

INVESTMENTS

I now draw your attention to the broad changes which have taken place in the society's Stock Exchange investments during the year under review. The principal change is a further increase of over £700,000 in British Government securities. Against this must be set decreases of £350,000 in Dominion, Colonial, Indian and foreign stocks, £300,000 in debentures, £100,000 in preference, and £250,000 in ordinaries. You will observe that the total amount of our Stock Exchange securities has been reduced by £300,000.

The above changes give a real picture of the investment policy which has been pursued by the society during the year. The result is a position strengthened in view of the trend of world events, and, most important, a position which has been strengthened without sacrificing, to anything but a minor extent, the prospects of participating in eventual general recovery. This policy we intend to continue.

Here I would mention the possibility of some decrease during the next year or two in the rate of interest earned on the society's funds. This is one corollary to a policy which involves the placing for the time being of a rather larger portion of the funds in British Government securities than might be considered suitable in more normal times. I need hardly point out the broad common sense of this policy when you reflect on present world conditions and on possible future developments.

VALUATION RESULTS

As you are aware, a triennial valuation of the society's assets and liabilities was made as at December 31, 1940. The next triennial valuation falls to be made at the end of 1943. For purposes of our own information and guidance, a valuation is made at the end of each year, and the valuation made as at December 31, 1941, disclosed a very satisfactory trend in the position. In the directors' report last year reference was made to "a release of valuation reserve resulting from a modification of the basis employed." I am pleased to be able to tell you that the recovery in Stock Exchange values during the year under review was equal to a very substantial proportion of that release of reserve.

Much will happen between now and December 31, 1943. Much has happened since the close of the year, and no man can say what values will exist in two years' time. I wish to remind you, however, of what I said last year—namely, that any improvement in asset values will first be used to increase the stringency of the actuarial valuation basis.

As directors of this life assurance society we have a dual responsibility—towards our shareholders, and towards our policyholders

The annual general meeting of the Equity and Law Life Assurance Society was held, on the 26th instant, in London. Sir Geoffrey Ellis, Bart., MP (the chairman), presided.

The chairman, in moving the adoption of the report and accounts, said:

Gentlemen,—I rise to move: "That the report and accounts for the year ending December 31, 1941, be received and adopted and entered on the minutes." These have been in your hands for some days and I assume may be taken as read.

During the year the society has suffered a severe loss in the death of Sir Reginald Poole. Sir Reginald was elected a director in January, 1934, and is greatly missed by his colleagues on the board. I should like to place on record our appreciation of the outstanding service which he rendered to the society and our regret at the severance of a warm friendship. To succeed Sir Reginald Poole on the board your directors have appointed Mr Arthur F. B. Forde, a partner in the firm of Messrs. Linklaters and Paines.

I have to report with great regret the death of Mr W. P. Phelps, whose association with the society extended over a period of more than 50 years. Mr Phelps, who was a man of exceptional ability, was chief official of the society from 1904 to 1930 and, on retiring from that position, joined the board, where he served as a director until the end of 1940. His old colleagues mourn his loss.

Last year I dwelt mainly on the financial aspect of the society's affairs. This was only natural and proper on an occasion dealing with the results of the triennial valuation. This year I propose to speak mainly about the fundamental business of the society—life assurances and annuities. I think it advisable that all institutions such as ours should keep clearly before them the fact that while finance necessarily occupies much of their time, they are primarily life assurance offices.

NEW SUMS ASSURED

You will see from the report in your hands that the new sums assured for the year 1941 amounted to £552,161, as compared with £597,471 for 1940. The reduction is more than accounted for by the virtual cessation of single premium business, which the society has discouraged for some time past and has now practically ceased to transact. The sums completed during 1941 under ordinary whole-life and endowment assurances effected by annual premium showed a small increase over the corresponding figures for 1940—a fact which indicates the quality of the business being placed on the books of the society.

USEFUL PURPOSES OF WAR WEAPONS AND WARSHIP WEEKS

During the year we have made special efforts in connection with many War Weapons and Warship Weeks. These special efforts have served three—very useful purposes.

First, they have helped to keep before a section of the public the importance of saving as opposed to spending. This distinction is vital to the nation, and is likely to remain so for some time to come—I wish to stress the urgent need for some years to come for people to save and not to spend. A life assurance contract forms the best means of regular saving.

Secondly, as I said last year, these efforts have been the means of extending the connections of the society in a most desirable manner.

Thirdly, they have resulted in the placing of a good quality of business on our books.

The only other comment which I wish to make on the new business figures concerns the fall that has taken place during the last few years in the considerations for annuities granted; this fall has been a feature common to most offices transacting any large quantity of annuity business.

The mortality experience of the society for the year was rather less favourable than that expected according to the valuation basis used; this was due to the death of a certain number of men serving with HM Forces.

and annuitants. We are shareholders, but we are also trustees for our policyholders and annuitants.

Throughout the long years in the life of an assurance or an annuity, and during the long years in the existence of a life assurance office, many storms occur, and it is the duty of those who control such institutions so to order their affairs that they are able to weather these storms. This leads to a general policy for the mutual benefit of policyholders, annuitants and shareholders, a policy which aims at conserving strength and at a steady return both to with-profit policyholders and to shareholders. This policy aims in general at stability and avoids spectacular fluctuations.

DIVIDEND

From the report in your hands you will see that the dividend recommended is at the same rate as that for last year, 1s. per share; last year the interest earned by the proprietors' fund covered the dividend paid, and this year the position is the same. You will see also that at the present time it is not proposed to declare any interim bonus in respect of with-profit policies. I do not think that under present conditions either of these items calls for comment.

CIVILIAN WAR RISK COVER

Before concluding, I return to the subject at first discussed—the fact that our business is to grant life assurances and annuities. We hold that it is our duty to provide life assurance in all cases where we may reasonably assess the risk run, and this being so, we have provided civilian war risk cover in all normal cases without extra premium. In March, 1940, the chief officials of your society considered very carefully this question of covering war risks, and as a result advised your directors that it was a proper cover to grant. I think I may say that the society has taken a lead in the granting of civilian war risk cover under non-profit policies without extra premium.

So far deaths from war risks in this country have happily been fewer than generally expected. What the future may hold we cannot tell, and I wish to draw attention to the valuable cover granted by the society's policies.

I close on a domestic note. Our new building in Lincoln's Inn Fields has been requisitioned by the Government, and we now operate a portion of our head office from Connaught House in the Strand and the remainder from Langleybury in Hertfordshire. We are very glad that our head office premises should be of use to the nation in the present time.

TRIBUTE TO STAFF

Very many of our staff are serving with HM Forces, and I wish to express to them the board's appreciation of the services which they are rendering to their country and to send them our very good wishes. I wish also to thank those members of our permanent staff who are still with us, and those members of the staff who have joined us temporarily for the war, for a very good year's work. Our special thanks are due to our general manager and his two principal associates; their work has been well and truly done and they are laying a firm foundation for the future.

The report and accounts were adopted.

ASSAM RAILWAYS AND TRADING COMPANY, LIMITED

The adjourned sixty-first ordinary general meeting of the Assam Railways and Trading Company, Limited, was held, on the 25th instant, in London.

In the course of his review of the year's working which was circulated with the report and accounts, and was taken as read, Mr E. A. A. Joseph, the chairman of the company, stated: The railway revenue is better than last year, and it is encouraging to note a progressive increase in each of the last four years. Passenger earnings were stable, and goods earnings showed a definite improvement. Unfortunately expenses were higher, largely owing to the dearness allowance granted to the Indian staff to help them to meet the increased cost of living. Consequently there is a slight decrease in the net earnings.

The returns of the current year received up to the present suggest an improvement on the results of 1940/41. It must, however, be realised that the war in the East (which has already led to a great reduction in our staff) is casting its shadow on all our operations, and that precautionary measures may involve us in expenditure that cannot yet be calculated.

The report and accounts were adopted.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

IMPROVED BALANCE SHEET POSITION

SIR JOHN MacLEOD'S SPEECH

Sir John Lorne MacLeod, chairman of the board of directors presided at the annual meeting of The Scottish Life Assurance Company, Limited, held, on the 25th instant, in Edinburgh.

In moving the adoption of the report and accounts, the chairman, after referring to the lamented death of the president, His Grace the Duke of Atholl, KT, went on to say:—

During 1941 we issued 734 new policies for £566,000 after deduction of a small amount reassured. The restriction in business under present conditions is very substantial, but not surprising. This is the general experience among offices which confine their main activities to life assurance only. Field work has now been cut to an absolute minimum, for not only have we been deprived for the time being of the services of most of our staff, but the young insurable lives who usually form a large proportion of our clients are also serving with HM Forces.

SATISFACTORY PREMIUM INCOME

The premium income is being very satisfactorily sustained and stands in the revenue account at £612,000. While claims by death or maturity accounted for an outgo of £688,000, which is practically the same as in the previous year, surrenders were on a much smaller scale, being only £41,000, as against £78,000. Commission and expenses of management have fallen in the past year from 14.4 per cent. to 13.8 per cent. of the premium income.

The loss of interest income as compared with pre-war years is now very heavy. The gross and net yields on the company's funds for the past year were £4 11s. 1d. and £3 6s. 10d. per cent. respectively, compared with £4 15s. 3d. and £3 13s. 1d. per cent. for the previous year. The ability of the Government to borrow as cheaply as it is now doing is, of course, entirely advantageous to the national interests as tending to keep down taxation and is therefore to be welcomed, but its significance cannot but affect adversely the prospects of undertakings whose prosperity is so largely bound up with the maintenance of a satisfactory interest revenue.

BONUS DECISION JUSTIFIED

A statutory quinquennial valuation of the assets and liabilities was made twelve months ago, and it was then decided to declare a war-time bonus to policyholders and to carry forward a large proportion of the surplus. Looking back now, this step seems to have been entirely appropriate, for nothing that has happened in the past twelve months would lead us to suggest that some other course of action should have been taken. Marketable securities as a whole are at considerably higher levels than they were twelve months ago, so that our balance-sheet is in an improved position so far as the standards of value currently in use can be relied on.

I would like to commend to you the work of the officials and staff of the company, both at head office and branches, during the past year, and am sure you would like me, on your behalf, to acknowledge such zealous work with an expression of warm appreciation.

The motion having been seconded by Mr R. M. Guild, Wt. the report was adopted.

HOOVER LIMITED

ORDINARY GENERAL MEETING

The fifth ordinary general meeting of Hoover Limited was held, on 27th instant, at Perivale, Greenford, Middlesex. Mr C. B. Colston (chairman) presided, supported by Mr E. L. Colston and Mr J. A. Wykes.

The report and accounts were unanimously adopted and a final dividend of 11½ per cent. (less income-tax) was declared. The retiring director, Mr J. A. Wykes, was re-elected, and Messrs Williams, Stoker, Worssam and Holland, were reappointed.

The company's net profit for the year ended December 31, 1941, amounted to £274,480 (against £290,486 last year). The final dividend of 11½ per cent. made a total distribution of 15 per cent. for the year. (Last year same.)

UNITED KINGDOM PROVIDENT INSTITUTION

HIGHLY SATISFACTORY POSITION

STRONGER RESERVES

SIR ERNEST BENN'S STATEMENT

The annual general meeting of the members of the United Kingdom Temperance and General Provident Institution will be held at the head office, 196 Strand, London, W.C., on April 8th.

The following is the statement of the chairman, Sir Ernest J. P. Benn, Bt., circulated with the report and accounts.

To the Members of the United Kingdom Temperance and General Provident Institution.

The one hundred and first statement of accounts and the report of the directors, with the results of the triennial valuation, disclose, in the exceptional circumstances of the times, a position which can only be regarded as highly satisfactory.

The business of the Institution in 1941, as in the previous year, has been directed perhaps as much to winning the war as to its normal purposes. Last year I expressed the view that the losing of the war would be the end of the Institution. Ukapians have maintained the highest standards of personal National Service in all its many forms, and on the financial front we have continued to apply every shilling of available money to the support of Government Loans at rates of interest too low to provide the benefits to which members of the Institution have by long experience become accustomed.

NEW BUSINESS

A still larger proportion of our field force of branch secretaries and inspectors has been transferred to the Forces of the King. For similar reasons the new business market itself, as shown by the figures of comparable offices, has shrunk to small proportions. We continue to regard the civilian war risk as a speculation out of keeping with the spirit and practice of mutual life assurance, and accordingly policies issued since June, 1940, do not provide for such risks. In these quite exceptional circumstances nearly 2,000,000 of new business has been offered to and accepted by us, constituting a very striking tribute to the confidence and esteem in which the Institution and its policy are held.

EXPENSE RATIO AND RATE OF INTEREST

There has been a further drop in the expense ratio from 14 per cent. to 13.6 per cent.

The rate of interest has been adversely affected by the low return upon Government funds and the loss of rents due to war conditions. Nevertheless, the directors feel that members will find satisfaction in the figures secured—£4 15s. 5d. per cent. gross and £3 7s. 7d. per cent. net.

THE VALUATION

Members will remember that the Institution exists to provide security. That first and essential purpose is never absent from our minds.

In valuing our assets for the purpose of our balance-sheet and in making the triennial actuarial valuation, the board and actuary have the experience of the Institution in the last great war to help and guide them. We declared a bonus while the war was in progress and ran into trouble so soon as peace was signed. In 1920 we had to pass our bonus and dip into our reserves, and we abandoned our stringent 2½ per cent. basis of valuation in 1915. In 1923 the payment of a bonus and the safer basis of valuation were resumed. It should be remembered that in the last war Government loans were issued at higher rates of interest, and to that extent our situation has worsened on the present occasion.

VALUATION VAGARIES

Soon after the outbreak of war the proposal was made to retain 1938 values in assurance accounts where disclosure of heavy temporary depreciation might affect stability and confidence. The Institution is taking advantage of this suggestion, but for exactly the opposite reason. We retain 1938 values to avoid the disclosure of substantial appreciation, which we are bound to regard with as much doubt as was applied two years ago to a movement in the opposite direction.

Stock Exchange prices have, as a rule, served as a barometer

to show the state of the economic weather. In prosperous times the price of stocks and shares has been high and the yield low; in times of adversity prices have fallen and the yield tended to increase. Now, however, a new experimental order is on trial under which the barometer works the other way. The insurance man is thus faced with problems the solutions to which are not for the time being available. Insurance properly so called is firmly based upon past experience, the ascertained figures of markets and mortality. We can, today, rely upon neither. Total war presents mortality risks that cannot be calculated, and no past experience of normal free market movements can help us in the present unprecedented circumstances.

Some £10,000,000 of our money is invested on the security of bricks and mortar, and I have yet to meet the expert who will venture an opinion on future values in this field. We have suffered from bombing, but the vagaries of Government policy in the matter of compensation throw doubt upon the value of any calculations of our claims. Putting these considerations together, we have kept our freeholds, leaseholds and mortgages at the figures of the 1938 valuation, adjusted only by our automatic contributions to reserves, by new purchases, and by actual realised profits. For the reasons I have given you we have applied the same principle to our Stock Exchange securities, although on the assumption that official prices as at December 31, 1941, could be obtained, we have a substantial hidden reserve in addition to the figure shown on the accounts.

BETTER SECURITY

Fifty years ago the Institution led the way in establishing the safest basis of insurance valuation. We were one of the pioneers of 2½ per cent. Apart from the lapse in 1915-20, to which I have referred, the 2½ per cent. standard has been maintained since 1891; 2½ per cent. was adopted at a time when there was a prospect of a fall in the rate of interest below the 4 per cent. which had previously prevailed. Seeing, therefore, that the net earning capacity of the fund at the present time is lower than it has been during the whole of that period, your directors have deemed it wise to strengthen still further the basis of valuation. We are now adopting a rate of 2½ per cent. for all with-profit policies, which comprise the bulk of our business, and once again taking the lead in a movement towards greater security.

THE QUESTION OF BONUS

Last year I expressed the view that wars and bonuses were incompatible, an opinion which many hold to be applicable in a far more general way. With the explanations I have given it will be seen that a moderate bonus in respect of the last triennium might have been declared if the experience of 1915 and 1920 had not been available as a guide and a warning. While the deferment of a bonus decision until the next valuation is undoubtedly in the best interest of the members as a whole, it is necessary that justice should be done to those whose policies become claims by maturity or by death in the meantime. It has therefore been decided, until further notice, to pay to such cases interim bonuses calculated upon the sums assured, increased by the total of previous bonuses attaching to each policy, and dating back to 1939. In the general section these interim bonuses will be at the rate of 20s. and in the temperance section whole life and long term endowment assurances will receive 21s. per £100 insured.

OUR FIRE AND ACCIDENT COMPANY

The figures for 1941 contain no revenue from our new subsidiary, the United Kingdom Fire and Accident Insurance Company, Limited. The first year's accounts, dated April last, disclosed a thoroughly satisfactory position, and the board, with the full approval of the directors of the Institution, after writing off all preliminary expenses, carried the balance of profit to the credit of the current year. Present appearances indicate excellent progress in the second year, and your directors are satisfied that the foundations of a powerful and profitable sister concern are being well and truly laid by the Rt. Hon. Isaac Foot and his colleagues.

SCOTTISH POWER COMPANY,
LIMITED

MR WILLIAM SHEARER'S REVIEW

The thirty-second annual ordinary general meeting of the Scottish Power Company, Limited, was held, on 20th instant, in Edinburgh.

Mr William Shearer (the chairman) said that he must refer to the grievous loss which the directors and the company had sustained by the untimely death of their chairman, Mr George Balfour, which took place on September 26th last. Possessed of unbounded energy and enthusiasm and with a vision which was all too rare in the early days of electrical development in this country, he had foreseen in a remarkable manner the potentialities of electricity as applied to industrial and domestic purposes. Others there were in those early days who had similar faith in the future of this form of energy, but with few exceptions they lacked the somewhat unique combination of attributes which George Balfour possessed—technical skill, a commercial flair and sound financial instinct. These, coupled with a dominating personality, commanded and deserved success, and success he certainly achieved.

THE GLEN AFFRIC SCHEME

Dealing with the Glen Affric Scheme, he said that four years ago the late chairman had pointed out that the striking growth in development of the demand in the company's areas of supply was rapidly absorbing their existing output capacity, and had emphasised the necessity of planning in advance for an additional source of supply in the North. His forecast had proved accurate, and it had become evident two years ago that, notwithstanding war conditions, the company would not be justified in postponing further an application to Parliament for powers to develop additional water resources.

After describing how the Bill dealing with the matter had been rejected by the House of Commons with the promoters' assent and stating that a committee was now sitting to consider the practicability and desirability of further developments in the use of water-power resources in Scotland, he said that the whole question must be regarded as *sub judice*.

They heard from time to time, he said, criticism of holding companies which, in his view, emanated from ill-informed quarters or was set in motion for political purposes. There was, in his opinion, no doubt that in the absence of that type of financial structure the development of many large areas could not have been undertaken or successfully carried out except under special legislation involving subsidies from the Government, i.e., the taxpayer.

This company and its subsidiaries furnished an excellent example of the benefits which had been obtained from the co-ordination and direction provided through the association of a group of undertakings with a strong holding company. He could cite many instances up and down the country, particularly in widespread rural or semi-rural areas, where in his experience high quality of management, sound technical planning, intensive development and, not least important, financial facilities had only been made available by collaboration with a strong and stable holding company such as the Scottish Power Company.

DEBT TO PRIVATE ENTERPRISE

Some of the critics of holding companies and other forms of private enterprise no doubt performed useful and necessary functions in a cloistered atmosphere within their own spheres of activity but had not had the opportunity of going through the hurly-burly of building up a large business or of facing the difficulties and anxieties inevitably experienced in so doing. The country owed much of its great heritage to personal initiative and private enterprise.

The trading profits of the undertakings owned and operated by the company, together with miscellaneous receipts, amounted to £977,046, and after provision for taxation to £642,265, compared with £634,399 in the previous year's accounts. An aggregate amount of £302,030 had been appropriated for depreciation, reserves, contingencies, etc., in the operating companies' accounts. Those appropriations were, in their view, adequate. The net revenue amounted to £338,925, and the total available was £340,234.

The report and accounts were adopted and a final dividend for the year of 5½ per cent. was declared on the ordinary stock, making 8 per cent. for the year.

METROPOLITAN ELECTRIC SUPPLY
COMPANY, LIMITED

ALL DEMANDS MET

The annual general meeting of this company was held, on the 24th instant, in London, Major H. Richardson, MC, JP (chairman and managing director), presiding.

The chairman, in the course of his speech, after paying a tribute to the late chairman, Mr George Balfour, MP, said: "Plant has been maintained in good order, and I am glad to be able to say that all demands on your company and its subsidiary companies have been satisfactorily met, and supply has been fully maintained during the year."

Interest on debenture stocks, loans and dividend on preference stock have, of course, been duly paid, and provision has been made for depreciation and contingencies, including provision for any war damage contributions which may become payable under a scheme which is now being considered by the Government and the industry. The redemption of the balance of the 7½ per cent. extension debenture stock (1921) outstanding has now been effected.

While keeping clearly before us the primary necessity of contributing every effort towards winning the war, we are not unmindful of the desirability of keeping well in touch with responsible post-war schemes of reconstruction, and we fully appreciate the important part which electricity supply undertakings should take in all such future planning.

It is still necessary that the general public should be informed of the particularly valuable work which the company-controlled electricity supply undertakings have done in the country. The availability of electricity supply in thousands of square miles of sparsely populated and rural areas has been almost entirely due to the enterprise of the supply companies, and every year (subject always, of course, to war conditions) these companies are making still greater efforts to take the supply of electricity further afield, to the undoubted advantage of the country.

The report and accounts were unanimously adopted, and a final dividend of 5 per cent., less income-tax, making, with the interim dividend already paid, a dividend of 8 per cent., less income-tax for the year was approved.

LANCASHIRE STEEL CORPORATION
LIMITED

DIVIDEND OF 7 PER CENT

The twelfth ordinary general meeting of the Lancashire Steel Corporation, Limited, was held, on the 25th instant, at Warrington.

Mr John E. James (chairman and managing director) said that the board had laid aside £15,000 to the reserve for increased cost of plant replacement, while £25,000 had been transferred to general reserve. The directors had decided to recommend the payment of a dividend of 2½ per cent., less tax, on the 5½ per cent. non-cumulative redeemable second preference shares, making 5½ per cent. for the year, and 7 per cent., less tax, on the "A" and "B" ordinary shares.

During the year consideration was given to the policy which it might seem desirable for the corporation to follow in relation to interim dividends on the second preference shares. Some years ago the board decided to discontinue interim dividends on the ordinary shares, and following that policy they had now decided to discontinue such dividends on the second preference shares. It would be appreciated that that decision in no way affected the dividends on the 5 per cent. cumulative redeemable first preference shares.

The directors had elected the Rt. Hon. Earl Peel, Mr L. E. Mather and Mr Geoffrey K. Rylands to seats on the board. For some time past the board had considered it desirable to add to the directorate of their important Lancashire Steel Company one or two members representative of industry in the county, and he was glad to welcome that day in that capacity Lord Peel and Mr Mather. Those gentlemen were, he was sure, well known to them all, and the directors looked forward with pleasure to availing themselves of the experience they had gained in other branches of industry. Mr Geoffrey K. Rylands controlled the works organisation of Rylands Brothers, Limited, one of the large, wholly owned subsidiary companies of the corporation. The board had appointed Mr Robert Crichton, CBE, one of the directors whose whole time was engaged in the affairs of the corporation, a vice chairman.

The report was adopted.

BRITISH INSULATED CABLES LIMITED

INCREASED TRADING PROFITS

The annual general meeting of British Insulated Cables, Limited, will be held on April 1st at Liverpool.

The following statement by the chairman, Sir Alexander Roger, was circulated with the report and accounts for the year to December 31, 1941:—

The profit on trading, dividends on investments, etc., after making provision for taxation and for contingent reserves adjustment, amounts to £810,385—an increase of £24,153. The profit, as in 1940, is after charging war damage insurance, as although this expenditure is a premium payable on our capital assets, it is essentially a revenue charge. "Depreciation of fixed assets" amounts to £247,324, or £37,702 more than in 1940. Since the outbreak of war additional wear and tear has occurred.

The further £100,000 transferred to "war contingencies reserve account" brings it up to £300,000. After another year of war, in which we have witnessed its extension to practically the whole world, it is more than ever necessary to build up a substantial "war contingencies reserve account." It is proposed to pay a final dividend of 10 per cent. (less tax) on the ordinary stock, making, with the interim already paid, a total of 15 per cent. (less tax). A cash bonus of 5 per cent. (less tax) will also be paid, leaving a balance of £478,547—a decrease of £10,152 of the amount brought forward from 1940.

EFFORT TO MAINTAIN PRODUCTION

The short review I have made gives a wholly inadequate idea of the manufacturing activities of the company and the strain and effort necessary to maintain production. There is criticism in the country that manufacturers and machines are not working to the limit, and, if this is so, I wonder whether it is owing to apprehension about post-war conditions. Personally, my interest lies at present in current problems and not in post-war plans; but the latter cannot be ignored altogether, and boards, managements and workers would be lacking in their duty if they did not pay some regard to the problem.

There may be instances where some hesitation has been, and still is, displayed by managements to shoulder financial responsibility for extensions which, while urgently essential for war, cannot be described as ordinary financial or trading risks. On the other hand, one knows of numerous cases where these risks have already been taken, with the result that substantial increase in production has been achieved.

Manufacturers are fully alive to the urgent necessity of meeting the country's needs, and are more than anxious to make the maximum contribution to the war effort. But further impetus might be given to production by an inspiring statement from the Government containing a promise that when victory is won there will be awaiting a "fair deal" not only for labour, which is rightly asked and expected to go "all out," but also for the investing public, which is also rightly asked and expected to put "all in."

Production must be encouraged by every legitimate means, and nothing that ought to be said, and can be said, to promote production should be left unsaid, and no undertaking which the Government can implement at the proper time should be withheld today, if by such means a greater productive effort can be attained.

UTMOST CONFIDENCE REQUIRED

The utmost confidence between Government, industrialists and labour was never more urgently required than at the present time. If this is lacking in any direction the war effort is hampered. The Government and the people must be indissolubly linked; they are inter-dependent and buttress each other. United and in complete harmony, we can attack or defend with certain success. Separated by lack of confidence or of team work, or any other cause, we can do neither.

I unhesitatingly ask you to join with me in acknowledging our gratitude for the devotion to the company's and to the country's interest during a year of heavy work and responsibility displayed by our managing directors—Mr T. H. Martin-Harvey and Mr W. Travis. I want you also to send a message of grateful thanks to our managers, superintendents, foremen and to all our employees. One and all they deserve it.

BOVRIL, LIMITED

FINANCIAL POSITION IS SATISFACTORY

Presiding at the forty-fifth annual general meeting of Bovril, Limited, held in London on the 26th instant, the Lord Luke, KBE (chairman), said that since the issue of their report they had suffered a sad loss in the death of their vice-chairman, the Duke of Atholl.

Turning to the balance-sheet, the freehold and leasehold properties were £9,544 down. This was due to depreciation.

Plant, etc., on the other hand, owing to certain additions, and after allowing for depreciation, was up to the extent of £9,879.

The interest in subsidiaries, including indebtedness, at £327,311 had been increased by some £28,000.

Investments in associated companies, etc., at £793,399, were up £83,438. Three-fourths of this had been due to the purchase of National War Bonds.

Stocks of cattle and raw materials, at £900,907, showed an increase of £16,251. This was due to increases in raw material and finished stocks, the cattle interest having been down.

Sundry debtors was one of the few items which had shown a considerable change, at £472,542, against £232,982, an increase of £239,560. This was due to increases in the amounts owing by Estates Control Limited and Argentine Estates of Bovril Limited.

Sundry creditors and provision for taxation was up by some £260,000, a large part of which was an increase in the reserve for taxation.

RESERVE REACHES £1,000,000

The reserve, at £1,070,000, showed the appropriation added last year, and the addition of another £30,000 this year would bring it up to £1,100,000.

In the profit and loss account, the net profit showed £275,628 as against £263,860 in 1940. Of course, these two figures were by no means representative of the actual trading profits of the two years, but they were as adjusted after making allowances for excess profits tax.

The excess profits tax standard was, of course, their ceiling, and under the present Budget, improvement in their final net profit could only show itself if additional capital were employed in the business and raised their standard, or Bovril received larger dividends from its investments.

A company's position as regarding its excess profits tax standard was simply a matter of luck. No doubt the standard years selected had been in their wisdom wisely chosen by the Inland Revenue as years that on the whole would provide the largest possible revenue in the scheme of taxation. The years may have suited some companies, but certainly, on the whole, they had caught many of them at their very worst period. He did not think there had ever been any suggestion that EPT was an equitable scheme as between various taxpayers, but it was a scheme of taxation that had produced a very large revenue and, in quite a few cases, had prevented those in what might have been called war industries making excessive profits.

They would have seen from the report that the profits were sufficient to provide their usual fixed dividends, £30,000 to reserve and 9 per cent. on the Deferred.

INCREASE ON DEFERRED DIVIDEND

There had been no class more hardly hit than those who out of savings had bought shares that today provided an income after deduction of tax of almost half what they had received in 1938, and, therefore, the board was very pleased to see its way to recommend a small increase on the Deferred dividend.

The Bovril organisation, which had been built up during all these years, showed considerable elasticity at a period like this, not only in the production of Bovril, but particularly emergency rations and other food products, and by intensive work by day and night, etc., their output of all these was at least three times what it had been in 1939. The factories were indeed to be complimented on their efforts.

During the period under review, they had taken considerable trouble to distribute the supplies of Bovril as evenly as possible throughout the country. He believed their friends, the retail trade, had been receiving at least as much Bovril as they did on the average of 1938/39/40—unless they lived in an area where the population had been much reduced.

The report and accounts were adopted.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

A SATISFACTORY OUTPUT

The annual general meeting of Automatic Telephone and Electric Company, Limited, will be held on 1st proximo, at Liverpool.

The following is an extract from the statement by the chairman, Sir Alexander Roger, KCIE, circulated with the report and accounts:

Factory orders and output reached a satisfactory level. The profit on trading, dividends on investments, etc., at £261,548 compares with £238,052 and is after reserving for EPT, ordinary taxation and contingency reserves adjustment. The directors recommend transfer of £60,000 to war contingencies and taxation reserve, a dividend of 7 per cent. on the ordinary stock (making 10 per cent. for the year) plus a cash bonus of 2½ per cent., both subject to tax, and a dividend of 10 per cent. on the deferred stock and shares plus a cash bonus of 2½ per cent., both subject to tax.

No one in industry wants "concessions," but it is surely unwise to permit excess profits tax to bankrupt factories. An example of this possibly happening is to be found in a subsidiary company with an EPT "loss" standard. This "loss" must be paid annually plus 100 per cent. of profits earned, even if it bankrupts the subsidiary.

I wish also to emphasise the vital need for more and more production. This great concern, against strong world competition, has multiplied its output six times in the last 20 years. Employees of all ranks, male and female, are comfortable and work under as congenial and sympathetic conditions as we can devise. The shareholders who have ventured their savings have had safety and a reasonable return. All this and all we enjoy—our work, our homes and our lives—are at stake on this question of production. Men in the field or on the water, however brave, cannot win the war without equipment. They must have the war products of the factories without stint, and in abundance. This lies more in the hands of the people than the Government.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

PROSPEROUS CAREER INTERRUPTED

The thirty-third ordinary general meeting of the Rubber Plantations Investment Trust, Limited, was held, on 25th instant, in London, Mr H. J. Welch (the chairman) presiding.

The following are extracts from the chairman's address circulated with the report and accounts:

During the year there was little change in the total invested, which at December 31st last amounted to £3,171,001. The valuation as at December 31st last was less than the book cost

by £834,644, but against that deficiency can be set general dividend reserves and the "carry forward," aggregating £646,741 in all.

Our gross income of £173,383 was approximately £16,500 less than in the preceding year, and after providing for increase taxation and allowing for the interim dividend of 3 per cent., the board has decided, with regret, not to recommend any further dividend at present. It is proposed, however, to transfer £45,000 to dividend equalisation reserve, leaving £96,744 to carry forward. The board will recommence the payment of dividends as soon as it considers it would be in your interests to do so.

I can say little this year of any value as to our future prospects. The prosperous career of the Trust has been rudely interrupted by the war. It is obvious that we must expect a diminution of income this year, although as it will be derived principally from dividends paid by companies in respect of the working of last year, such diminution is likely to be less in 1942 than in 1941.

Until the military situation in the Far East becomes more stabilised it is impossible to make any forecast of the quantities of rubber likely to be available during 1942. Fortunately the stocks in the Allied countries at the end of 1941, together with quantities afloat to them at that date, should be sufficient to supply the essential military and civilian requirements of those countries for well over a year, if vigorous conservation arrangements are promptly undertaken.

The report was adopted.

CONSOLIDATED MINES SELECTION COMPANY, LIMITED

The forty-sixth annual general meeting of this company was held, on the 24th instant, in London.

The following are extracts from the statement by the chairman, Mr S. S. Taylor, CMG, DSO, circulated with the report and accounts:—Our investments at cost, less amounts written off, £736,481, show a slight increase over the corresponding figure of £712,255 of the previous year. The market value as at December 31, 1941, was £1,225,405.

Our income from interest and dividends was £63,283, which is only approximately £1,900 less than last year, while our net profit on share dealing was £17,660, as compared with £1,200 in the corresponding period.

Our interest in diamond mining is derived through our holding of Anglo American Corporation shares, and I would refer you to the published dividends of De Beers Consolidated Mines, the Consolidated Diamond Mines of South-West Africa, and the Premier (Transvaal) Diamond Mining Company as evidence of the continued prosperity of that industry.

Our interests in copper are held through Rhodesian Anglo American, and Rhokana Corporation has again been compelled to reduce its dividend, and this reduction was reflected in the reduced distribution by Rhodesian Anglo American.

New York

DOMESTIC problems and the generally uninspiring war reports kept business on Wall Street at a low ebb before the week-end, prices fluctuating narrowly without trend. A slight improvement in sentiment in the early part of the current week induced some expansion of turnover, while prices became steadier.

New York Prices

STANDARD STATISTICS INDICES

(1935=100)

WEEKLY AVERAGES

	1942	Mar. 11, 1942	Mar. 18, 1942	Mar. 25, 1942
447 Industrials	65.4	75.0	69.8	65.4
52 Rails	64.3	71.0	67.9	64.3
40 Utilities	59.7	67.4	63.9	59.7
419 Stocks	64.4	73.3	68.8	64.4
Av. yield*	8.19%	7.65%	7.67%	8.19%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4. (c) Mar. 18.

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices
1942			30 Ord. shares* 20 Fixed Int.*
Mar. 19	2,841	2,419	74.9 134.3
20	2,778	2,195	74.9 134.3
23	3,472	2,474	74.8 134.4
24	3,241	3,160	75.1 134.4
25	3,110	2,410	75.4 134.4

* July 1, 1935=100. † 1926=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest 134.5 (Mar. 17); lowest, 132.2 (Jan. 5).

COMMODITY AND INDUSTRY NEWS

Food Price Notices.—From April 7th, retailers need not exhibit price posters or tickets for certain foods, and instead are required to have a maximum price list available for inspection by customers. A notice must be displayed prominently in the shop stating that such a list is available for reference and indicating where it is kept. A printed list has been prepared by the Ministry of Food, for sale at 6d. a copy. Supplement sheets will be issued each month to keep the list up to date.

Woven Wool Utility Cloth.—In order to assist designated clothing manufacturers to obtain the woven wool utility cloth which they require for the execution of their programmes, the Board of Trade has made a direction dated March 17, 1942, limiting the quantity of such cloth which any registered cloth supplier (i.e., a manufacturer or a merchant converter) may supply to any individual firm in the restriction period, ending May 31, 1942. This quantity must not exceed 30 per cent. of the quantity of woven wool cloth which the registered supplier actually supplied to that firm during the standard period. If by March 23rd the registered supplier had already supplied more than this percentage to a particular firm during the present restriction period he must not supply any more woven wool utility cloth to that firm until June 1st. The Board will issue licences in appropriate cases, allowing supplies above 30 per cent. to particular designated firms. In general, licences will not be entertained in respect of utility cloth of which they hold stocks representing more than ten weeks' garment production.

Export Control.—Utility cloth and apparel may not be exported to any destination abroad without licence, and applications for permission to export them will not normally be entertained. The existing licensing requirements in respect of woven piece goods wholly or mainly of cotton or cover such goods cut to a width of 18 inches or less, whether or not coated, impregnated, or in any other way treated or operated upon, but not including oilskin fabric, carpeting and machine belting. These provisions are made in the Export of Goods (Control) (No. 13) Order, which came into force on March 24th.

Molasses Control.—The Minister of Supply has made the Control of Molasses and Industrial Alcohol (No. 15) Order, 1942, which comes into operation on March 30th, and by which the national maximum

prices of molasses are fixed on a delivered basis. Further, in the case of material sold in containers and not in bulk, maximum prices are now fixed on a basis of gross weights including the weight of the molasses and the container. The amounts included for carriage in the present prices have been based on the average cost of delivery. Provision is made for reduction in the maximum price in cases where sellers take delivery at a control depot or at a sugar factory.

London Retail Delivery Scheme.—The Transport Commissioner for the London Region has announced that the retail delivery scheme, adopted by London shopkeepers to save fuel, vehicles, tyres and manpower, will be brought into operation on Monday, March 30th. Under this scheme, no goods purchased, except bread, milk, furniture, coal and medicines, will be delivered more than a mile from the shop except by pooled vehicles. There will be only one delivery a week to each customer, except newspaper deliveries, and separate calls for orders will be discontinued. The scheme applies to deliveries by all forms of transport—motor, horse, electric and hand vehicles and cycles.

New Potato Sales.—The Ministry of Food has issued an Order prohibiting all sales of new potatoes of the 1942 crop, including potatoes in the ground. This prohibition will remain in force until a plan is introduced by the Ministry for marketing new potatoes during the early weeks of the season, when supplies are

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

	From (000 quarters)	Week Ended	From Apr. 1 to
		Mar. 7, 1942	Mar. 14, 1942
Argentina	4	26	7,338
Atlantic America	...	...	2,932

Source: The Corn Trade News.

WORLD SHIPMENTS OF WHEAT AND FLOUR

	From (000 quarters)	Week Ended	From Aug. 1 to
		Mar. 7, 1942	Mar. 14, 1942
N. America	495	603	13,105
Argentina, Uruguay	265	116	5,972

Source: The Corn Trade News.

DAILY AVERAGE OF 50 COMMON STOCKS

Mar. 12	Mar. 13	Mar. 14	Mar. 16	Mar. 17	Mar. 18
79.9	80.5	80.4	81.5	83.4	82.4

1942 High: 91.2, Jan. 5. Low: 79.8, Mar. 11.
Total share dealings: Mar. 19, 270,000;
Mar. 20, 280,000; Mar. 21, 160,000;
Mar. 23, 280,000; Mar. 24, 364,000;
Mar. 25, 316,000.

* Two-hour session.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
March 28, 1942			

Particulars of Government issues appear on page 450.
Including Conversions Excluding Conversions
Yearly

Yearly	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942	379,423,351	199,308	27,000
1941	288,584,198	2,549,107	N/A

Nature of Borrowing (Conv. Excl.)

Yearly	Govt.	Priv.	Ord.
1942	377,671,312	156,279	1,822,068
1941	288,584,198	8,511	2,180,567

* Includes Government issues to Mar. 17, 1942, only.

Above figures include all new capital in which permission to deal has been granted.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Mar. 25, 1941	Mar. 3, 1942	Mar. 17, 1942
Cereals and Meat	93.0	66.9	96.1	109.2	109.5
Other food	70.4	61.1	92.7	99.5	99.9
Textiles	74.2	54.3	89.8	93.9	93.5
Minerals	113.2	95.4	130.0	130.7	130.7
Miscellaneous	87.0	77.6	114.6	118.3	118.3
Complete Index	87.2	70.3	104.3	110.3	110.3
1913=100	119.9	96.8	143.5	151.8	151.8

* Highest level reached during 1932-37 recovery.

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

	Mar. 19, 1942	Mar. 20, 1942	Mar. 23, 1942	Mar. 24, 1942	Mar. 25, 1942
Crops	116.1	116.1	116.1	116.1	115.9
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	141.6	141.6	141.6	141.6	141.5
	Mar. 31, 1937*	Mar. 31, 1939	Mar. 25, 1941	Mar. 25, 1942	Mar. 18, 1942
Crops	147.9	92.2	109.2	116.4	116.1
Raw materials	207.3	122.9	174.0	172.7	172.7
Complete Index	175.1	108.4	137.9	141.8	141.6

* Highest level reached during 1932-37 recovery.

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

	Home	Export	Index	Change from a Year ago
1937	100	100	100	+1.0
1938	94	82	93	-7.0
1939	105	80	103	-10.7
1940	116	83	114	+10.7
1941 Jan.	63	67	63	-26.2
Feb.	106	68	105	-5.4
1942 Jan.	75	130	76	-17.1
Feb.	119	83	117	-10.3

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is included; figures are therefore comparable throughout. For annual figures 1935-1940 and monthly figures Sept., 1940-Oct., 1941, see Economist Nov. 29, 1941. Source: Board of Trade Journal.

RECORDS and STATISTICS

STOCK EXCHANGES London

Note: all dealings are for cash

INTEREST in the current week was centred largely on the London Warships Week, and markets showed few large movements, although long-term factors such as the impending Budget and the course of the war were not without their effect on prices. The disbursement of the Canadian moneys served to assist business in gilt-edged and senior railway stocks. The downward tendency in the gilt-edged market, which had been in evidence before the week-end, was reversed at the reopening, when, on moderate demand, Old Consols rose ¼ and undated securities enjoyed a small but general advance. While the volume of business was not maintained the next day, price movements were generally upward. Activity in the foreign bond market was

slight, with interest generally centred on Brazilian issues, although prices failed to continue their advance after the week-end. Chilean bonds became weaker on Tuesday when the 5 per cent China loan of 1913 fell a point. The end of the previous week in the home rail market witnessed an expansion of demand for the senior stocks into the junior issues, LMS and GW ordinary stocks both rising ¼. Later, however, interest in the latter subsided, although GW ordinary gained a further ¼ on Tuesday. Steady buying of high-yielding preference issues, especially LMS 4 per cent first preference, continued, but failed to affect prices. A small but general improvement in the foreign rail market was reflected in small but persistent advances for Argentine issues, while on Tuesday San Paulo ordinary advanced 2 points. Elsewhere, after the dividend disappointment, Canadian Pacific showed persistent gains. Earlier dullness in the industrial market gave way to a better tone in the beginning

of this week, although there was no corresponding expansion in the volume of business. Brewery shares fell back on fear of further taxation and restrictions in the coming Budget, but losses were partly recovered in Tuesday's improvement. Few and narrow price movements reflected the lack of interest in the motor and aviation group, while heavy industrial issues suffered small losses before the week-end, although the downward trend was late reversed. Cunard issues continue to dominate the shipping market, where small advances for Union Castle and other issues reflect the generally improved sentiment. The small turnover in textile shares bore affected prices, but in contrast to other sections prices weakened on Tuesday, when Patons & Baldwins lost ½. Prices of leading chain store issues remained firm, quiet conditions, but tobacco shares, falling sharply on fears of curtailed production, recovered at the reopening. Imps and BAT both gaining ½ and Carreras ¼.

Finance

GOVERNMENT RETURNS

For the week ended March 21, 1942, total ordinary revenue was £41,041,000, against ordinary expenditure of £38,527,000, and issues to sinking funds of £155,000. Thus, including sinking fund allocations of £11,901,795, the deficit accrued since April 1st is £2,617,112,000 against £2,382,461,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	Receipts into the Exchequer (£ thousands)				Week ended Mar. 21, 1942
		April 1, 1941	April 1, 1941	Week ended Mar. 21, 1941	Week ended Mar. 21, 1942	
Income Tax	755,000	508,205	745,059	16,574	19,082	
Sur-tax	80,000	73,047	72,067	1,970	2,170	
Stamp duties	82,000	78,782	88,350	1,490	2,134	
Stamps	14,000	12,768	13,633	450	1,099	
N.D.C.	210,000	23,445	21,284	1,190	1,160	
E.P.T.	1,000	67,903	241,010	1,930	5,306	
Other Ind. Rev.		951	802	50	40	
Total Ind. Rev.	1,143,000	765,191	1,182,205	23,654	30,982	
Customs	310,700	301,358	313,300	7,352	6,122	
Excise	266,669	268,800	268,000	5,005	1,902	
Total Customs & Excise	577,369	570,158	581,300	12,357	8,024	
Motor Duties	39,000	37,835	38,153			
P.O. (Net Receipts)	3,300	11,583	10,918	305	1,282	
Crown Lands	1,100	1,050	910			
Receipts from Sundry Loans	2,600	2,553	5,185	582		
Miscellaneous Receipts	20,000	28,135	84,814	2,549	3,317	
Total Ord. Rev.	1,786,360	1,356,505	1,996,485	39,447	41,041	
SELF-BALANCING P.O. & Broadcast	100,646	86,417	100,582	1,445	2,582	
Total	1,887,006	1,442,922	2,097,067	40,892	43,623	

Expenditure	Estimate, 1941-42	Issues out of the Exchequer to meet payments (£ thousands)				Week ended Mar. 21, 1942
		April 1, 1941	April 1, 1941	Week ended Mar. 21, 1941	Week ended Mar. 21, 1942	
Ordinary Expenditure	255,000	219,649	254,141		2,273	
Int. and Man. of Nat. Debt	9,200	8,455	8,076			
Payments to N. Ireland	7,800	7,180	7,644	54	129	
Other Cons. Fund.						
Serv.						
Total	272,000	235,284	269,861	54	2,402	
Supply Services	468,815	349,214	433,184	102,646	96,125	
Total Ord. Exp.	490,815	372,743	460,195	102,700	98,527	
SELF-BALANCING P.O. & Broadcast	100,646	86,417	100,582	1,445	2,582	
Total	591,461	459,160	560,777	104,145	101,109	

After decreasing Exchequer balances by £262,390 to £2,570,888, the other operations for the week (no longer shown separately) raised the gross National Debt by £59,017,719 to about £13,989 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	500
War Damage Act	1,297
Overseas Trade Guarantees	37
Anglo-Turkish Arrangements	1,639

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Mar. 21st and Mar. 27th. (Figures in brackets are par of exchange.)

United States. \$ (4-86) 4-02-03; mail transfers 4-45-47; Canada. \$ (4-86) 4-45-47; mail transfers 4-45-47; Switzerland. Francs (25-22) 17-30-40; Sweden. Krona (18-150) 16-85-95; Argentina. Pesos (11-45) 16-85-17-13; mail transfers 16-95-17-15; Dutch West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64; Portugal. Escudos (110) 99-80-100-20; Panama. \$ 4-02-04; mail transfers 4-02-04.	
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Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 520. Italy. 71-25 lire.

FLOATING DEBT

Date	Treasury Bills	Tap	Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1941						
Mar. 22	845-0		Not available			
Dec. 13	975-0					
.. 20	975-0					
.. 31	2547-0	186-5	66-9	811-5	5610-5	
1942						
Jan. 10	975-0		Not available			
.. 17	970-0					
.. 24	960-0					
.. 31	945-0	1584-0	191-0	9-2	764-5	1994-7
Feb. 7	930-0		Not available			
.. 14	915-0					
.. 21	905-0					
.. 28	905-0	1612-7	215-4	21-7	677-5	3422-3
.. 14	905-0		Not available			
.. 21	905-0					

TREASURY BILLS

Date of Tender	Amount Offered	Applied for	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1941				
Mar. 21	65-0	131-6	65-0	17
Dec. 26	75-0	146-7	75-0	31
1942				
Jan. 2	75-0	157-8	75-0	30
.. 9	75-0	161-6	75-0	27
.. 16	70-0	143-2	65-0	28
.. 23	65-0	142-9	60-0	17
.. 30	60-0	144-6	60-0	20
Feb. 6	60-0	148-6	60-0	23
.. 13	65-0	139-9	65-0	26
.. 20	75-0	153-7	75-0	31
.. 27	75-0	142-6	75-0	35
Mar. 6	75-0	139-4	75-0	38
.. 13	75-0	128-0	75-0	34
.. 20	75-0	121-4	75-0	30

On March 26th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 50 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on March 27th. For the week ending March 28th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds
Feb. 10	5,003	3,780	9,182	18,260
.. 17	5,816	3,700	11,362	9,546
.. 24	6,385	4,119	11,294	13,093
Mar. 3	6,804	4,772	28,694	16,367
.. 10	7,169	6,830	19,872	14,347
.. 17	9,649	6,890	18,597	14,347
.. 24			48,220	48,975
Totals to date	487,227	422,137	632,615	347,557

* 121 weeks. † 64 weeks. ‡ 24 weeks.
Including series "A." Including Series "A" and "B."
Interest free loans received by the Treasury up to Mar. 24th amounted to a total value of £46,235,591. Up to Feb. 28th, principal of Savings Certificates to the amount of £57,322,000 has been repaid.

Market Rates.—The following rates remained unchanged between Mar. 21st and Mar. 27th.

Egypt. Piastres (97) 97-3/4; India. Rupee (18d. per rupee) 17-1/4-18-1/4; Belgian Congo. Francs 176-1/2-176-3/4; National \$ 21-3/4.	
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Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 1 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cent pm-par. Sweden. 3 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Mar. 21st and Mar. 27th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months,

BANK OF ENGLAND RETURNS

MARCH 25, 1942	
ISSUE DEPARTMENT	
Notes Issued:	Govt. Debt 11,015
In Circulation	Other Govt. 787,114
In Bank, Deposits	Securities 1,860
.. 25 174,639	Other Secs. 1,860
.. 26 174,639	Silver Coin 9
.. 27 174,639	
.. 28 174,639	
.. 29 174,639	
.. 30 174,639	
.. 31 174,639	
.. 1 174,639	
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.. 31 174,639	

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	182,427
Res. Funds	3,505,099	Other Secs.	5,187
Public Depts.	9,271,596	Advances	22,374
Other Depts.	156,823,982	Securities	27,511
Bankers	51,556,725	Notes	25,174
Other Acts.	208,180,707	Gold & Silver	395
		Coin	235,510
			235,510,402

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

COMPARATIVE ANALYSIS

Date	1941		1942	
	Mar. 26	Mar. 11	Mar. 18	Mar. 2
Notes in circulation	611-5	753-6	754-2	75
Notes in banking department	18-8	26-7	26-0	2
Government debt and securities	627-0	778-2	778-1	77
Other securities	0-0	1-8	1-9	
Silver coin	0-0	0-0	0-0	
Gold, valued at s. per one oz.	148-00	168-00	168-00	168
Deposits:				
Public	22-0	21-0	12-6	1
Bankers	118-6	117-6	136-9	1
Others	52-3	52-1	49-2	2
Total	192-9	190-7	198-7	2
Banking Dept. Secs.:				
Government	126-5	154-0	162-8	1
Discounts, etc.	45-3	4-2	4-3	
Other	19-3	23-5	19-0	2
Total	191-1	181-7	205-4	2
Banking dept. res.	19-9	27-0	26-4	
"Proportion"	10-2	14-1	13-2	

* Government debt is £11,015,100; cash in Treasury Bills: 2 months, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 1 year, 1½%; 2 years, 1½%; 3 years, 1½%; 4 years, 1½%; 5 years, 1½%; 6 years, 1½%; 7 years, 1½%; 8 years, 1½%; 9 years, 1½%; 10 years, 1½%; 11 years, 1½%; 12 years, 1½%; 13 years, 1½%; 14 years, 1½%; 15 years, 1½%; 16 years, 1½%; 17 years, 1½%; 18 years, 1½%; 19 years, 1½%; 20 years, 1½%; 21 years, 1½%; 22 years, 1½%; 23 years, 1½%; 24 years, 1½%; 25 years, 1½%; 26 years, 1½%; 27 years, 1½%; 28 years, 1½%; 29 years, 1½%; 30 years, 1½%; 31 years, 1½%; 32 years, 1½%; 33 years, 1½%; 34 years, 1½%; 35 years, 1½%; 36 years, 1½%; 37 years, 1½%; 38 years, 1½%; 39 years, 1½%; 40 years, 1½%; 41 years, 1½%; 42 years, 1½%; 43 years, 1½%; 44 years, 1½%; 45 years, 1½%; 46 years, 1½%; 47 years, 1½%; 48 years, 1½%; 49 years, 1½%; 50 years, 1½%; 51 years, 1½%; 52 years, 1½%; 53 years, 1½%; 54 years, 1½%; 55 years, 1½%; 56 years, 1½%; 57 years, 1½%; 58 years, 1½%; 59 years, 1½%; 60 years, 1½%; 61 years, 1½%; 62 years, 1½%; 63 years, 1½%; 64 years, 1½%; 65 years, 1½%; 66 years, 1½%; 67 years, 1½%; 68 years, 1½%; 69 years, 1½%; 70 years, 1½%; 71 years, 1½%; 72 years, 1½%; 73 years, 1½%; 74 years, 1½%; 75 years, 1½%; 76 years, 1½%; 77 years, 1½%; 78 years, 1½%; 79 years, 1½%; 80 years, 1½%; 81 years, 1½%; 82 years, 1½%; 83 years, 1½%; 84 years, 1½%; 85 years, 1½%; 86 years, 1½%; 87 years, 1½%; 88 years, 1½%; 89 years, 1½%; 90 years, 1½%; 91 years, 1½%; 92 years, 1½%; 93 years, 1½%; 94 years, 1½%; 95 years, 1½%; 96 years, 1½%; 97 years, 1½%; 98 years, 1½%; 99 years, 1½%; 100 years, 1½%; 101 years, 1½%; 102 years, 1½%; 103 years, 1½%; 104 years, 1½%; 105 years, 1½%; 106 years, 1½%; 107 years, 1½%; 108 years, 1½%; 109 years, 1½%; 110 years, 1½%; 111 years, 1½%; 112 years, 1½%; 113 years, 1½%; 114 years, 1½%; 115 years, 1½%; 116 years, 1½%; 117 years, 1½%; 118 years, 1½%; 119 years, 1½%; 120 years, 1½%; 121 years, 1½%; 122 years, 1½%; 123 years, 1½%; 124 years, 1½%; 125 years, 1½%; 126 years, 1½%; 127 years, 1½%; 128 years, 1½%; 129 years, 1½%; 130 years, 1½%; 131 years, 1½%; 132 years, 1½%; 133 years, 1½%; 134 years, 1½%; 135 years, 1½%; 136 years, 1½%; 137 years, 1½%; 138 years, 1½%; 139 years, 1½%; 140 years, 1½%; 141 years, 1½%; 142 years, 1½%; 143 years, 1½%; 144 years, 1½%; 145 years, 1½%; 146 years, 1½%; 147 years, 1½%; 148 years, 1½%; 149 years, 1½%; 150 years, 1½%; 151 years, 1½%; 152 years, 1½%; 153 years, 1½%; 154 years, 1½%; 155 years, 1½%; 156 years, 1½%; 157 years, 1½%; 158 years, 1½%; 159 years, 1½%; 160 years, 1½%; 161 years, 1½%; 162 years, 1½%; 163 years, 1½%; 164 years, 1½%; 165 years, 1½%; 166 years, 1½%; 167 years, 1½%; 168 years, 1½%; 169 years, 1½%; 170 years, 1½%; 171 years, 1½%; 172 years, 1½%; 173 years, 1½%; 174 years, 1½%; 175 years, 1½%; 176 years, 1½%; 177 years, 1½%; 178 years, 1½%; 179 years, 1½%; 180 years, 1½%; 181 years, 1½%; 182 years, 1½%; 183 years, 1½%; 184 years, 1½%; 185 years, 1½%; 186 years, 1½%; 187 years, 1½%; 188 years, 1½%; 189 years, 1½%; 190 years, 1½%; 191 years, 1½%; 192 years, 1½%; 193 years, 1½%; 194 years, 1½%; 195 years, 1½%; 196 years, 1½%; 197 years, 1½%; 198 years, 1½%; 199 years, 1½%; 200 years, 1½%; 201 years, 1½%; 202 years, 1½%; 203 years, 1½%; 204 years, 1½%; 205 years, 1½%; 206 years, 1½%; 207 years, 1½%; 208 years, 1½%; 209 years, 1½%; 210 years, 1½%; 211 years, 1½%; 212 years, 1½%; 213 years, 1½%; 214 years, 1½%; 215 years, 1½%; 216 years, 1½%; 217 years, 1½%; 218 years, 1½%; 219 years, 1½%; 220 years, 1½%; 221 years, 1½%; 222 years, 1½%; 223 years, 1½%; 224 years, 1½%; 225 years, 1½%; 226 years, 1½%; 227 years, 1½%; 228 years, 1½%; 229 years, 1½%; 230 years, 1½%; 231 years, 1½%; 232 years, 1½%; 233 years, 1½%; 234 years, 1½%; 235 years, 1½%; 236 years, 1½%; 237 years, 1½%; 238 years, 1½%; 239 years, 1½%; 240 years, 1½%; 241 years, 1½%; 242 years, 1½%; 243 years, 1½%; 244 years, 1½%; 245 years, 1½%; 246 years, 1½%; 247 years, 1½%; 248 years, 1½%; 249 years, 1½%; 250 years,

LONDON ACTIVE SECURITY PRICES AND YIELD

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

Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Mar. 17, 1942	Price, Mar. 24, 1942	Yield, Mar. 24, 1942	Prices, Year 1942		Last two Dividends	Name of Security	Price, Mar. 17, 1942	Price, Mar. 24, 1942	Yield, Mar. 24, 1942
High	Low	High	Low					High	Low					
British Funds														
82½	76½	83½	82½	Consols 2½%	82½	83	4 5/8	45/9	43/6	7 b	Iron, Coal and Steel	43/9	43/9	5 0/8
113½	110	112½	111½	Consols 4% (after 1957)	112½	112½	3 10/11	49/3	46/6	3½ a	Babcock & Wilcox Ltd.	49/	48/9	6 3/8
100	98½	100½	99½	Conv. 2% 1943-45	99½	99½	2 0/3	28/4½	27/	17½ b	Bolton Colliery Ord. £1	27/6	27/3	3 1/8
100½	98½	100½	99½	Conv. 2% 1944-49	99½	99½	2 1/3	22/9	18/3	5 b	Brown (John) Ord. 10/-	18/6	18/6	8 1/8
103½	101½	103½	101½	Conv. 3% 1948-53	101½	101½	2 1/4	20/8½	14/	7 c	Colvilles Ord. £1	15/9	15/	7
106½	102½	107½	105½	Conv. 3½% (after 1961)	105½	105½	2 1/2	27/9	25/7½	12½ b	Dorman Long Ord. £1	21/9	21/6	8 1/8
108½	104½	105½	105½	Conv. 5% 1944-64	105½	105½	2 1/2	27/9	25/7½	12½ b	Guest Keen & Co. Ord. £1	26/3	25/7½	5 0/8
95½	91½	95½	93½	Funding 2½% 1956-61	93½	93½	2 1/8	45/6	42/1½	14 b	Hadfields Ord. £1	43/6	43/1½	5 0/8
100½	97½	100½	98½	Funding 2½% 1952-57	98½	98½	2 1/8	45/6	42/1½	14 b	Staveley Coal Ord. £1	45/9	45/5	6 0/8
101½	98½	101½	99½	Funding 3% 1958-69	99½	99½	2 1/8	35/0½	31/	4 a	Stewarts and Lloyds Ltd.	32/	31/5	7 0/8
116½	111½	116½	114½	Funding 4% 1960-90	116	116	2 1/8	23/7½	22/1½	5½ b	Swan, Hunter Ord. £1	22/9	22/9	6 7/8
101½	100	101½	99½	Nat. Def. 2½% 1944-48	99½	99½	2 9/16	17/6	15/5½	4 a	United Steel Ord. £1	16/3	15/9	6 7/8
102	100	101½	100½	Nat. Def. 3% 1954-58	101	101	2 1/8	0	0	4 a	Vickers Ord. 10/-			
100½	99½	100½	99½	War Bonds 2½% 1945-47	99½	99½	2 10/16	10/10½	7 6/8	Nil c	Bradford Dyes Ord. £1	8/3	8/1½	Nil
100½	100½	100½	99½	War Bonds 2½% 1946-48	99½	99½	2 10/16	8/	6/4½	Nil c	British Celanese Ord. 10/-	6/9	6/9	5 1/8
101	100	101	99½	Savings Bds. 3% 1955-65	100	100	2 1/8	39/1½	34/1½	6½ b	Coats, J. & P. Ord. £1	34/6	34/4½	4 1/8
114½	110½	114½	112½	Victory Bonds 4% 1945-48	113½	113½	3 0/10	36/3	31/	2½ a	Courtaulds Ord. £1	32/	32/	6 0/8
101½	100½	101½	100½	War Loan 3% 1955-59	100½	100½	2 1/8	26/3	22/9	7½ c	Lanes Cotton Corp. £1	24/4½	25/	4 2/8
106½	102½	105½	104½	War Loan 3½% aft. 1952	105½	105½	3 6/10	73/9	72/	10 b	Electrical Manufacts.	72/6	72/6	4 2/8
96½	89½	97	95½	Local Loans 3%	96½	96½	3 2/10	22/9	20/9	7½ a	Callenders Cable, & Co. £1	21/9	22/6	4 3/8
99½	93½	100½	98½	Redemption 3% 1986-96	98½	98½	3 1/10	40/6	37/6	10 c	Crompton Park 'A' 5/-	39/3	38/9	5 3/8
102	100	101	101	Austria 3% 1933-53	101	101	2 17/10	83/7½	78/4½	20 c	English Electric Ord. £1	81/6	81/3	4 3/8
101½	96	101½	100½	India 3½%	101½	101½	3 9/10				Gas and Electricity			
105½	101	102	101	Dom. & Col. Govts.	101	102	4 5/8	38/7½	34/6	3 a	County of London £1	37/6	37/6	4 5/8
106	100	102	100	Australia 5% 1945-75	101½	101½	4 11/16	29/	28/	3½ b	Edmundsons Ord. £1	28/6	28/6	4 3/8
111	107½	109	107½	New Zealand 5% 1946	108	108	3 15/16	14/7½	12/7½	4½ c	Gas Light & Coke Ord. £1	13/4½	13/3	4 1/8
				Nigeria 5% 1950-60	108	108		31/	29/4	4½ b	North-East Electric Ltd.	30/4½	30/	4 1/8
108½	106	108½	105½	Corporation Stocks	106	106	3 7/8	39/9	38/1½	2½ a	Scottish Power Ord. £1	38/6	38/1½	4 1/8
93½	84½	97	93½	Birmingham 5% 1946-56	96½	96½	3 2/10	40/3	39/	3 a	Yorkshire Electric Ltd.	39/3	39/4½	4 1/8
99	93	99½	97	L.C.C. 3%	99	99	3 2/10				Motor and Aircraft			
106	100½	106½	105	Liverpool 3% 1954-64	105	105	3 1/16	17/3	15/	10 c	Austin 'A' Ord. 5/-	15/3	15/7½	3 4/8
				Middlesex 3½% 1957-62	105	105		21/3	20/1½	7½ c	B.S.A. Ord. £1	20/6	20/6	3 4/8
99½	77	99½	97½	Foreign Governments	98½	97½	4 12/16	11/4½	9/6	6 b	Bristol Aeroplane 10/-	9/9	9/9	10 5/8
48½	31	54	46½	Argentina 4½% Stg. Bds.	51	54	4 12/16	14/9	12/4½	110 c	Fairley Aviation Ord. 10/-	12/9	12/9	6 1/8
27½	11	28½	23½	Brazil 5% Funding 1914	24	24	6 2/16	26/4½	24/	6 c	Ford Motors Ord. £1	24/9	24/6	4 1/8
84	71½	90½	83½	Chile 6% (1929)	85	85	4 14/16	13/1½	11/4½	15 a	Hawker Siddeley 5/-	11/9	11/9	13 1/8
42	9	13	6	Egypt Unified 4%	7	7		69/6	65/	2½ a	Lucas (Joseph) Ord. £1	67/6	66/10½	4 1/8
73	58	75½	70½	Japan 5½% 1930	76	75	4 0/10	33/	30/	17½ b	Morris Motors 5/- Ord.	30/9	30/	4 1/8
45	27	36	33	Portuguese 3%	34	33½	5 19/16	91/3	82/6	20 c	Rolls-Royce Ord. £1	90/	90/	4 1/8
				Spanish 4%	76	75					Shipping			
								15/10½	13/3	Nil c	Cunard Ord. £1	15/4½	15/3	5 8/8
								25/	21/6	5 c	Furness, Withy Ord. £1	22/4½	22/	5 1/8
								28/10½	25/3	2 a	P. & O. Def. £1	26/10	27/	4 1/8
								20/7½	16/	5 c	Royal Mail Lines Ord. £1	21/6	21/6	4 1/8
								20/	16/	Nil c	Union Castle Ord. £1	18/6	19/	5 8/8
10½	7½	10½	7½	Railways	8	8½		7/3	3/9	4 c	Allied Sumatra Rbr. £1	4/3	5/	16 0/8
12½	9	12½	9	B.A. Gt. Stn. Ord. Stk.	10	11		14/6	6/	4 c	Anglo-Dutch of Java £1	7/	22/6	8 1/8
46½	39	46½	39	Can. Pacific Com. \$25.	41½	42	9 10/16	32/	17/6	7½ b	Jokai (Assam) Tea £1	18/6	11/3	21 6/8
113½	108½	113½	108½	Great Western Ord. Stk.	111½	112½	4 8 1/16	21½	9d.	6 b	London Asiatic Rbr. 2/-	10d.	11/3	19 4/8
52½	49	52½	49	G.W. 5% Cons. Pref. Stk.	51	52	7 13/16	20/6	8/10	10 c	Rubber Pltns. Trust £1	10/7½	11d.	19 4/8
20	16½	20	16½	L.N.E.R. 4% 1st Pref.	18	18	10 19/16	1/8	9d.	5 c	United Serdang Rbr. 2/-	10d.		
53½	50½	53½	50½	L.M.S. Ord. Stock	52	53	7 10/16			5 c	Anglo-Iranian Ord. £1	38/9	38/9	2 1/8
41	38	41	38	L.M.S. 4½% Pref. 1923	39	39	7 10/16	53/9	36/10½	5 c	Burmah Oil Ord. £1	30/	31/10½	9 8/8
17½	14½	17½	14½	London Transport 'C' Stk.	15	15½	11 9/16	54/8½	27/9	10 b	Shell Transport Ord. £1	37/6	39/4½	4 8/8
65	61½	65	61½	Southern Def. Stock	63½	63½	7 17/16	56/3	34/4	12½ b	Trinidad Leaseholds £1	68/9	67/6	4 8/8
				Southern 5% Pref. Ord.	63½	63½		72/6	63/5½	5 a	Miscellaneous			
71/3	67/6	71/3	67/6	Banks and Discount	70/	71/3	4 18/16	54/0½	42/	5 b	Asson. P. Cement Ord. £1	44/4½	43/9	3 6/8
6	34	6	34	Alexanders £2, £1 pd.	4	4	8 17/16	43/9	38/	10 c	Barker (John) Ord. £1	40/	39/6	3 1/8
38½	36½	38½	36½	Bank of Australia £5.	380	375½	3 4/16	36/10½	30/6	24 c	Boots Pure Drug Ord. 5/-	32/9	32/6	4 1/8
447½	433	447½	433	Bank of England Stock	446½	446½	5 1 8/16	45/7½	42/3	3 a	British Aluminium £1	43/9	43/1½	3 1/8
27/6	19/	27/6	19/	Bank of Montreal £100	21/3	21½	5 1 8/16	48/1½	40/9	11½ a	Brit. Amer. Tobacco £1	73/9	73/9	4 1/8
76½	72/9	76½	72/9	Bank of New Zealand £1	74/9	75/	3 14/16	68/6	64/9	8 b	British Oxygen Ord. £1	67/9	67/6	4 1/8
7½	4½	7½	4½	Barclays Bank 'B' £1	4	4	7 2/16	68/6	64/9	10 b	British Plaster Board 5/-	22/	20/7½	7 1/8
68½	65	68½	65	Chartered of India £5	42	42	8 4/16	68/6	64/9	4 c	Cable & Wir. Hdg. Stk.	106/3	105/	7 1/8
53/9	50/	53/9	50/	Hongkong and S. £125	52/	52/	4 12/16	115/	100/	11½ a	Carreras 'A' Ord. £1	25/6	25/6	4 1/8
89/3	81/6	89/3	81/6	Lloyds 'A' £5, £1 paid	88/	89/	3 11/16	33/1½	24/6	12 c	Dunlop Rubber Ord. £1	13/6	13/6	5 5/8
6½	5½	6½	5½	Midland £2½, fully paid	61	61	4 1/16	15/1½	13/3	Nil c	Elec. & Mus. Ind. 10/-	22/6	22/6	12 6/8
67/	64/	67/	64/	Nat. Dis. £2½, fully paid	66/	66/	4 10/16	25/	22/	12½ a	Gestetner (D.) £1	31/3	32/6	4 1/8
46½	44½	46½	44½	Nat. Prov. £5, £1 paid	460	460	3 13/16	63/6	31/3	20 b	Harrisons & Cross, Def. £1	31/3	32/3	4 1/8
50/3	46/9	50/3	46/9	Royal Bank of Scotland	48/	48/	4 2/16	33/6	30/	5 b	Imperial Chemical Ord. £1	32/3	32/3	4 1/8
82/3	77/9	82/3	77/9	Union Discount £1	79/6	79/6	4 10/16	68/6	64/9	110 b	Imperial Tobacco Ord. £1	64/	64/	4 1/8
				Westminster £4, £1 paid						200 c	International Nickel n.p.	440	425/7½	6 1/8
25	23½	25	23½	Insurance	24½	24½	3 12/16	31/3	28/9	10 c	Lever & Unilever Ord. £1	25/9	25/9	5 1/8
12½	11½	12½	11½	Alliance £1, fully paid	11½	11½	4 11/16	35/	31/3	5 a	London Brick Ord. £1	34/6	34/4½	4 1/8
86/3	79/	86/3	79/	Atlas £5, £1½ paid	82/	82/6	4 4/16	39/1½	30/	20 b	Marks & Spencer 'A' 5/-	35/6	35/6	4 1/8
26½	24½	26½	24½	Gen. Accut. £1, 5/- pd.	24½	24½	4 1 8/16	98/9	85/7½	12½ a	Murex £1 Ord.	20/9	20/9	8 6/8
15½	14	15½	14	Lon. & Lancs. £5, £2 pd.	14½	15	2 10/16	66/4	64/9	34 a	Pinchinson Johnson Ord. 10/-	61/3	61/3	</

reconciling these claims as wit could contrive. It will be possible for the Moslem provinces in North-Western and North-Eastern India to stand out of the scheme, to retain their present status vis à vis the British Government and, at a later date, to seek Dominion status on their own account by separate treaty with Britain. In terms of the Canadian precedent, they will be able to follow the example of Newfoundland—*absit omen*.

It is indeed an outstanding merit of the Government's proposals that they finally place the responsibility for India's future upon the shoulders of the Indian peoples themselves. There may be some who will wonder whether the plan has not perhaps gone too far in its concessions to the Moslem demand for partition. In the event of Moslem non-accession the plan provides no joint organs for handling the many problems that are, and must be, common to Hindustan and Pakistan; and it is very hard to say at this stage how two separate and distinct Unions, each with Dominion status, would be able to live inter-mixed on the same sub-continent with common social, economic, political, diplomatic and military problems. But this will be for the legislatures of the mainly Moslem provinces—and, in the last resort, the populations in a popular vote—to decide for themselves. There are many who believe that Mr Jinnah's scheme for partition, or Pakistan, does not reflect the majority wish of the Moslems, and, if the plan is accepted, this will now be tested by Moslem votes. It is certainly true that the trend of the future in every part of the world must inevitably be, for every reason of government, towards collaboration in political units larger than small sovereign states—although this trend can perfectly well be combined with the devolution of regional administrative duties to provincial communities with independent character.

India, no less than any other country, will surely tread this road; in the longest run, it is difficult to conceive of India except as a unity. But to say this is not to dispute the wisdom which has offered to Moslem provinces the chance of non-accession to the proposed Union. The first and most pressing charge upon the British Cabinet was to draft proposals which Hindus and Moslems alike could accept at once. To confront Mr Jinnah with what might have seemed a purely Congress plan would have been to court certain failure. It is true, as Mr Churchill himself has said, that no minority, however large, can be allowed to stand in the way of India's development towards freedom. But it is equally true that no minority of so many millions as India's Moslems, with a majority position in many wide areas of the sub-continent, could be overridden, without an attempt to fit in its wishes with those of its Hindu neighbours and without its chance to say yes or no to the plan proposed.

The ingenuity of this programme for Indian post-war freedom is matched by its generosity, which is in no way lessened by the hard fact that it would have been fatal folly to have been other than generous. All specifically British interests are set on one side. Not one of the reservations, qualifications or special provisions has anything to do with specifically British interests—unless, indeed, the repelling of the Japanese is so regarded. This is a complete answer to those who have claimed that British selfishness is the bar to Indian freedom. Immediately the war ends, the Lower Houses of the Provincial Legislatures of British India would, according to the plan, meet together as a single electoral college and proceed to the election of a Constituent Assembly with numbers in proportion to the populations of the various provinces. The Indian States, which constitute in population one-third of all India, would be invited to appoint representatives, in proportion to their population, to this Constituent Assembly, which would then make a constitution for a free and independent Indian Dominion. All this would be done by Indians of their own freedom and their own responsibility. The British Government would make a Treaty with this Constituent Assembly, transferring its responsibilities to a free Indian Government and making provision for the protection of minorities, such as the depressed classes and the smaller creeds. It is emphasised that this Treaty would not impose any restric-

tion on the power of the Dominion of India to decide its relations to other Member States of the British Commonwealth—which has been interpreted by Sir Stafford Cripps to mean that the Dominion would be completely free either to remain within the Commonwealth or to secede. What the sanction of the Treaty would be, within the framework of international law, is not yet said.

In short, the plan is a good plan. It contains the two essentials—it makes perfectly plain that the obstacles to immediate attainment of complete and unified Dominion status lie in India, not in Britain; and it makes an honest and ingenious attempt to surmount the chief of those obstacles, the communal hostility of Hindus and Moslems. But the ultimate test of the plan will be its acceptability, and on that score the news, at the moment of writing, is not favourable. The Working Committee of the Congress is reported to have rejected the proposals by unanimous vote, and though no indication has yet been given of the Moslem League's views, they are unlikely, if only for tactical reasons, to be favourable if Congress rejects the plan. The Working Committee appears to have few objections to the extent of the transfer of power that is offered for after the war. But they dislike the possibility of partition. And they are completely unwilling to accept the interim arrangements. This part of the Cabinet proposals was, admittedly, left in vague terms; the political leaders of India were invited to co-operate with the British Government and with the Government of India in organising the Indian war effort, but there was to be no transfer of ultimate responsibility. The Congress leaders apparently will be content with nothing less than the appointment of an Indian Defence Member of the Government, with full authority. This Sir Stafford Cripps will not concede; he insists that responsibility for operations and strategy must remain in the hands of the Commander-in-Chief—that is, General Wavell.

On this point, the negotiations seem likely, at the moment, to break down. Whether, on reflection, the Congress leaders will persist in their refusal remains to be seen. Sir Stafford Cripps was entirely right to fix a short time-limit for his stay in India—otherwise the process of negotiation might have been endless. But though the delay before the final Yes or No must be very short, it is perhaps not necessary to limit it to Sir Stafford's brief visit, and Congress may well be given another week or two to reconsider. In that week or two, they will surely reflect that their condition is an impossible one. With the Japanese advancing in Burma and in occupation of the Andaman Islands, it would be utterly unreasonable to transfer the highest military control to an untried and inexperienced civil administration, of any nationality and colour. It will be made plain in the next few days that no responsible section of British opinion is ready to agree to such a demand. American commentators will probably recall that their own policy in the Philippines, which has so often in recent weeks been held up as a model, retained military control in the hands of General MacArthur and the Government in Washington. It will be borne in upon them that they are jeopardising the success of all their hopes because of a demand which the world will deem impatient, unrealistic and unreasonable. Hope must continue that with this realisation will come a change of mind. If so, it must come quickly. There is very little time, and if this opportunity is let slip, there will be few to question Sir Stafford Cripps's judgment that it will not be possible to make another offer to India in wartime.

One thing at least is clear. The British Government have made their record clear. A bolder and more audacious experiment in human freedom can never before have been offered. Proof has been given of what has so often been said—that the only anxiety of Great Britain is to find means by which India can become a sovereign, self-governing nation at the earliest possible date. Succeed or fail, the free peoples of the world owe a debt of gratitude both to Sir Stafford Cripps for the faith and courage of his personal intervention and to Mr Churchill for the statesmanship with which he has put his authority behind a plan so little in accordance with his previous views. The rest lies with the politicians and the peoples of India.

The Future of Politics

AN isolated by-election is rarely as important as it seems to be on the day the poll is declared and the experienced politician learns to take these temporary successes or failures with an equal shrug of the shoulders. Nevertheless, there are the exceptions. The by-election at Fulham in October, 1933, played its part in the history of Europe; and though last week's contest at Grantham cannot be given this importance, no more can it be waved away as one of those unaccountable accidents that occur from time to time in the best regulated political systems. It is something of a portent. For the first time since the war began, the official candidate, nominated by the party in possession and not opposed by the other of the two great parties, was beaten. The successful Independent was a strong, local candidate, but Sir Arthur Longmore, who was defeated, is also a local man, with all the prestige that the rank of Air Chief Marshal carries in wartime. The result cannot be explained away in this fashion.

What, then, does it mean? One thing at least is clear: it does not portend any weakening of the Cabinet's position. Mr Kendall, the new member, has defined his task as "to help Churchill" and his election cannot be taken, even with Goebbelsian distortion, as a success for any opposition to the Prime Minister. It must rather be taken as one more proof—if one were wanted—that there is nothing that the Government can ask of the people that will not be given, that the people feel themselves to be too little governed, rather than too much. Mr Kendall's slogan was "More Production" and it is undoubtedly true that the mood of the people is strongly in favour of devoting still more effort and sacrifice and audacity to the war, on all its fronts. The recent instalments of "austerity" have been met with gratitude rather than reluctance, and the one desire of the people seems to be to "get on with it." The electors of Grantham did not wish to stay the Cabinet's arm, but to strengthen its hand, to hasten its policy, to encourage its plans. They were asking to be treated ruthlessly—and for others to be treated ruthlessly—in the pursuit of efficiency and effectiveness.

But how does it come about that the electors have to show their desire to strengthen the Cabinet by voting against the official candidate? The answer sheds a light on the present peculiar state of public affairs. It is because, interposed between the Cabinet and the electors, there is a political machinery for which the country as a whole has come to feel profound distrust. Some confirmatory evidence has recently become available in the latest figures of the Gallup poll taken in this country, which were printed in the *News Chronicle* last week. The reservations that have to be made in basing any argument

on such evidence are well known; but when they have been fully made, the figures preserve an approximate validity that cannot be gainsaid. The latest results show that 81 per cent of the sample are supporters of Mr Churchill, but only 35 per cent approve of the Government. "The Government" is a vague phrase. From such indications as are available, it seems probable that the War Cabinet, as now constituted, ranks in the public mind more with Mr Churchill than with "the Government"; at least, all of the figures who command public support—Mr Eden, Sir Stafford Cripps and Mr Bevin—are now included. When the public expresses its distrust of "the Government," it is using the expression in the wide sense that is current, for example, in America, to include the whole hierarchy from Ministers of the Crown down to the lowest rank of officials who have any influence on public policy. The present Ministers, outside the War Cabinet, with a very few exceptions, are not an impressive group, and the public is not impressed. The Under-Secretaries inspire even less confidence, and the general public is convinced that the higher ranks of the bureaucracy, permanent and temporary, are still choked by timidity and incompetence.

Now what is it that distinguishes the War Cabinet from the rest of "the Government" (in this wider sense)? Surely, it is the imprint of party. As was pointed out in these columns when the present Government was formed, there is only one member of the War Cabinet who was a party leader three years ago—and that one exception, Mr Attlee, proves the rule. The War Cabinet has emancipated itself—or has been emancipated by popular pressure—from the parties. But outside the War Cabinet, the Government is still almost wholly recruited from the parties, its balance is determined by the results of the General Election of 1935, its members are (with few exceptions) nominated by their party eminence rather than by their personal competence. And the higher ranks of the Civil Service are still dominated by the sort of men and the sort of minds that were appropriate to public affairs as run by the parties in the 1920's and the 1930's. In any real or true sense, the present parties are dead. They no longer inspire the minds of men or command their enthusiasm. Where, anywhere in the country, can there be found any body of men or women who sincerely and passionately believe that salvation lies through the Conservative, Labour or Liberal parties—except, of course, among those who have some vested interest in the various machines? Yet the parties, assisted by the party truce, still lie bodily across the machinery of the state and monopolise all its offices, save only those few on which popular pressure can bear with concentration



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enough to effect a change. And that is why the public tries to support the War Cabinet by defeating the official candidate. That is why the Cabinet seems so often to be groping for the people, and the people for its leaders.

This is, of course, a very peculiar situation. It should be said at once that there need be nothing alarming about it, and in particular that it is not a fatal weakness for waging war. On the contrary, the driving force is the determination of the British people to win the war; their conviction that the world can be made safe, not only for democracy, but by democracy; their belief that they see the necessities more clearly—not indeed than Mr Churchill or Sir Stafford Cripps or Mr Bevin sees them—but much more clearly than the mass of men who won Parliamentary seats in 1935. What disqualifies the parties to-day is very similar to what defeated the barons when the medieval society was collapsing. The major parties of to-day, Conservative and Labour, both have the dominant characteristics of feudalism: they have become more interested in the special interests of sectional groupings than in the commonwealth.

It would be foolish in the extreme to prophesy about the future development of the forces now at work. If politics were an exact science, an impressive structure of probabilities could be built up. It could be pointed out that the old controversy, which has been the substance of British politics for at least one generation, revolving round the question of whether the state should make itself responsible for the economic environment of

politics, is now as dead as a door-knocker—that is, useful for making a noise but for nothing else. That question is decided; but a new one is coming up: by what methods and in whose interest shall the state discharge its responsibility? Shall it consider itself as the presiding magistrate in a system of semi-sovereign guilds and fiefs, or shall it actively and positively advance the common interest? And if that were to be the alignment, it is easy to see how the political groups of to-day would line up: the "Big Business Conservatives" and the trade union machine on the one side; the Socialists, the Liberals, the "national Conservatives" or "Tory Democrats" on the other.

But politics is not an exact science. The evolution of parties does not follow neat and tidy rules. Much depends on the accidents of events and persons. At the moment, for example, very much indeed depends upon the attitude of Mr Churchill, who gives little sign of being aware of what is afoot—who, in any event, has just rededicated himself to the Conservative party in language of rather more than formal warmth. So it would be idle to prophesy in any detail. But perhaps three statements of a more general character can be hazarded. First, the existing parties will never, at least without radical reconstruction, be able to recapture the imagination and enthusiasm of the people. Secondly, there is a large block of opinion, with a fairly solid core of agreement on the main outlines of political faith, waiting only for the fire of leadership. And thirdly, nature abhors a vacuum such as that into which British political life has degenerated.

Millions Without End

THE financial year 1941-42 ended on Tuesday evening. The total ordinary expenditure amounted to £4,775,694,355, and total ordinary revenue to £2,074,057,310. In addition, £12,168,985 was borrowed to meet statutory sinking funds, leaving a deficit of £2,713,806,030. These are enormous figures; but even so they do not by any means cover the whole of the financial operations of the state, or even those on income account. The large trading departments, the Post Office and the Ministries of Food and Supply, appear only for their net balances, and there are other activities which are carried "below the line" or which do not appear at all.

Both revenue and expenditure have very greatly exceeded the Budget estimates. Revenue was put last April at £1,786.4 millions, and has therefore produced no less than £287.7 millions more than was expected. Expenditure was estimated in the Budget at £4,207.0 millions, and has come out at £568.7 millions more. Both of these increases, however, are partly explainable on accounting grounds. On the revenue side, the figures have been swollen by the effect of the War Damage Act. As contributions under the Act are paid, they are entered "below the line." But if there is expenditure under the Act, the expenditure is debited to the Vote of Credit and an equal amount is brought in as revenue above the line, credited to Miscellaneous Receipts. This item has produced £72.2 millions more than the estimate, and if the whole of this is due to the cause mentioned, the figures have been swollen to the same extent. On the expenditure side, the Chancellor's Budget estimates expressly

excluded all expenditure in North America, but the sums actually expended have, of course, been entered on the account; in December, Sir Kingsley Wood estimated them at about £300 millions. If deduction is made for both these items, the "uncovenanted" excess of revenue is about £215 millions, and of expenditure about £196 millions.

The *Economist* may here be permitted a brief digression of self-justification. In a series of articles in February, 1941, the attempt was made to form a rough view of the probable dimensions of the financial problem in the year that is now over, but was then still in prospect. An admittedly rough estimate of the expenditure in 1941-42 was put at £5,130 millions. This, it will be remembered, was before the passage of the Lend-Lease Act, and the figure therefore assumed the continuance of expenditure in the United States on approximately the scale then existing. It is hard to know what allowance to make for this factor, but it can hardly be put at less than £300 millions. Had our estimate of February, 1941, been adjusted to the basis on which the accounts are now presented, it would thus have been £4,830 millions or less. The figure actually realised is £4,776 millions. The same article estimated that the gross deficit before increases in taxation might be as high as £3,400 millions. If it were not for (a) the omission of Lend-Lease goods from the expenditure, and (b) the increase in the yield of revenue over the estimate for the old taxes, the realised deficit this year would have been at least £3,440 millions. Finally, another article in the series suggested that "it might serve as an immediate objective of tax policy to . . . bring the figure [of revenue]

REVENUE (£ millions)				
	Actual Receipts 1940-41	Budget Estimate 1941-42	Actual Receipts 1941-42	Inc. (+) or Dec. (-) on 1940-41
Income Tax	523.9	756.0	769.7	+245.7
Surtax	76.1	80.0	74.9	-1.2
Estate, etc., Duties	80.8	82.0	90.9	+10.1
Stamps	13.7	14.0	14.1	+0.4
National Defence Contribution	24.1	210.0	21.9	-2.2
Excess Profits Tax	72.1	310.7	247.2	+175.1
Customs	304.9	310.7	378.4	+73.4
Excise	224.1	266.7	325.6	+101.6
Motor Duties	38.0	39.0	38.4	-0.4
Other Inland Revenue	1.0	1.0	0.9	-0.1
Total Tax Revenue	1,358.7	1,759.4	1,962.0	+603.2
Non-Tax Revenue	50.1	27.0	112.1	+62.0
Total Ordinary Revenue	1,408.8	1,786.4	2,074.1	+665.2

EXPENDITURE (£ millions)				
	Actual Issues 1940-41	Budget Estimate 1941-42	Actual Issues 1941-42	Inc. (+) or Dec. (-) on 1940-41
Interest and Management of National Debt	212.9	255.0	257.2	+44.3
Payments to N. Ireland Exchequer	9.7	9.2	9.1	-0.6
Other Consolidated Fund Services	7.5	7.8	7.7	-0.3
Supply Services	3,637.1	4,688.2	4,501.6	+864.5
Total Ordinary Expenditure	3,867.2	4,960.2	4,775.7	+908.5
Sinking Funds	17.0	...	...	-17.0
Self-Balancing Revenue and Expenditure	86.4	100.6	100.6	+14.2

* Including Supplementaries.

up to £2,000 millions." If allowance is made for the War Damage factor mentioned, the actual yield in the year just closed would be £2,002 millions.

These facts are not recalled merely to indulge in the pleasure of saying "We told you so," but because the figures, at the time they were published, were subjected to criticism from official quarters of a kind which is rarely directed to private estimates. In a debate in the House of Lords, Lord Simon, after referring specifically to *The Economist*, went so far as to say that the estimates "rather belong to the class of warning immortalised when the fat boy said to the old lady of Dingley Dell 'I want to make your flesh creep.'" At the time, no reply was possible; but the passage of time has brought its justification. There is little enough attempt at serious commentary on public finance in this country, and the materials available to the outsider for estimation are sufficiently scanty, without the burden of undeserved official criticism being added.

To return to the figures of revenue realised, some of them badly require explanation. Of the old-line Inland Revenue duties, income-tax and surtax, in combination, have exceeded the estimate by £8.6 millions—which represents very close estimation when the total is over £800 millions. Death duties have brought in £8.9 millions more than expected, and Stamps almost exactly the estimated amount. Motor Vehicle Duties have fallen very slightly short of the estimate, but are actually slightly higher than a year ago. The excess on Miscellaneous Receipts has already been explained. The big discrepancies are in EPT and NDC, which have together produced £269.0 millions instead of an expected £210 millions. Customs (£378.4 millions instead of £310.7 millions), Excise (£325.7 millions instead of £266.7 millions) and Post Office net receipt (£13.7 millions instead of £3.3 millions). In a purely financial sense, these very large excesses may be wholly satisfactory. But all of them reflect a volume of private business and consumption which was not expected and should not have been allowed. The excess on EPT may perhaps be excused on the score of the difficulty of making an estimate. The same defence might be pleaded, though with much less justification, in the case of the Purchase Tax. But not all of the increase in the yield of Excise duties can be attributed to that cause. And what is to be deduced from an excess of almost one-third in the yield of Customs duties, when the import programme is supposed to be controlled down to the last ton? Is it entirely due to releases of tobacco from bond and to heavy imports of petrol? By and large, these figures do not speak well for the Government's general economic policy. On a

strictly theoretical plane, increases in revenue serve to narrow the "gap" and reduce the volume of inflation. But in this particular case, there is more reason to believe that the buoyancy of the revenue is a direct consequence of the existence of a "gap" which is steadily inflating the turnover of those forms of activity still remaining outside the purview of rationing and limitation.

What of the prospects for 1942-43? Some of the materials for guesswork are shown in the two following tables. The first gives the figures of total expenditure in the last war and in this:—

	1913-14		1938-39	
	1913-14	1914-15	1938-39	1939-40
Last complete year of peace	1913-14	1914-15	1938-39	1939-40
Half peace, half war	1915-16	1916-17	1940-41	1941-42
First full year of war	1917-18	1918-19	...	...
Second full year of war	...	...	...	...
Third full year of war	...	...	...	...
Armistice year	...	...	...	...

The parallel may, of course, be very misleading. Prices were rising more rapidly in 1917 and 1918 than they are at present, and it may be that the peak of production has been reached earlier in this war. Nevertheless, it would be very foolish to assume no further increase in expenditure, or only a negligible increase. The second table shows the total expenditure, by quarters, during the last two years:—

	1940-41		1941-42	
	Total	Per diem	Total	Per diem
April-June	694.8	7.6	1,074.3	11.8
July-September	915.3	10.0	1,161.6	12.6
October-December	1,098.0	12.0	1,259.9	13.7
January-March	1,159.1	12.9	1,279.9	14.2
Year	3,867.2	10.6	4,775.7	13.1

In comparing the two years, it must be remembered that the Lend-Lease Act came right at the end of the first and affected the whole of the second. This element will be lacking in moving forward from 1941-42 to 1942-43; but on the other hand it is more reasonable this year than it was last to assume that the peak of physical production is near. Perhaps it is legitimate to set the lower limit of expenditure at slightly above the rate of the last quarter—say at £5,200 millions, with the range of probability rising to £5,500 millions.

In the conditions of war, it is the expenditure side of the account that almost monopolises the interest. But revenue cannot be entirely forgotten; and there will be an opportunity next week to examine the part that it can play in the framework of a sound wartime economy.

Betting in Wartime

AUSTERITY has been adopted as the nation's resolution for 1942. Already food, clothing, travel and entertainment have been additionally curtailed; and at first glance betting, which adds nothing tangible to the war stock and engages great sums of money, is peculiarly out of place in a regime of spartan living. Even so, every pursuit is entitled to a hearing before outright condemnation. Cinemas and theatres, for instance, can be discharged without any further restriction because they give immense pleasure to large numbers of war workers with only minimum use of scarce resources. This, in a war economy, is the test—the use of real or physical resources. Austerity is not an exercise in pietism; and neither sackcloth nor ashes will help much to win the war.

The money turnover of betting is still large, though nothing but the broadest estimates are possible. The view that betting must be disappearing because the sporting occasions upon which bets are placed are fewer appears incorrect. Horse racing has, it is true, been much restricted and the volume of betting connected with it has probably been reduced. Bets put through the totalisator

in 1941 amounted to £2,250,000, which, though double the figure for 1940, was very much below the £9,000,000 recorded in 1938. It would be erroneous, however, to suppose that the total betting on horse racing has fallen in this proportion. Totalisator betting has fallen with peculiar sharpness, because many racecourses are out of use and attendance at race meetings has fallen off very considerably; but off-the-course betting has almost certainly increased in many cases, particularly among working people, who under rationing and with full employment often have more money to spend than in recent years. Anyone who has worked in a war factory or engineering works can bear witness to the great volume of betting that goes on in these places. In 1936, it was estimated by *The Economist* that the turnover of horse-race betting amounted to £250 to £300 millions; it is possible that this turnover has not been reduced by much more than one-third in all.

Betting on horse races is only one part of the total volume of betting. There has been a cut of 50 per cent in dog-track meetings; but it is not improbable that an appreciable part of the reduction of horse-race betting

has been made up by betting on dogs. In 1938, the value of bets paid through the totalisator on seventy-five of the principal dog tracks was £35 millions, and this figure has probably been substantially increased since, up to and including the war years. The trend is illustrated by figures of the Bradford totalisator which have been made available: in 1938, the total was £494,000; in 1939, it was £523,000; in 1940, when meetings were held once a week instead of twice, the turnover jumped to £684,000. If *The Economist's* five-year-old estimate is right, that totalisator betting represents about one-half, the betting on greyhound tracks, it is not unreasonable to suppose that the further estimate made then of £50 millions as the actual total of all dog-race betting may to-day fall far short of the actual figure.

The third main branch of betting is on football matches. During the war this has been restrained by various measures. It is prohibited to send coupons for football pools through the post. The pool companies are short of staff, which curtails their business; as a result of staff shortage, for instance, the Unity Pool (which combines the activities of a number of pool companies) now accepts only one coupon per client. Nevertheless, the prizes distributed indicate that the volume of transactions in football pools is still considerable. In 1936, *The Economist* calculated that the total turnover in this form of betting was not much less than £30 millions a year; and an estimate given in the House of Commons on behalf of the Home Office shortly afterwards gave £20 millions as the likely figure. From returns published by the Postmaster General, it seems clear that between 1936 and 1939, the number of football pool circulars posted nearly doubled, which suggests that the total turnover of the pool companies on the outbreak of war was between £40 and £45 millions. It may still be half that amount. Taking all the forms of betting into consideration, *The Economist* estimated that in 1936 the total turnover of all three was "£350 to £400 millions, and possibly more than £500 millions"; and it may perhaps be rash to deduct very much more than £100 millions from this total to arrive at the probable present figure.

These are very large sums of money. They come into the same category of calculation as the sums spent by the Government on the various branches of the war effort. They compare significantly with the totals of voluntary savings. Offhand, it would seem that the diversion of these sums from the stream of direct war payments was a plain waste. On the other hand, it is important to ask the only relevant question—do these sums of money represent consumption which is wasteful of real resources needed for the war effort? It is the function of betting to transfer money from the pockets of the many who lose to the pockets of the few who win, and even though the total number of persons who win, on isolated occasions in the course of the year, is not small, it is probably true that winnings result in less consumption than is prevented by bets placed. If so, it can be argued that betting actually restrains rather than encourages consumption. In a sense, of course, this is very similar to the old disingenuous argument, which was once even canvassed in the pages of *The Economist*, that burglars perform a useful social and economic function by increasing the velocity of money and of available properties. There is no doubt at all that money lost and won in betting represents consumption more than, say, money paid into the banks or directly into the coffers of the National Savings Movement. The propensity of winning gamblers to spend is well-known. Moreover, one of the chief signs of inflationary tendencies under present controlled conditions is the fashion for speculation in all sorts of ways—traffic in landed properties, or buying to sell again in black markets. Betting is surrounded by a penumbra of individuals whose business it is to make money grow quickly by all available means; and the growth of illegal street and workplace betting is part and parcel of the same psychological tendencies. Nevertheless, it remains a fact that money wagered is not money spent on the consumption of real resources, and money won cannot easily be used *in toto* at once for consumption purposes. The argument that betting diverts large sums of

money from more wasteful purposes—that is, purposes which consume more real resources—contains an element of truth.

Actually, the most obvious waste, in terms of war economy, which is attached to betting comes not in the betting itself, but in the events upon which the bets are placed. Sporting occasions involve the consumption of travel facilities. Horses and dogs eat—compared with poultry—prodigiously. All kinds of sporting events have the tendency of taking war workers from their work. It is in these terms that the problem should be judged—in terms of transport, coal, paper, feeding-stuffs and working time. There is still obvious room for an enactment to forbid the holding of sporting events which involve the transport of players, animals or spectators over more than a mile or so. It is astonishing that it is still possible, even very occasionally, for special race trains to be run and special vans for the carriage of horses and dogs to be provided. There is obvious wisdom in the proposal to limit such horse-racing or dog-racing as may be permitted to remain, after all these considerations have been taken into account, to days in the week and in the year when workers may in any case be taking holidays. Football matches which draw a high proportion of their crowds locally and on foot to cheap standing places do not perhaps invite the same waste as the more sophisticated racing occasions—though it should be ruthlessly laid down that inter-regional competition should be forbidden because of the travel involved. But football pools are peculiarly wasteful. There are still great wastages of paper, and certain periodicals still rely appreciably upon the revenue from pool advertising which occupies space. Pools plainly waste manpower, too, though their staffs have been reduced, and are treated, of course, by the Ministry of Labour as being in non-essential work; they must still be fairly numerous and could presumably be more usefully employed elsewhere—which is, admittedly, no less true of the attendants who minister to horse and dog racing.

Indeed, it would be unfair to fix the waste of paper or manpower upon any particular form of betting. Millions of papers are still bought daily and solely for racing tips and racing news. It would in fact be a valuable economy to delete these items compulsorily from the Press and allow the BBC to resume its service of reporting race results. At the same time, admittedly, the newspapers, except in certain editions, have cut down their sporting service (for betting purposes) to the barest minimum; but it is no reflection on the value of the BBC to assess shipping space more highly than ether time.

In conclusion, then, it can be said that, while the dis-economy of betting can be much exaggerated by reference to the large sums of money involved, it is nevertheless part and parcel of a peacetime structure which, in so far as it remains in wartime, involves considerable direct and indirect waste of real resources. It is not a function of war policy to make moral judgments, but to make the maximum use of the nation's physical resources. The line of action is to abolish every activity which does in fact involve the misuse of fuel, shipping space or manpower; and the effect of such a programme, drastically applied, might well be to knock the bottom out of betting by removing its occasion and its mechanism. Nevertheless, the argument that British workers must and will bet has its place in the less tangible but important question of national morale. It should be emphasised that the problem is not to make people sad or to plunge them into unrelieved gloom. The attitude of the state towards betting has always been negative. It is not forbidden, except in certain forms and in certain places, but it has never been officially sponsored, and if it were to disappear in wartime, the state should be neither pleased nor sorry. The problem is not easy to solve. On the one hand, waste of physical resources must be prevented. On the other hand, it is important to preserve all the sporting occasions possible which do not eat up resources needed for the war. What happens to betting should be a consideration secondary to these. It would be as wrong, in the emergency of war, to abolish sporting occasions because of their betting attractions as it would be to preserve them for the same reason.

NOTES OF THE WEEK

St. Nazaire

The brilliant Commando raid on St. Nazaire is a welcome sign that the training of shock troops and the working out of the strategy of combined operations are developing very fast and very well. If such an action had been possible three or six months ago, the *Gneisenau* and *Scharnhorst* would surely not have escaped unscathed. Now the Germans have received grim warning that none of their Atlantic bases is safe from attack. Each base no doubt requires a different technique, but the variety of method and skill in execution shown in the St. Nazaire raid give assurance that every objective—base or airfield or radio location station or manufacturing centre—will be soundly dealt with when the Commandos go to work. The ramming of the dock gate by the *Campbeltown*, the engineers setting the destroyer at its target at 20 knots, was an intensely dramatic episode. The leadership of Colonel Newman—not a regular soldier, incidentally—and Commander Ryder was obviously inspiring and inspired, and the German Press has paid its tribute to the toughness and tenacity of the British troops. The raid proves what the people of this country know—but had, after Singapore, begun to question—that, given new men and new methods, the fighting capacity of this odd, excessively unmilitary and unferocious nation is second to none.

Dilemma in France

The raids on St. Nazaire and Bruneval and the increased bombing of French factories have put the Germans in a quandary. If the British attack is steadily to increase in weight until it develops into something like a major offensive, the Nazis will need all the active support—political, economic and military—they can get to prevent France from being drawn back into the war. They know that there is nothing to be hoped from Vichy, for the more successful the Allies—and hence the greater the German need—the more hesitant will become Pétain's desire for collaboration. Now that the possibility of effective counter-attack by the British and the Americans is on the horizon, the basic split between the collaborationists *faute de mieux* and the collaborationists *à l'outrance* is becoming clearer. It is only on people like Laval, Doriot, Déat and the other fanatical "new orderers" of Paris that Hitler can rely in the event of successful Allied action. The tendency of the honest elements at Vichy would be to give first surreptitious and then more and more open help to the democracies. Hence the German desire to get Laval reinstated before raiding begins in good earnest. But here they are firmly impaled on the horns of the dilemma. If Laval is forced on France, the reaction may be even more dangerously pro-Ally. Pétain—who got rid of Laval on personal as well as political grounds—may turn nasty. In which case French North Africa would no longer be a secure hinterland for Rommel's offensive. The Allies face no such difficulties. The more they raid, the better things will be. Political and military interests for once coincide.

The Fighting in the Far East

The fight continues on Japan's two flanks, in Burma and on the approaches to Australia. The stake is enormous, for if Free China can be cut off from India and Australia from the United States, the Japanese will have virtually complete freedom of action throughout East Asia and can then decide unhampered whether their next goal is to be Suez or Siberia—or both. In Burma, the Japanese are pushing steadily up the Sittang and the Irrawaddy. Toungoo has fallen, although the Chinese are fighting back, and the position before Prome is not very healthy. A disturbing feature here is the number of Burmans fighting with the Japanese. But it should be remembered that Tharrawaddy was the area in which the principal disturbances occurred in 1931, and there is little evidence to suggest that the Burmans in general are following U Saw's example. In New Guinea the military situation shows some signs of improvement. Very heavy Allied raids, coupled with local floods, are holding up the invaders behind Port Moresby. In the meantime, the Australians are

strengthening their position. War production has soared. American troops and war material have arrived, seasoned fighters from the AIF in the Middle East have returned and General Blamey is to be in command of the land forces in Australia. At the same time, the establishment of a Pacific War Council in Washington for "consultative" purposes should help to keep Australia's struggle in perspective with the wider war.

The Daily Mirror Debate

The debate on the warning to the *Daily Mirror* contributed little that was useful to the question of when criticism becomes harmful and intolerable. Those who opposed the Home Secretary's action for the most part either took their stand on the ground of high principle—that the freedom of the press was at stake—or else used the debate as a means of showing their personal dislike of Mr. Morrison. On the high principle there is, of course, unanimity of opinion; but it is difficult, as Mr. A. P. Herbert pointed out, to believe that the freedom of the press is endangered by a warning given to a newspaper for whose editorial policy not one member could provide a defence. Moreover, freedom of the press itself is less important than freedom of opinion, which is most effectively exercised through the press; and the press, both in London and the provinces, would greatly strengthen its claim to be the organ of independent opinion if there were less secrecy about the ownership of individual newspapers. It is significant that in the case of both the papers whose editorial policy has recently come up for discussion in Parliament the effective ownership is unknown. The rumour that Mr. Hearst is a proprietor of the *Daily Mirror* is untrue, and, unlike *Truth*, the paper has no large nominee shareholders; but a press which claims to support the principle of the open forum should be a bit franker about itself. Since, however, there is no disagreement on the question of principle, the case resolves itself into one of expediency. The Government may be convinced that the *Daily Mirror* has been having a harmful effect on the war effort. But it should also remember that it has always shown itself extremely sensitive to criticism, and the hint of suppression of a paper on the grounds of criticism must strengthen the widely held view that Ministers will not tolerate criticism of any kind. This might cause as much uneasiness and distrust of those in high places as the *Daily Mirror* is alleged to have inculcated in its readers.

Stricter Censorship

On the same day that the debate on the freedom of the press took place, the Minister of Information announced an important change in censorship policy. Hitherto, as Mr

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Bracken said, censorship on press messages going abroad has been of a security nature and has been confined to stopping information likely to have a military value to the enemy. Correspondents in this country have been free to send abroad anything that has been published over here. This freedom is now at an end. Censors will henceforward be able to stop "any press message calculated to create ill-feeling between the United Nations," and "extracts from home publications which are submitted for cabling abroad will in future be subject to the same rules of censorship as are now to be applied in the case of original material." Evidently, therefore, the new procedure is only to apply to press cables. Mr Bracken stated that it will not affect the home press in any way, and though extracts from an English newspaper will be censored before they are cabled abroad, there is apparently to be no ban on the export of the paper itself. This illogicality proves that the Government is anxious to prevent only a distortion of facts and opinions from reaching foreign countries rather than the facts and opinions themselves. To show that such distortion takes place, it is enough to recall the use made by the Isolationists last summer of the demands in the English press for a further restriction in the civilian consumption of petrol. More recently, correspondents of Dominion newspapers in this country have cabled out material which Mr Bracken declared had done "appalling harm to the war effort." It is quite true that, so far as German propaganda is concerned, the new censorship will make little difference, because nothing can stop Dr Goebbels from misrepresenting statements in the English press. But misrepresentation by Allied correspondents obviously has a far more serious effect, and there can be no reason why they should be allowed to do Goebbels' work for him. Nobody likes this first intrusion of the censorship into matters which are not of a strictly security nature, and Mr Bracken's assurance that the censors will use their new powers sparingly is welcome; but deliberate misrepresentation of British views abroad is far more dangerous than the *Daily Mirror's* sin of misrepresentation of the Government's case at home.

Warships Weeks

London's Warships Week duly brought in several millions more than the target figure of £125 millions. The final total has not yet been announced, but it will be over £145 millions. Now that the long series of these weeks is over, it is permissible once again to ask whether all the elaborate pantomime is really necessary. Local patriotism and local rivalry are very powerful forces, and it is entirely proper to play upon them as part of the propaganda for saving. If, in so doing, the sordid facts of war economics are treated somewhat imaginatively, it would perhaps be curmudgeonly to complain. For example, it may be that no great harm is done by the attempts to persuade the public that Warships Weeks really make a difference to the size of the Navy. At least, no harm would be done if the false doctrine did not obscure the true—and that is precisely what is beginning to happen. The man in the street is beginning to be persuaded that warships are built by processions and speeches and large donations from insurance companies rather than by his own abstinence and hard work. Then there is the very vexed question of corporate subscriptions. What is the effect on the ordinary man when he is told that London's Warships Week is expected to yield £25 or £30 for every man, woman and child, or when he reads of a single insurance company handing over a cheque for £10,000,000? Surely the effect is to make him conclude that the whole business is not for the likes of him—the very opposite of the effect intended, since the only merit of these corporate subscriptions (which would, of course, have found their way to the Exchequer in any case) is if they serve to stimulate private subscriptions.

The urge to pile up enormous money sums, irrespective of their real economic purpose, is being pushed altogether too far. Private citizens are being openly urged by zealous local committees to sell their existing investments in order to reinvest the proceeds—which confers precisely no benefit on the community. Business firms are being approached by the banks to borrow money in order to participate in Warships Weeks; in some circumstances, owing to the workings of EPT, it is possible for both the bank and the business firm to benefit from such a transaction at the expense of the Exchequer. And what is the net product of the whole cam-

paign? In March the banks appear to have encashed some £95 millions of Treasury deposit receipts in order that their customers might buy War Loan; net effect—an increased interest charge on the state and a somewhat more formally funded form of debt. A further £60 millions of the money that has gone into Warships Weeks also came from the Exchequer itself in the amounts disbursed for the Canadian vesting order. How much of the March "savings" total of £381 millions came from similar purely financial operations it is impossible to say. No praise is too high for the energy and devotion with which the National Savings Committee and its helpers have set about their task. But is their propaganda really such a blunt instrument that it cannot distinguish between what is and what is not of real benefit to the community? The theme of abstinence has now almost disappeared from the publicity. Could it not be given first place? Why not a meatless week, or a "no transport week," or even a Total Abstinence Week? The amounts per head yielded in these ways would be measured in shillings rather than in pounds. But the real benefit might well be greater.

Bulgaria on the Verge

King Boris rarely makes the journey to Germany without some disaster following for his unhappy land. It was he who, in November, 1940, arranged for the unopposed occupation of Bulgaria by German troops. As a result of his most recent visit, the country, must now, after serving as a passive base for the attack on Yugoslavia and Greece, be drawn actively into the new spring offensive. The Bulgarian Prime Minister has made a strong attack on Russia, serving up Goebbels neat in the process, and there are reports of troop movements northwards. King Boris's reasons for abandoning his people to war are those of the dishonest trader yielding to gangster pressure. With the aid of the Hitler-Goering-Himmler gang, Boris got the possession of Moravia, Macedonia, and Thrace in the course of 1941. Now if he is to keep the swag, he has to take a more active part in the gang's activities. Otherwise it will be his turn to be put on the spot, while other stooges—Mussolini, Pavelic, Antonescu—got his share. It is not only a question of threats. The map published—highly tactlessly—by *Yeni Dunya*, a Turkish broadsheet produced by the Propaganda Department of the *Wehrmacht*, gives Boris Turkish Thrace and Istanbul to Bulgaria. King Boris would probably prefer to fight the Turks rather than the big Russian brother. But it seems possible that the Germans do not want to bring in the Turks, and under the Hitler regime, satellites can choose neither their friends nor their enemies.

Japan and the Vatican

The Vatican has agreed to exchange Ambassadors with Japan, and Mr Ken Harada, the Japanese Ambassador to Vichy, is to be attached to the Holy See on a "special mission." The incident is bound to create the worst possible impression among the United Nations, coming, as it does, on top of Japanese aggressions and atrocities in the Far East. It is no doubt true that the diplomatic exchange does not entail recognition of Japanese conquests—it would have been even clearer, had the Vatican made a statement to that effect. The Church authorities are concerned about the future and status of the Catholic missions the Japanese have overrun, and they prefer to rely on direct representation rather than on some neutral diplomat. But the Japanese motives in seeking representation are simply concerned with propaganda—to persuade the world that the Vatican supports the "winning side," aggressor or no. This propaganda will be all too successful unless the Holy See takes the obvious and necessary course of recognising Chungking at the same time. The Chinese have been pressing for some time for representation. Now the occasion for it has clearly arisen.

The Woman Shortage

As the registration of women proceeds, fewer and fewer are found to be available for transfer to war work in any part of the country. Of the 280,000 in the 1909 age group, as many as 220,000 are married and only 52,700 are in full-time employment. This means that, on the Ministry of Labour's present definition of mobility, the mobile woman is becoming scarce, and employers will

more and more have to tap local sources of labour. The Control of Engagement Order controls the employment of all women between the ages of 20 and 30; the Order was not extended to women over 30 because it was thought it would place too great a strain on the exchanges. But under the earlier Restriction on Engagement Order, certain industries—such as engineering and building—can only engage workers, whether men or women, through the exchanges. This has placed these firms at a disadvantage in recruiting the older women as against firms which are not so controlled, and a direction has now been made enabling them to make direct engagements of women over 30. Under the circumstances, if it is really impossible to control the employment of all women through the exchanges, this step, which allows the old evil of bidding for labour to re-emerge, may be unavoidable; and it is true that in practice the employers will only be able to recruit immobile labour direct—the Ministry of Labour is to keep a firm hand on the mobile woman of whatever age. Moreover, the direction is intended to encourage part-time work by immobile women. The Ministry of Labour has so far not compelled women to undertake part-time employment, but it is hoped that, by enabling employers in the engineering industries to engage local women over 30 direct, part-time work for married women will be greatly extended. What is doubtful, however, is whether the Ministry is right to assume that married women are *ipso facto* immobile without a full consideration of the circumstances of each case. And it should not hesitate to compel at least part-time employment in cases where domestic responsibilities are small, instead of leaving the initiative to the employer and the woman herself.

It is certainly true that there is no solution to the man-power problem without general employment of married women. The transfer of mobile women to the new industrial areas, which lack an adequate indigenous labour force, is only feasible if immobile women—in the great majority of cases married women—can take their places. Nor is it enough to direct childless married women into war production. It is already necessary to tempt married women with children into war work, and the need will grow. Consequently it is highly important to obviate some of the major inconveniences to which the married woman in industry is subject, if compulsion is not to be stultified by illness and absenteeism. The new concessions which Mr Bevin enjoin on employers are all in the right direction, although they still rely too much on the discretion of the management. In the absence of day nurseries, part-time work may well be the only form of work which mothers can generally perform. For the housekeeper, whether married or single, time for shopping is a first necessity and should be guaranteed as an absolute right. The news that women married to members of the forces are entitled to joint leave when their husbands are free, in addition to the normal industrial holidays, is welcome. But the concession which provides for a maximum of fourteen days for wives of men serving at home and a minimum of fourteen days for wives of men on leave from overseas—in each case without pay—is not generous enough. These women should be guaranteed holidays whenever their husbands are on leave, one week of which should rank as their normal holiday. Men serving at home are not likely to get less than twenty-eight days a year. It must be realised that there is a very definite upper limit to the output which can be extracted from any worker. Many women put in a good day's work outside factory hours, even in homes from which husbands are absent. War production is likely actually to profit from a generous leave policy. But this should not be left to the discretion of the individual employer.

Absenteeism

Much of the criticism about excessive absenteeism and unpunctuality in the munition factories and other essential industries is no doubt exaggerated. Longer hours and unaccustomed work inevitably tend to make for less regularity in attendance. Some of the new women workers are physically incapable of standing the strain of regular attendance; shopping difficulties and household responsibilities often increase the strain. In short, a good deal of the absenteeism and lateness is due to exceptional circumstances rather than to lack of good will on the part of the workers. But there does appear to be a small minority of workers whose irregularity cannot be justified. To bring these to heel sanctions

are necessary. The procedure laid down by the Essential Work Order to deal with this minority has proved to be too cumbersome. Hitherto cases of irregular attendance could be reported to a National Service officer, who, after investigation, could issue a direction, against which the worker had the right of appeal to a local Appeal Board. If the direction was sustained, non-compliance with it became an offence under the Defence Regulations. An amendment to the Essential Work (General Provisions) Order, 1942, which came into force last Thursday, provides for a more speedy and effective method of dealing with slackers. It will make it an offence for workers in industries subject to the Essential Work Order either to absent themselves from work or to turn up late without reasonable excuse. Proceedings can now be taken against offenders without a specific direction from a National Service officer upheld by an Appeal Board. It is provided that in factories which have set up a production committee considered appropriate to deal with such cases by a National Service officer, they must be referred to it. The tightening-up procedure has been necessary to remove the temptation to slackness among the few; it is no reflection upon the many who contribute to the war effort to the limit of their physical strength.

Mobilisation

The process of stating the facts about the British war effort goes on. At Bristol last week-end Mr Bevin made plain the immensity of the mobilisation of manpower that has been carried through since war broke out. His Ministry has registered the nation's men and women as they have been earmarked; and twenty out of forty million men and women, he said, have been mobilised for national service, for the Forces, civil defence or war work, "the most admirable venture of any belligerent." The mobilisation of women is not equalled in any other country. The reserve of labour, idle or in luxury or semi-luxury work, has almost wholly gone. Every further drain must be from the standard of living. The tangible result in industry of this effort is that parity with the enemy, Germany and German Europe, has been achieved, despite the disparity of numbers, in many forms of war production. It is the disadvantage of enforced autarky in blockaded Europe that it permits a much lower output per head than in specialised, trading Britain. Conquered countries, moreover, are not easy workers; and the main addition of Europe to Germany in actual technical war manufactures is from certain, relatively few, specialised plants, such as those near Paris, in Silesia or Bohemia. But to match the enemy will win nothing. Mr Bevin's statement of sound progress after many delays merely shows how the strain of numerical inferiority is now being taken. To win the war we must do much better than the enemy. There is Russia to be helped. There are fronts to maintain; and United States aid will go mainly east until next year. It removes none of the need to make mobilisation complete; to strip away from civilian industries,

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essential ones, and from distribution the last hundreds of thousands of men and women that they can spare in supporting no more than a minimum standard of life; and to make work in essential civilian employment as arduous, continuous and economical of time and labour as work in war factories.

Kenya Labour

Misgivings about the adoption of forced labour for Africans in Kenya have not been dispelled by the debate which took place in the House of Commons last week. It is quite true that certain safeguards have now been announced, and it appears that a minimum age of 16 was, after all, laid down, though there was no mention of it in the original statement in Parliament. There is to be provision for repatriating the labour at the end of the term of service; the Colonial Office is determined that there will be an adequate inspectorate; and the number of natives to be conscripted will not raise the proportion of Africans who will have left the reserves to more than 55 per cent, the maximum figure considered desirable. Moreover, the establishment of a Central Wages Board, which will fix the wages both of compulsory and voluntary labour, is, as Mr Macmillan said, a great advance. Unfortunately, in the speech in which he announced these concessions, he appeared so hostile to any criticism of the plan or of colonial policy in general that he quite spoiled their effect; it was an unhappy start to his new office. Nor did he give any guarantee that there is to be adequate supervision of the management of the European farms to see that production is efficient; instead, he devoted a large part of his speech to defending the characters of their owners. It is not doubted for a moment that the increased production of certain commodities in Kenya is essential to the Empire's war effort—incidentally, if Mr Macmillan wanted to quote *The Economist* on this point, it is a pity he could not quote accurately—but it is doubted whether imposing forced labour on Africans is the best way to achieve it. It is difficult to see why the suggestion made by Archdeacon Owen, one of the members of the committee which investigated the labour shortage, that voluntary labour should be encouraged by a higher wage-rate, was not first tried out. Moreover, the new policy will raise problems in other parts of Africa where British rule aims at preventing the imposition of forced labour on Africans by their own countrymen. If the principle is conceded for the Kenya settlers, even though in the interests of the war effort, it will be difficult to deny it elsewhere.

Tightening the German Belt

The Germans are to face the new spring offensive with tightened belts. Further food rationing is to be introduced this month and although the details have not yet been announced, it will probably fall on bread and meat. This announcement follows on the introduction of new rationing schemes in a number of the occupied territories, and the fact that bread is to be short must cause particular anxiety, for it has always been the German boast that their grain reserves were equal to any crisis. Potatoes too are scarce, and this week a correspondent of the Swedish paper *Social Demokraten* has given a bleak picture of Berlin: potatoes and alcohol have almost entirely disappeared from the shops and unofficial potato rationing schemes are in existence; fish and game can be had neither in shops nor restaurants; the beer is deteriorating, and exorbitant prices have to be paid for wine and spirits. These new shortages are partly due to the severe frosts which damaged the potato crop, but it is also due to the extent to which the Germans have had to provision their new conquests after the devastation of war had swept over them. Nevertheless, it would be unwise to assume that the difficulties are as great as in, say, March, 1918. Given another year in which all the fighting is carried on outside the frontiers of Europe, the problem of provisioning the occupied territories will solve itself. It is estimated, for example, that the Polish grain harvest ought to be back to normal this year. Another factor making for strength is the extent to which the German people have been taken into the confidence of the authorities about the difficulties of the situation. The tactic of not disguising bad news, which has been practised successfully on the military front, is being applied in the sphere of civilian life as well. The new rationing has been used as a warning that the war is a struggle for bare

existence, and there is reason to suppose that this "Dunkirk spirit" provides a more effective soldering of morale than the earlier giddy rejoicing in victory.

Work for the Forgotten Men

Any society, however stable and prosperous, has its fringe of "forgotten men." Their number is inevitably increased by the catastrophe of total war, which first creates new categories of distress and then mobilises into the war effort the resources and the energy which might otherwise have been used in relieving that distress. After the widespread air raids of last winter, families and individuals were to be found all over the country who have lost their belongings, their homes, their relations—and their bearings too. Yet they presented a challenge which most of their fellow citizens were simply too busy to take up. It is primarily to their needs that the work of the Friends Ambulance Unit and the Friends War Victims Relief Fund has been devoted in 1941. The Report published this week of their activities gives a measure of the need they had to meet. At first, in the blitzes in London and elsewhere, it was a question of makeshift first-aid work in shelters, in rest-centres, in hastily improvised hostels for evacuees. But the lull in air-raiding has not put an end to the work. It has only altered its character. There are now 41 permanent hostels and Friends' workers are established in a number of isolated camps and settlements. Further workers are to be trained and as an inevitable extension of the original shelter and rest centre activity, a great variety of work is being done to restore some community life to bombed areas. In the words of the Report: "Shelter welfare and shelter club work remained necessary . . . but its emphasis was different. The main point now was that in many districts the social amenities, such as they were, had themselves become 'war victims' in the raids . . . The shelters and shelter clubs alone remained to serve as substitute social centres." Since February this year, the Friends War Victims Relief Committee and Friends Ambulance Unit have been amalgamated into the Friends War Relief Service and a full programme lies before the new organisation. Unhappily much of it will have to be curtailed unless the effort—which depends entirely on voluntary support—is more generously backed. For the last year, a third of the expenditure of some £53,000 has been met by the British War Relief Society of New York. Now the coming of war to America means that its monthly contribution of £2,000 will cease. It is very much to be hoped that it can be made good from other sources.

Shorter Notes

The first food rationing has been imposed in Australia with the restriction of Ceylon tea to 1 oz. a week per person. The Commonwealth is now dependent for its tea supplies on imports from Ceylon, and this drastic rationing, which will be a serious hardship to such heavy tea drinkers as the Australians, shows that only small quantities are likely to be imported.

The powers of compulsory enrolment for the Home Guard, at present in force in an area approximately south of a line from the Wash to the Severn, have been extended to the west of the country. In certain districts, for instance London, the Home Guard is up to the present requisite strength, and compulsory enrolment will therefore be unnecessary for the time being. Where, however, the numbers are below the military operational needs of the district, compulsory enrolment will take place as soon as possible, and a man will not be exempt merely because he is already doing compulsory fire guard duties.

A concession in the soap ration for mothers has at last been announced, and after April 6th they will be able to buy an extra three ounces a week for the washing of baby linen. This concession is very niggardly, however, for the extra ration can be obtained only until the baby is a year old, and it would have been more sensible if the Ministry of Food had made it available in respect of children up to six years of age.

AMERICAN SURVEY

Detroit versus The Axis

[The following article is reprinted, by permission, in somewhat shortened form, from the issue of TIME, dated March 23, 1942.]

A YEAR ago Willow Run was a lazy little creek west of Detroit, surrounded by woodlands, a few farmhouses, a few country schools. Today Willow Run is the most enormous room in the history of man: more than a half-mile long, nearly a quarter of a mile wide. In this great room errands are run by automobile; through the flash of moving machinery and the dust of construction, no man can see from one end to the other.

The plant contains 25,000 tons of structural steel. By summer, 70,000 men will work in this room; by December, 90,000. In planning the building, Ford Motor Company's drafting room used five miles of blueprint paper a day, seven days a week, for six months.

In this enormous workroom Ford hopes eventually to turn out a four-motored Consolidated bomber every hour. The raw materials will go in at one end; from the other will emerge the 30-ton machines, coughing with life. The bombers will be torn from half-mile assembly lines so fast that Ford will not try to store them. The deadly infants will be ranked on a great new airfield, stretching out from the assembly end of the plant, with enough white concrete runways to make a highway 22 miles long.

Detroit has other enormous rooms, and out of them armies will roll and fleets will fly. Endlessly the lines will send tanks, jeeps, machine guns, cannon, air torpedoes, armoured cars. Ford's River Rouge plant, where Ford steamships dump coal and iron ore and limestone to be magicked into steel and glass and machinery, has turned its two square miles of self-contained industrial empire to the tools of war.

Chrysler already has three assembly lines of olive-drab tanks moving through its tank arsenal (soon it hopes to ship a trainload of tanks a day). Guns, shells and motors are at last in mass production. General Motors, once biggest of all auto-makers, is already producing arms of all kinds at the rate of a billion dollars a year. Packard and Studebaker are making airplane engines; Hudson makes anti-aircraft guns; Nash is at work on engines and propellers.

Once Detroit's conversion to war is complete, when the lines are all moving with the precision of timing and economy of motion that Detroit borrowed from the morning stars, they will pour out such a flood of war machines as no man has ever imagined. The onetime auto industry will employ a million men and women, twice as many as it ever did, will make a billion dollars' worth of armaments a month. If Armageddon is to be decided in Detroit, Armageddon is won.

Bombers on the Line

Detroit is not alone. The United States could look at the vast Consolidated Aircraft plant, on the curving shore of San Diego Bay in California. There, for the first time in aeronautical history, heavy bombers were put together last week on a continuously moving assembly line.

A bull-tongued horn blasted through the echoing, vaulted reaches of the Consolidated plant. Slowly, laboriously the line began to move. At one end, a new bomber assembly was fed on to the line. At the other, a B-24 rolled off, ready for flight. The new era in aviation had dawned.

As proud of his achievement as if he had just created Man was Consolidated's new board chairman, round-headed, profane Steelman Tom Girdler. Tom Girdler, who took over Consolidated two weeks after Pearl Harbour, had two great plants at San Diego. The parts plant makes Consolidated's bits and pieces, from engines down to tiny hydraulic pumps. In the assembly plant they grow into planes—the famed B-24 with more than 3,000 mile range, its four-ton bomb load; the long-range, hard-working PBV-5 flying boat; the massive, four-motored PB2Y2, whose range and bomb load are military secrets.

Well might Tom Girdler be proud. Mass-producing bombers is as much more complicated than building autos as the growth of the human body is more complex than the growth of an amoeba. The average car has

15,000 parts. The bomber that rolled off Consolidated's line last week had 101,650 parts, laced together by more than 400,000 rivets.

Tom Girdler had set the first bomber assembly line in motion—no mean feat even for a company rich in aircraft experience. Detroit will draw on his experience. Its feat will be that, having started from scratch a few months ago, it will soon duplicate and reduplicate the deeds of the aircraft industry—if—the Great If—the US maintains a steady flow of materials into the enormous rooms.

Many of the world's smartest manufacturing brains are concentrated in Detroit; so is much of the world's smartest machinery. Many a machine is no good for making anything but autos; that was why conversion was not the simple, button-pushing job that some people thought it should be. The great body and fender presses, half-embedded in concrete, are useless now; the great halls that held them are being walled off. The massive, complex, special-purpose machinery has been ripped out, carted to parking lots; there the machines stand now, coated with grease against the rains of nobody knows how many springs.

The Unknown Battalion

Detroit has more than machinery, more than the manufacturing brains of Henry Ford's generation. The industry's front line is manned by a little battalion of unknown men in battered felt hats, sitting shirt-sleeved in cubbyhole factory offices, darting out among the machines, spitting tobacco juice, profanity and ideas. These are Detroit's production men, fresh up from the ranks, a trace of grease still under their stubby fingernails. They know machines as only men can who have handled them. With dog-earned notebooks, pencil stubs and know-how they work out production problems that no textbook could solve.

These production men have the same tactile sensitivity to machinery as a surgeon has for muscle and nerve; they can make the machinery and blueprints come alive as a Toscanini brings notes off paper. They do not come ready-made, they have to grow up with machines.

Henry Ford was such a man.

Henry Ford is 78 and a great-grandfather, but he is still lively, curious and productive. His shoulders are stooped by his years, his neat salt-and-pepper suits hang loosely on his spare limbs. But his body is still tough, his bright eyes dart restlessly as the fingers of a machine. The Ford Motor Company is, as ever, a one-man show.

He wanders as the spirit moves him through the great River Rouge plant or greater Willow Run, talking, looking in on experiments, watching the Ford empire hum.

In 1932, when early attempts at casting the V-8 engine were a failure, Ford showed up one day at the foundry with a bundle under his arm, took out a pair of overalls and went to work until the job was done. He still pops up at trouble spots. "You can't solve these things by paper work," he says, "you have got to see them."

When World War II began, autocratic, headstrong, pacifistic Henry Ford looked like the least helpful of US citizens. He hated war; he hated the New Deal's labour and foreign policies.

Henry Ford was an America Firster; he called Appeaser Neville Chamberlain "one of the greatest men who ever lived"; after war began he hoped that England and the Axis would club each other into a coma. In the summer of 1940 he refused to make Rolls-Royce airplane engines, when he learned that some of them were destined for Britain. (As usual, he had a good mechanic's reason: later, grief and headaches in other plants making English-designed munitions proved what he knew or had guessed—that the British blueprints were informal to the point of helter-skelter, had to be completely worked over, causing costly rejections, delays, waste.)

In Canada, Henry Ford was assailed as a "menace to democracy"; a boycott of his cars was threatened. Matter-of-fact old Henry Ford was unmoved. Said he, firmly: "Anyone who would do that is a sugar tit."

But even the most whole-souled mechanic takes some time off, and Henry Ford, the lean Midwesterner with a farmer's flair for opinionating and a mechanic's scorn for words, was always two men. He was a cantankerous, stubborn, cracker-box philosopher who could not bear to be contradicted; and he was a maker, a maker of machines that work.

At the start of World War I, Ford had been the cracker-box philosopher; he was agin it. But as soon as the US got into the war, Ford the mechanic got to work: he built tractors and tanks, put up a mammoth plant for Eagle anti-submarine boats. When the Government offered 30 cents apiece for steel helmets, Ford made 3,000,000 of them for 7 cents. When the war ended, he turned back every cent of profit to the Government.

This time Ford did not wait for the declaration of war. Making cars had become routine; all the problems were licked. As an automaker he was an old hand, getting kind of tired of it. Mass-producing tanks and bombers was new and exciting. The gigantic engineering and production problems took him back to his bicycle-shop days, when mass production was just a bright gleam in his eye. His "1,000 airplanes a day" was neither an idle boast nor a positive promise; it was just good American cockiness—the kind it took to make the first million Model T's.

Ford was always three jumps ahead of old OPM's red-tapeworm. While OPM was conferring and writing inter-office memos, Ford was proving his old theory of one-man control. He had no stockholders; he was more interested in making things than making money, all he had to do, to get a new plant built, was call in Production Boss Charles E. Sorensen and say: "All right, Charlie, let's go ahead."

Ford and Charlie Sorensen started making Pratt and Whitney airplane engines before they even had an order. When the Government finally asked Ford to put up a Pratt and Whitney plant, he figured that OPM had set its sights too low, left one end of the building open for extensions. Without any nod from Washington, he turned an engineer loose on a V-12 liquid-cooled engine of his own. He started putting up Willow Run on the sole basis of a relatively small order for sub-assemblies.

"We ought to make the whole plane, and that way there can be no buck-passing if it isn't right," Ford told Sorensen. "Go ahead and start the plant . . . but leave it so we can expand it quickly to handle the whole job. They are going to need a lot more bombers than they think." He had thousands of men at work long before the Government told him to shoot the works.

Any lingering America-Firstism in Henry Ford's soul was bombed away at Pearl Harbour. Like any good Midwesterner, Henry Ford hit the roof when the US was attacked. He called in his executives and said (weeks before the new War Production Board ordered auto production stopped): "We might as well quit making cars now." The same week he piled some of his aides into an automobile, made a tour of the whole Dearborn empire. At each building he discussed what was made there, at each building ordered: "Get a defence job going in there quick."

Henry Ford is happier and younger than he was two years ago. He lost his fight against New Deal labour policies; after a strike and a court decision that he had violated the Wagner Act, he signed a contract with the United Automobile Workers last year. But he lost in his own peculiar way: once he had made up his mind, he called in his labour-herder, Harry Bennett, asked what the union wanted. He knew what he wanted. Said Henry Ford: "Why in the hell don't we give it [the union shop and check-off] to them now and save all that trouble? We've got to get ahead with some work around here."

Twice in one lifetime he lost his fight against war. He lost that in his own peculiar way, too. All Henry Ford's talents, all the empire he has built in his 78 years, all his acres and masonry, locomotives and ships are dedicated to winning it.

Prices and Parities

[FROM OUR NEW YORK CORRESPONDENT]

February 3rd

AFTER an extensive, but not very illuminating, debate the Price Control Act has been passed and signed. It provides, in general terms, broad powers of price-fixing with severe penalties for violation. But the criteria of pricing are by no means clear. Prices are to be based upon levels prevailing in the first half of 1941, adjusted to various factors. But as most prices are now substantially higher than they were a

year ago, this provision carries little information to the public.

The debate, as would be expected, centred in the fixing of farm prices. The Bill provided that no price ceiling was to be fixed on a farm product at less than 110 per cent of parity. To the statistician, to whom "parity" has become the modern mathematical version of the mediaeval "fair price," the concept of a 10 per cent premium (a 20 per cent premium as proposed in the defeated O'Mahoney amendment) over the "just" price is something of an anomaly. To the market, the permissive premium was interpreted as mandatory on the Department of Agriculture, and there has been fairly heavy speculation in farm commodities on the theory that the Commodity Credit Corporation would peg the prices at the legal limit of tolerance. It appears, however, that the intent of the Act is (a) to provide floors for farm prices a little below parity, and (b) not to intervene in markets, in case demand lifts the price above parity, until it has exceeded parity by 10 per cent. This interpretation may prove wrong, as the President spoke with some misgivings about the implications of this clause, while the more fervent "friends of the farmer" are outspoken in their conviction that the farmer has been betrayed by the Act. As a matter of fact, as the reference to the base of the first half of 1941 shows, Congress has granted an administrative official comprehensive powers of price fixing, but has not provided him with any clear directive or criterion for the exercise of those powers.

The Party Doctrine

The debate, as well as such discussion as appeared in the press, illustrates how completely the concept of "parity" as a doctrine of price has replaced other considerations. As everyone knows, the parity price of a farm product is that price which will give a unit of the product the same purchasing power over "what the farmer buys" as it would have had in 1909-14. Yet in the intervening generation the content of "what the farmer buys" has completely changed, for this intervening generation has brought the nearly complete mechanisation of farm operations, partial but extensive farm electrification, and the nearly complete substitution of the truck and the car for horse-drawn farm transportation. Furthermore, the "farmer" himself has changed. A generation ago, a good deal of specialisation had developed in agriculture; now it is highly specialised. The expenditures of a dairy farmer in the industrialised north-east are radically different from those of a grain farmer in the north-west, or a cotton farmer in the south. An index of "what the farmer bought" in 1914 can be revised to what he putatively buys in 1941 only by an almost complete set of extrapolation. Hence, for example, the arguments of the dairy farmers that "labour" as an element in the cost of dairying has risen in the last twenty-five years, while as an element in the cost of wheat growing it has fallen, and the logical conclusion that a true index of what the dairyman buys would weight labour more heavily, and so arrive at a "just price" of milk which would be some 20 per cent above its present parity. In the mazes of statistical oratory, the real issues get scant attention. It is desired to increase agricultural production by a substantial percentage in most lines. To an extent this involves invoking a marginal supply. The question is whether or not a given price will, under the circumstances, produce the output desired. In spite of the fantastic types of arguments advanced, it seems likely that the formula hit upon in the Act is as promising as could have been devised.

Finally, this Act now makes our entire price system a function of the industrial wage level rather than the wage level a function of the price system. Wages are completely outside of the controls. A ceiling is provided for every other form of price; but all these ceilings are subject to elevation, either by administrative action or (as with farm products) by legislative mandate, under the impact of wage policy. The arguments against wage fixing are numerous and persuasive; but it remains to be seen what can be done with a price control that specifically ignores the principal element of prices.

American Notes

Shipments to Russia

President Roosevelt's vigorous reminder that supplies for Russia are to be given priority and that shipments must be expedited by every possible means follows reports that American aid has been gravely behind schedule since December. The President's Order has gone to all five

agencies concerned: The War Shipping Administration, the War Production Board, the Lend-Lease Administration, and the War and Navy Departments. Production figures are said to be exceeding all expectations, and there is such a vast margin of Lend-Lease appropriations and commitments that the bottleneck is probably either in shipping or in the disinclination of the services to put aid for Russia before the equipment of the American Army and Navy. The fact that Admiral Land, the War Shipping Administrator, has recently been given broad powers over the allocation of shipping and cargo space, and that he has felt impelled to propose ten "must commandments" to shipyard and dockyard workers suggest that shipping has in the past been an outstanding difficulty. The new controls, if firmly applied, will provide the ships; what is harder to eliminate is the lingering hostility to Russia in certain quarters and the unwillingness to admit that the United States may be defeated—or victorious—on the Eastern Front this spring. It was to this obstinate remnant of Isolationism in certain key positions that the President's Order was addressed primarily. Priority to Russia, in view of American preoccupations with Japan, is not altogether an easy pill to swallow, but the President's insistence should produce a speedy improvement.

Standard Oil's Patents

"Approaching treason" was the harsh verdict of Senator Truman on the withholding from the US Government of the chemical patents of the Standard Oil Company of New Jersey, particularly that for the production of butyl. The most sensational allegation to emerge from the testimony of the Assistant Attorney-General is that in January, a month after Pearl Harbour, Standard Oil refused to submit samples of butyl to other American and British companies, and that it has only done so now in accordance with a consent decree of the courts, while full information about butyl had been delivered to the IG Farbenindustrie and to the Pirelli Corporation of Italy, with which Standard had made cartel agreements. Arrangements with the Japanese firm of Mitsui, outlining a plan of action in case of Japanese-American hostilities, an attempt in 1941 by Standard to sell its Hungarian properties to German interests, and the sale of gas and oil to Lati, the Italian air line between Rome and Brazil, were also mentioned by Mr Arnold, whose testimony is not yet complete. (Standard Oil's answer is also yet to come.) The case of Standard Oil is not unique; Mr Arnold stated that there was no essential difference between its policy and that of other companies which have restricted the production of critical war materials such as tungsten, aluminium, magnesium and carbide. But it presents in its most extreme form the conflict between the community's interests and those of private enterprise where agreements on processes and markets stretch beyond national boundaries. Mr Arnold has stated: "We should lose the point of this hearing if the committee simply denounced the Standard Oil Company. We need the Standard Oil Company with its technicians and its organisation to help us to win the war." Indignation and denunciation are natural, but this is sensible doctrine. The most surprising and discouraging aspect of the whole story is the fact that the Government's action was in the sorry tradition of too little and too late; Standard's patents should have been made available to the United States months ago when a shortage of rubber appeared imminent. It was the responsibility of the Government—not of Standard Oil—to take every step to provide alternative sources of rubber; not only to press the production of artificial rubber, but to encourage production in South America, to accumulate rubber stocks and to investigate other sources of rubber. In all these respects its policy was inadequate, and the war effort is faced with additional and avoidable difficulties. These facts have now come to light in America; but is there any reason to believe that the practices they reveal are confined to that country?

Overtime Pay

Concessions by the unions on the subject of overtime pay, which coincided with the startling disclosures about Standard Oil's relations with German, Italian and Japanese industry, have decreased the tension over labour policy. The 40-hour week becomes slightly less outrageous when com-

pared with profits of several hundred per cent on war contracts. The labour concessions are not very great: the AF of L has agreed to give up premium pay for Saturdays, Sundays and holidays, but still insists on time and a half for the sixth consecutive day of work and for over eight hours work in any given day; agreements have already been reached in construction and shipbuilding. The CIO is still holding out for double pay on the seventh consecutive day of work, but has recommended its affiliated unions to give up demands for double pay for work on Saturday, Sunday and holidays provided it comes within the forty-hour limit. The United Electrical Workers at Westinghouse, the world's largest local, have already acted on this advice, but only on the condition that the money saved be turned over to the Treasury, a provision which is unlikely to appeal to the Westinghouse management. A CIO shipbuilding union has voted to accept 25 per cent of all overtime pay in defence savings stamps or bonds, and two AF of L unions have sacrificed wage agreements of fifty years' standing in relinquishing double pay for Sunday and holiday work. The obligation to pay overtime for more than 40 hours' work in any one week is still the centre of controversy, but President Roosevelt's reliance on voluntary concessions by the unions appears to stand a very much better chance of success in the easier atmosphere which now prevails.

Anti-Trust Relaxation

Authority has been granted to the Attorney-General and the War and Navy Secretaries to postpone investigations and prosecutions under the anti-trust laws if in their opinion they are interfering with war production. If there is a difference of opinion between the heads of the Services and the Attorney-General, the decision of the former will prevail. President Roosevelt, in approving the step—rather reluctantly, it would seem—insisted that deferment of prosecutions would not mean exoneration, and that they might be taken up again at the end of the emergency. The policy now formally expressed is one which has been followed in practice since early in 1941; businessmen have been able to obtain sanction for concerted action from the War Production Board, and its predecessor, the Office of Production Management, and no anti-trust actions have been filed where such sanction has been granted. The combination of small firms, in order to undertake a contract too large for any one of them, has been looked upon with particular favour. The relaxation of the anti-trust laws is comparable with the abandonment of competitive bidding; production is to be obtained at any price. Whether, in fact, production will be increased substantially depends upon the individual decisions of the Services on what constitutes genuine interference with war production. It is to be hoped that they will be fully alive to the importance of their rulings, both as they affect efficiency of production now and the structure of American industry after the war. The fact that the Attorney-General's advice, based on intimate experience with the techniques of combination, may be overruled, is not altogether reassuring, and the threat of renewed prosecutions after the war is hardly likely to act as a vigorous deterrent. Every possible means of increasing production must be employed, but an indiscriminating abandonment of the anti-trust laws may prove a double-edged weapon.

Sugar and States Rights

The rationing of sugar—the thin end of the wedge—is not proving the easy and straightforward job it appeared at first. It has been delayed by rumours that after all it might not be necessary, and the machinery is so cumbersome that taking a sledge-hammer to an ant is the comparison that leaps to mind. The sale of sugar is to be suspended, and the schools closed for a week while the nation's school teachers distribute ration-cards and supervise the filling-in of statements as to the amount of sugar consumers already possess. The employment of the school teachers, who are state, not federal employees, is necessary because the federal civil service operates only within very narrow limits; many of the functions discharged by the British Civil Service are, in the United States, the province of the state governments. States rights have been increasingly whittled away, and the most recent legal decisions have extended the conception of interstate commerce to cover activities which at first glance appear almost entirely internal to the states.

But the growth of a Federal civil service throughout the country has not kept pace with the extension of Federal functions and if the development of war restrictions is to approach those already in force in the other belligerent countries, serious difficulties may be encountered. The two federal organisations which might fill the gap while the civil service is built up, are the Post Office and the Social Security establishment. Since a large proportion of the working population is covered by social security legislation, and holds social security cards, this would seem the more likely medium to employ, if the demands of total war are not to bring American education to a standstill every few weeks.

Distribution of Steel Consumption

The output of finished steel in 1941 was 23 per cent higher than in 1940 and 30 per cent higher than in 1929. An analysis of changes in the distribution of consumption, published by the *Iron Age*, is given below:—

	1940		1941 (a)	
	Thous. short tons	Per Cent	Thous. short tons	Per Cent
Agriculture	1,630	3.3	1,722	2.4
Aircraft	51	0.2	532	0.9
Automobile	7,965	16.4	9,501	15.9
Construction	6,935	14.3	9,870	16.4
Containers	3,068	6.3	4,430	7.4
Machinery, tools	2,330	4.8	3,265	5.4
Oil, gas, water, mining	1,900	3.9	2,814	4.7
Pressing, forming, stamping (b)	2,296	4.7	3,573	5.7
Railways	4,019	8.3	5,814	9.7
Shipbuilding	1,000	2.1	2,809	4.7
Exports	8,099	16.6	5,864	9.8
Other outlets	9,366	19.1	10,119	16.8
Total Consumption ...	48,660	100	60,313	100

(a) Provisional. (b) Mainly furniture and hardware.

With the exception of exports, which showed a sharp decline, the consumption of steel increased under every heading, a reflection of the widespread expansion in business activity last year. Proportionally, the increase in consumption was most marked in shipbuilding, in aircraft manufacture and in the construction of munition plants.

THE WORLD OVERSEAS

Estimating Canada's War Effort

(From Our Ottawa Correspondent)

March 4th

THE present mood of Canada is illustrated in steady demands that the country be placed upon a total war footing, and this in its turn is leading Ottawa to a complete re-examination of the economic position. Rosy hopes that were raised a year ago at budget time that the diversion into war effort would reach in this fiscal year the level of 44 per cent of the national income, and predictions made then and later that the stage of full employment was near, are now being reviewed in the light of a year's experience that shows, despite evidence on every hand that Canada has achieved a substantial war production, that the transformation to a complete war footing has not been complete. The point raised in *The Economist* on November 8th last (page 555), that the Canadian national income has been under-estimated, assisted in inquiries into the whole subject, with the result that a new appraisal of Canada's economic position is beginning to emerge. It will, no doubt, be reflected in the new budget for 1942-43, and it is already beginning to effect a change in Canadian thinking on the subject of transformation to a war status.

National income figures used a year ago as the yardstick by which to measure war expenditure were in the neighbourhood of six billion dollars. In March, 1941, Mr MacKenzie King gave a figure of \$5.95 billions. In June, the

During the current year, defence requirements will involve a substantial cut in the use of steel for unessential purposes. As the table shows, the virtual suspension of the production of cars and lorries for civilian use will release a large quantity of steel for war purposes. A reduction in the output of furniture, hardware and containers, and in private building will set free additional quantities. A pruning of unessential consumption will thus provide many millions of tons of steel for the war effort. Moreover, it should be possible to secure a further expansion in the total output of steel; scrap supplies, for example, are coming forward more readily than was expected at the end of last year.

Shorter Notes

An advisory committee composed of representatives of the major rubber companies has been created to work with the Rubber Reserve Company in stimulating the production of natural rubber in South and Central America and Africa.

Temporary retail price ceilings have been established by the Office of Price Administration for new typewriters, domestic washing and ironing machines, radios, phonographs, and domestic cookers at the levels prevailing in March. Permanent retail prices have been established for household vacuum cleaners and mechanical refrigerators.

It is reported that Charles A. Lindbergh has accepted Henry Ford's offer of a position in the Ford organisation.

More than 100,000 new typewriters are to be released for sale on April 13th to the Army, Navy and Treasury Departments, some defence plants, newspapers, radio stations and all civilian defence stations.

A civilian defence school—the fifth of its kind—will be established at the University of Florida. The course will cover the organisation and operation of control centres and defence measures against gas and incendiary bombs.

European Economic Front

[BY A CENTRAL EUROPEAN CORRESPONDENT]

THE false legend of a "European front" engaged in an intra-continental political struggle for revision of the *status quo* against America and under Hitler's command has been dealt with in a previous article (*The Economist*, January 17, 1942). The economic issue is more complex. The German monopoly control and organisation of the economic resources of Europe have a dual purpose; the establishment of lasting dominion over the continent of Europe, with the aid that total wartime mobilisation of its collective means provides, and the establishment of a lead in international economy on the basis of this position in Europe—both of which imply, of necessity, the destruction of dominating American and British influence in world markets.

No doubt is possible about this aim and about the fact that it has been a constituent of Hitlerism since its early days. It became manifest at least eight years before Mr Roosevelt's first election as President of the United States. It originated in Hitler's demand for treaty revision, and in the psychological reaction of the German people to the inflation of 1922-23 and to the part played by the United States in the reparation settlement. Pre-war economic relations between the European States, other than Germany, and America were not antagonistic; neither the problem of inter-Allied war debts nor even the tendency towards closer economic attachment between European countries and their overseas territories fundamentally disrupted Europe's financial and trade contacts with America. From 1934 onwards these relations were improving, since many States actually strengthened their business connection with the United States as a counterweight to the growing continental strength of the Nazi Reich.

Europe's economic antagonism to America, in fact, is a Nazi phenomenon—developed by the Nazis, so to say, from a kind of financial inferiority complex, which prompted Hitler's determination to destroy "liberal economy" and (in the words of Nonnenbruch in 1924) "to prepare for the real world war which will decide who is to be master of the world and who a business man only." This demand was re-printed in 1940 as the textbook of the "new order," which called for German leadership in Europe in a war against the alleged American attempt at the economic invasion of Europe and against the threat of "American economic domination of the world."

The "New Order" policy has followed these lines. It has succeeded in eliminating American economic activities from Europe, in building up large vested interests in a German victory and in changing the structure of European economy in many respects. This is more than a transitory phenomenon. From the military point of view, Hitler's economic command over Europe is a serious matter. War economy and its effective organisation have come to play a vital part in military operations, and Hitler has economically mobilised an entire continent for war purposes. The theory that the enemy is essentially weak in the economic field, where he can easily be beaten by blockade and pressure, has always been wrong. The joint economic potential of continental Europe (excluding the United Kingdom, Ireland and the USSR, but not Switzerland, Sweden or Spain, whose output is largely at Hitler's disposal) is immense; its resources of manpower, productive capacity and raw materials are formidable. Its pre-war share in international trade totals was 37.5 per cent; its population represents 16.3 per cent of the world total, with the highest percentage of skilled workers; its agricultural and mineral wealth is considerable, even

odd jobs, activities of housewives, unpaid family services, rent of durable goods used by families, changes in the value of inventory stocks, unorganised charity, and casual payments by firms to individuals aside from wages and salaries.

There is as yet little evidence of strain on the Canadian economy, though the substance of war production is formidable. Consumption has not been reduced, but has obviously increased. The war boom has not slackened. There are no authoritative estimates of consumption, but the indices of retail and production activity indicate the position. The index of production of consumers' goods stood at 122.3 in December, 1941, compared with 112.4 a year before. It rose consistently month by month in 1941. Employment in certain lines related to consumption has steadily increased, according to seasonally adjusted indices of the Dominion Bureau of Statistics:—

INDICES OF EMPLOYMENT (1926=100)

	Nov., 1940	Nov., 1941
Leather and products ..	122.4	145.2
Furniture	97.6	109.9
Musical instruments ...	62.1	68.5
Printing	118.1	127.7
Hotels and restaurants	143.1	169.7
Retail trade	154.6	171.5

Letting Out the Belt

Increases reflected in these items have proceeded side by side with increases in employment related closely to war production. The fact that is receiving attention is that no declines in purely consumers' items have occurred. In viewing the evidence that consumption has not yet begun to suffer wartime curtailment, one important exception is made in favour of persons in the higher income brackets, who have been hard hit by war taxation. But in general Canada has not been tightening its belt so much as letting it out.

In seeking to appraise the extent by which the Canadian war account has been over-estimated, inquiry is taking several directions. The Government collects wage and income taxes, corporation and excess profits taxes on income earned in war production. In this connection, what occurs is merely a transfer from one department to another. The munitions and supply department, footing vast war production costs, is providing the incomes on which the department of national revenue levies its taxes. This might be merely a book-keeping entry for all the war production it represents.

Again, on dutiable imports entering into war production, one department collects customs duty, which becomes a cost item on the book of the munitions and supply department and represents no war production. On Canada's billion-dollar import business with the United States in 1941-42, how much is represented as customs duty? It would add up to a substantial sum. It is merely a ledger transaction between the finance department's receivable account with national revenue and payable account with munitions and supply.

The same analysis applied to the 8 per cent sales tax shows that a substantial item is included in the estimates of war costs which are not war costs at all.

Again, Canada is running a deficit on its United States account. In April, 1941, it was estimated as likely to be \$400 millions, but the Hyde Park agreement in August, 1941, was designed to reduce this amount. At the present time, it appears that the balance will run against Canada to the extent of about \$200 millions. This represents a cost carried by American, not Canadian, industry and labour, until paid in Canadian production. It represents a proper deduction to make from the Canadian war account when it is measured against the Canadian national income. Further, to the extent to which current Canadian war production is drawn from stocks accumulated in a previous period of national income measurement, a deduction should properly be made. When the Government purchases a factory already in existence, to use in war production, the cost of that factory can hardly be charged to current manpower and resources.

What is called for is a new accounting of war expenditures in terms of national income and a new accounting of the national income itself. Recently, war materials have begun to cross the Canada-US border free of duty. This will help to make war expenditures accounts in both countries more realistic. In seeking a new balance between war expenditures and national capacity, Canadian thinking is rapidly coming around to the view that last year's estimates of full production need to be scrapped and the sights raised far higher for 1942.

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though demands for various materials can only be satisfied overseas. Europe controls, for instance, 33.2 per cent of the world's pig-iron and ferro alloys, 37.9 per cent of the world's iron ore, 37.9 per cent of steel, 44.7 per cent of zinc, 28.3 per cent of zinc ore, 26.8 per cent of lead, 17 per cent of lead ore, 12.2 per cent of copper, 7.7 per cent of copper ore, 51.1 per cent of aluminium, 27.6 per cent of bituminous coal, but less than 3 per cent of the world's petrol total (synthetic petrol excluded). But the weakening economic implications of the war in Russia may become decisive to Hitler's supply situation. The peak of Germany's use of European resources has probably been reached.

Offensive Against America

The attempts to repeat in Europe Schacht's policy against American interests in Germany were foiled by the vigilance of Washington and the timely application of "freezing control" to European assets in the States. According to official figures at the end of 1939, American investments in continental Europe totalled \$1,655 millions against \$3,897 millions of continental European funds in the United States. The discrepancy increased further during 1940 and the first half of 1941. A publication of the Treasury Department, referring to the funds of a limited number of countries at the end of 1940, mentioned the figure of \$4,369 millions as the United States' debtor balance on investment account; and about \$6,500 millions as the sum total of all European funds in the United States by the end of 1941 would perhaps be a fair estimate. This exceptional volume of European holdings in America, and the control to which they are subjected, reduces the effect of German moves against American investments in Europe to small dimensions. American investors are well covered against losses.

Moreover, in the context of their world aims, the Germans have conspicuously failed to hold the economic bridgehead in the Western Hemisphere established in Latin American markets before 1939. The British blockade dealt a fatal blow to that, and Washington's policy of economic Pan-American solidarity has made good use of the opportunity. Germany's trade with the 20 Latin American republics amounted in 1938 to \$430 millions; in 1939 to \$290.8 millions; and in 1940 to \$20.1 millions, less than 5 per cent of its value in 1938. During the same period, United States trade with these countries increased from \$562.3 millions in 1938 to \$646.6 millions in 1939 and \$839.8 millions in 1940—or to 51 per cent of their total foreign trade in 1940, against 38 per cent in 1938 and about 65 per cent in 1941.

Post-War Economy

The Nazis' economic war against America has not been effective. But there are more tangible and more permanent aspects of the "New Order's" impact on European production and trade—and possibly on Europe's future business relations with the Americas. The movement of most European countries towards policies of autarky and self-sufficiency in the thirties had already affected the composition of European food imports and reduced their volume. Now, the "New Order" drive for self-sufficiency in food and raw materials has led to a substantial increase in the harvested acreage in all Continental countries and to a rise in the production of cereals, oleaginous plants and textile fibres beyond the pre-war level. A cut after the war in Europe's agricultural imports—which accounted for more than 70 per cent of European imports before the war—seems almost inevitable, after the preliminary period of dislocation, famine and shortage. The German policy of expanding Europe's mineral production, and the large investments made to this end, will also bear on the continent's future demands from overseas. Any substantial reduction of Europe's present increased industrial capacity is unlikely, because initial transport and foreign exchange difficulties after the war will work against it. In short, the possibility cannot be excluded that Europe's excess of imports over exports, amounting to \$1.32 billions in 1938, will be reduced after the war to the detriment of overseas exporters—while the European export drive may grow.

For many reasons, the United States would be more affected by such a development than Great Britain. Her pre-war trade balance with Continental Europe was highly active; 19.5 per cent of her exports went to these countries, and 26.4 per cent of these exports consisted of raw materials, 20 per cent of foodstuffs and beverages, and 17.5 per cent of semi-manufactures. Not less than one-

third of all United States agricultural exports and 40 per cent of her raw cotton exports (in the cotton year 1937-38) were sold there.* Food, textiles and machinery are the very goods the output of which (or of their substitutes) Hitler's Europe is endeavouring to increase.

The French Labour Charter

[BY A FRENCH CORRESPONDENT]

March 17th

THE Vichy Government has recently published its Labour Charter. To appreciate the significance of the Charter, it must be considered in the context of the new political and social organisation. The new state is characterised by the unlimited power of the chief. In order that this power may be exercised without opposition, the citizens must be integrated in as many different groupings as possible, the masses must be divided and interests mutually opposed. It is not surprising, therefore, that the principle of the Labour Charter is "divide and rule," and that its object is to replace the independent trade unions by an organisation designed to facilitate the control of the workers.

Details of the new Labour Charter, given in the November and January issues of *La France Libre*, show that it is modelled on the Italian rather than on the German labour organisations, which has evoked violent criticism from the collaborationists in Paris. It does not envisage the creation of a joint organisation of workers and employers, but of a series of corporations in which workers' and employers' unions remain separate. There are five unions in each district, for employers, workers, technicians, foremen and clerks. These unions are the only legal bodies representing the five categories of persons, and membership is compulsory. The representatives of the five unions (the workers and clerks elect their representatives together and the technicians and foremen theirs) form a social committee. The district organisation is part of a regional organisation, including regional unions for the five categories of persons on regional social committees. On the national scale there are national unions and national social committees.

The chief characteristics of the new professional organisation may be briefly summarised. First, it is a pure state system. The fact that nothing has been published, showing by what method the officials of the unions are selected reveals the Government's dislike of the system of elected representatives. Secondly, it ensures dispersal by prohibiting the various unions from conferring on matters of mutual interest. Thirdly, the unions are not allowed to engage in political activities; they can only discuss professional matters. Fourthly, the unions are of secondary importance, for all authority and prerogatives are vested in the social committees, which are to be the central organs of the corporation. They settle wage questions (in certain limits), professional training, engagement and dismissal of workers, safety in factories, and so on.

The intention of the Vichy Government is, in fact, to evolve a corporative organisation from its Labour Charter and gradually to endow the social committees with economic attributes. At present they have none, for industry continues to be administered by organising committees on which employers alone are represented.

The objects of the Labour Charter are clear. It has been worked out for the specific purpose of preventing any organised resistance on the part of the workers, by dividing them on a professional basis, and of scorching any possibility of political pressure. In sum, it has been designed to prevent the workers from securing, in the economic sphere, the equivalent of universal suffrage—of which they have already been deprived in the sphere of politics. No wonder that the Labour Charter has had a hostile reception from the former unions of the CGT. To them it means the disappearance of independent trade unions, the subordination of the unions to social committees, the loss of their financial independence (they can only raise funds for the purposes laid down in the Charter, and they are dependent for part of their needs on the social committees), and the elimination of the whole of the pre-war workers' organisations. The Charter provides, moreover, that membership of the

* The figures and calculations in this article are quoted from a book (by R. H. M. Worsley) shortly to be published by Jonathan Cape.

governing bodies of the unions must be restricted to persons who have exercised the trade or profession concerned for at least five years, and that no individual can hold office for more than two consecutive periods for which they are nominated.

The Christian unions have voiced opposition to the principle of the single union, which will involve the disappearance of their denominational and cultural characteristics.

Russia at War

Soviet Railways

"THE Soviet Union depends upon its railway system to the same extent as Great Britain depends on the Navy"—this has recently become a favourite comparison in Russia, frequently reiterated by railway managers and by the Press. The main problems and difficulties of the Russian railways show a striking similarity to those which this country has to solve in the sphere of shipping. Inadequate expansion of transport in pre-war years; unexpected losses; shortage of rolling stock; long and thin lines of communication—these are the weaknesses; and similar methods are used to overcome them: the intensive exploitation of available transport capacity; the endeavours to obtain the quickest possible turn-round and the cutting down of all non-essential traffic.

The position of the Soviet railways is very roughly illustrated by the following figures:—

	1913	1940
Length of line (in km.)	58,500	93,000
Freight (in millions of tons)	132.4	536.6
Freight per km. of track (in tons) . .	1,126	4,160*

* This figure relates to 1937.

Since 1913, the length of railroads has increased by no more than about 60 per cent, and the number of wagons by about the same amount. The number of locomotives has risen by only 40 per cent, though this is claimed to be made up by a 50 per cent increase in average pulling power. Thus the increase in all three factors—length of line, number of wagons and pulling power—is in each case only roughly one-fifth of the actual increase in freight, which has grown by more than 300 per cent; and the average freight load per kilometre of track has risen by about 270 per cent. This means very intensive wear and tear on the Soviet rolling stock as well as abnormally long intervals in their actual circulation. According to official figures, in 1940 a goods truck was on the average in actual movement only 19 per cent of its turn-round time; 49 per cent of the time was taken up in marshalling and repair operations.

The lack of balance between industrialisation and the development of the railways can hardly be ascribed to any neglect. Two restricting factors dominated the whole position: the large demand of the nascent heavy and armament industries on a relatively limited steel output; and a weakness in rail-building plants. The third Five Year Plan was expected to relieve the position to a considerable extent. The budgetary allocation for railway construction was set at 37 milliard roubles against 20 milliards in the second Five Year Plan; 7,000 miles of new lines as well as 5,000 miles of double track were to be built. It seems that only a smaller part of that investment has actually been made (about 4.5 milliard roubles were spent in 1940 and 6.5 milliards were planned for 1941). The XVIII Party Conference in February, 1941, showed great anxiety about the failure to fulfil the railway plan for the Urals. But the laying of a second track on the Trans-Siberian railway seems to have been nearly completed, which may be of the greatest importance now that the main weight of goods traffic has shifted to the east.

The loss in railways due to loss of territory and to destruction in the fighting zone may be estimated at about 35-40 per cent of the total. But the actual loss in transport capacity has been much slighter. The bulk of the rolling stock of the western territories was saved; the evacuation of the endangered industries was in fact an automatic evacuation of the railway stock. The addition of a large number of locomotives and wagons to the rolling stock of the eastern railways enormously increases their loading capacity—though this does not imply a proportionate rise in their actual carrying capacity. On the eastern railroads, the density of traffic (freight per km) was normally much higher than in the west, a circumstance which reduces the margin available for further intensification of traffic.

Indeed, there is not a single union, not omitting Colonel de la Rocque's organisation, which has not found the new Labour Charter too reactionary. In view of this opposition, the Government may accept modifications and, in particular, may allow the unions to elect their own officials. Nevertheless, among the whole organisation set up by the Government of Vichy, the Labour Charter is the most precarious and the one that should disappear most rapidly.

It is only against this background of an under-developed railway network that the work of Soviet transport during the second half of 1941 can be properly appraised. Even a much stronger and more efficient transport system might have broken down under such tremendous pressure as was experienced by the Soviet railways between July and December, 1941. For months, an avalanche of evacuees, machines, raw materials and cattle moved eastwards along the fragile spokes of the Russian railway system, while a steady stream of soldiers, arms and munitions was being carried in the opposite direction towards the front. In spite of interminable delays and constant congestion, particularly on single track lines, transport managed to reach its destination—an achievement which went far beyond the limits of endurance indicated by the statistics of the Soviet railway system.

The beginning of 1942 saw the ebb. Evacuation stopped, and railways were able to resume relatively normal working. But the position remains strained, and the shortage of carrying capacity determines the whole of Soviet industrial policy. It also affects the transport of foodstuffs. In normal times, about 42 per cent of total goods traffic was coal, iron, steel and oil, and a ton of freight was carried over 500 miles distance on the average. This was so, in spite of the fact that, in the west, the interdependent industrial centres (e.g., the iron-ore of Krivoirog, the coal of the Donetz and the metallurgical plants of Kharkov and Dnepropetrovsk) were situated at short distances from one another. With the transfer of industries to the east, the share of iron and coal in



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the total, as well as the average, length of haul per ton, will show an enormous increase.

Much depends under the circumstances on the work and endurance of Russian railwaymen. The technical skill of personnel has very much improved during recent years, and intensive training of railwaymen is still going on. A decree issued on March 16, 1942, made important adjustments in wages. The wages of the so-called "manœuvre brigades," as well as those of drivers and conductors, have been increased. Before the war, the wages of each train's working personnel were calculated mainly on the basis of the mileage run by the train; this was intended to stimulate better work on the part of railwaymen, and to prevent trains from running behind schedule. Under the new decree, a minimum time rate has been set, as well as additional mileage premiums; time lost due to delays or to damage and repairs in the interior of the country will cause a 20 per cent deduction in the time rate; 100 per cent wages will be paid to railwaymen working in the fighting zone or in its immediate vicinity, irrespective of delays.

*

Japanese Fishing Agreement.—On March 20, 1942, Vice-Commissar Vyshinsky and the Japanese Ambassador Tatakava signed at Kuibyshev a "protocol on the prolongation of the Fisheries Convention of 1928 for 1942." The 1928 agreement expired in 1936, and since then no new agreement has been concluded; instead a prolongation of the convention was agreed upon at about the beginning of every year. The terms of the latest prolongation provide for some reduction in the number of fisheries to be rented to Japanese nationals at this year's auctions. Besides this, the Soviets have raised by 20 per cent the rates of rents, taxes and duties to be paid by Japanese fishery owners. The conditions demand payment in gold or foreign currency, according to the wishes of the Soviet State Bank. The payments have to be made at Vladivostok, and the Japanese have to pay 4 per cent to cover the expenses of gold transportation.

German Experiments in Organisation

SOME twelve months after the foundation of the Reich Coal Co-operative (see *The Economist*, May 3, 1941) the manufacturers of artificial textile fibres have been compulsorily combined into the Reich Co-operative Chemical Fibres (*Reichsvereinigung Chemische Fasern*). This is the second time that the deadlock between State control and private initiative has seemingly been resolved by a new hybrid organisation. The Reich Coal Co-operative ended the office of the Coal Commissar, and private industry was said to have scored some success over direct State control—though the State, owning more than one third of the coal mining industry, could well afford this change, whose main purpose was to give the coal-mining industry a new incentive for increasing efficiency. The new Reich Co-operative Chemical Fibres is even wider in scope. It will be responsible for production and import plans, for "steering" sales in Germany and in foreign countries, for marketing agreements with spinners, weavers and textile merchants. It will also conclude agreements with manufacturers outside Germany. It will regulate prices and encourage efficiency and the exchange of patents and manufacturing experiences. In Germany, the organisation takes over the controlling activity of the Reich Control Boards; and, outside Germany, it is empowered to conclude "collaboration" agreements with manufacturers of artificial textile fibres. The industry is given a greater measure of self government for the purpose of avoiding rigid cartelisation.

The tremendous increase in the manufacture of artificial textile fibres in Germany has created a number of difficult problems. According to German publications, production has increased as follows:—

(In 1,000 metric tons)		
	Rayon	Cellulose
1932	28.2	2.0
1938	65.8	154.0
1939	73.6	192.0
1940	80.0	250.0

The economic importance of the agreement is negligible. Neither in the Soviet nor in the Japanese trade balance do these Kamchatka fisheries play any significant part. Their whole catch during recent years was estimated at about 100,000 tons. But, by the force perhaps of some strange eastern symbolism, Kamchatka fish has figured as a very important item in the balance of political relations between Japan and Soviet Russia. In any possible clash between the two powers, it is most likely to provide the first visible bone of contention. Any delays and procrastinations in bringing about the yearly prolongation of the agreement have usually reflected the degree of diplomatic tension. In 1940, during the first Soviet-Finnish war, the agreement was announced on January 1st; in 1939, in the period of the Soviet-Japanese frontier clashes, a prolongation was not agreed before April. The difference between January, April and, this year, March, may perhaps indicate the movements of the diplomatic barometer; neither in Moscow nor in Tokyo has it yet gone down to "freezing point."

*

Sugar.—The occupied territories of the Ukraine usually produced 85-90 per cent of Soviet sugar. The prospects of sugar supplies this year are therefore precarious and the Commissariat of Food Industries has worked out a plan for transferring sugar beet cultivation to new territories. Uzbekistan has increased its sugar beet area by 300 per cent; the Saratov province by 250 per cent; Kirgizia by 200 per cent; and the Altai region by 150 per cent. It can be seen from these figures that the maximum replacement of the lost sugar beet output can be put at only 20-30 per cent.

The Chief Sugar Administration has announced that all the Ukrainian sugar refineries were evacuated in time. The main difficulty in sugar beet sowing is the lack of proper sowing machines, which seem not to have been successfully evacuated; and the Sugar Administration has been urging the regional machine tractor stations workshops to adapt their grain and cotton sowing machines for beet sowing.

No figures have been published for 1941; output of rayon may be estimated at 100,000 tons and cellulose at 330,000 tons. World output of rayon increased from 243,000 tons in 1932 to 522,000 tons in 1940, and the output of cellulose from 10,000 tons to 612,000 respectively. In 1940, Germany and Italy accounted for 43 per cent of the total world output of artificial textile fibres. In Germany, the manufacturers of rayon were organised in a strong cartel. The manufacturers of cellulose, however, were without adequate cartels. The majority of the factories were financed co-operatively by the old established cotton and wool industry, and remained for a long time on a regional basis combined in loose Rings. State control exercised by the Reich Control Boards and the influence of the old rayon industry, both cotton and wool industry, and the chemical industry, prevented clear cut responsibility on the part of the manufacturers, and State control developed into a cumbersome bureaucracy. The defects of this haphazard growth of an essential industry, working with relatively high costs of production, became obvious after the conquest of Europe. The rayon cartel developed an expansionist policy, and the different groups of the cellulose industry tried to collaborate with industries in occupied countries. The "Phrix Group" concluded agreements for the expansion in Scandinavian countries, and the "Cellulose Ring" entered into agreements with the Belgian and French manufacturers of artificial textile fibres. During 1940, the old cotton and wool industry were relatively well supplied with raw material from requisitioned stocks in occupied countries. In 1941, however, stocks ran short and a further expansion of the manufacture of artificial textile fibres became imperative. Naturally the attempt at expansion was also made in occupied countries, but so far actual expansion there has been disappointing. This is one of the main reasons for a comprehensive re-organisation of the German manufacturers of artificial textile fibres, which is thought to be the foundation of a future German monopoly of the manufacture of artificial fibres on the entire continent. It is now expected that other industries will also be organised in Reich Co-operatives, largely for the purpose of relieving the State Control Board's, whose place is to be taken by sectional organisations with greater self-government.

THE BUSINESS WORLD

Ships, More Ships

IN relation to present needs, the shortage of merchant and naval ships is greater than ever. The United Nations need more fighting ships to give better protection to their transport vessels on some routes and to assist in re-opening others that have become impassable, and they need more transport ships to mass their economic resources and to concentrate their growing striking power at the weakest spots of the enemy. A good deal has been done to mitigate the difficulties by closer Anglo-American collaboration in the disposition of existing shipping resources. But the problem can only be solved by the rapid construction of new vessels in the numbers and proportions in which they are needed to achieve the dual purpose of increased safety and transport capacity, and by the speeding-up of repairs to damaged ships. To this end Anglo-American collaboration in the building and repairing of ships is as vital as it is in the use of available vessels.

There has been much criticism lately concerning the policy and magnitude of shipbuilding in this country, which must contribute a large proportion of the new vessels needed by the United Nations. Some of the adverse comments concern matters of high policy such as the ratio between naval and merchant ships; others relate to the extent to which existing facilities are employed, to methods of construction, and to the design of merchant ships. It is not for the layman to adjudicate on these questions; some of them are highly technical, and the facts on others are shrouded in secrecy. But there are a number of general economic considerations which are germane to the problem and can be briefly stated without entering the field of technical controversy, or knowledge of official secrets.

The decision concerning the numbers and proportions in which merchant and naval vessels must be constructed is a matter of high policy. But economic considerations must have an important influence in the distribution of their construction between this country and the United States. Within limits, the two countries must build the ships that they can build best with the facilities and resources at their disposal. Unlike the United Kingdom, which, in the main, must rely on existing building facilities, the United States is providing an immense volume of new capacity which can be specially designed for mass-production methods. Since mass-production methods can be applied better to the straightforward task of building standardised transport ships than to the construction of highly complicated fighting vessels, it is logical for the bulk of the merchant shipbuilding programme to be located in America, while the United Kingdom continues to provide the bulk of its own naval requirements. This policy may mean that the United States emerges as the biggest owner of merchant ships after the war; but post-war considerations must not be allowed to influence the allocation of shipbuilding work between the two countries during the present emergency.

Shipyard Capacity

What matters most is that both countries and the Dominions should produce ships to the limit of their capacity. It is of no benefit to unearth the stale controversy concerning the justification or otherwise of the closing down of many British yards during the economic depression by National Shipbuilders Security, Ltd., a company formed by the shipbuilding industry to eliminate capacity which was then redundant. Even in 1929, when 1,523,000 gross tons of merchant ships, or 54½ per cent of the world's total, were launched in this country, only 54 per cent of the shipbuilding berths, and 76 per cent of the workers in the industry, were occupied. On economic grounds, the reduction of surplus capacity was fully justified, and if strategic needs should have been taken into account, the responsibility for doing so did not lie on the industry. At the outbreak of war, the industry still had facilities for constructing merchant ships at the annual rate of 2,000,000 gross tons and naval vessels at the rate of 500,000 tons in private

yards. One of the main difficulties since then has been the shortage of labour rather than the lack of yards.

Criticism has been levelled at the industry and at the Admiralty, which is responsible for the construction and repair of both naval and merchant ships, on the ground that present building capacity is not fully employed. In so far as criticism is based on estimates of the rate of merchant ship construction, it is not necessarily justified, for it does not allow for the increase in repair work and in naval construction to which many of the yards normally engaged in the building of merchantmen have been adapted. According to an article in the *Shipping World* of January 14th, the output of merchant ships amounted to about 1,750,000 gross tons between September, 1939 and December, 1941, and is estimated to reach 1,200,000 gross tons this year. On March 22nd Mr Attlee stated in Liverpool that production in the last quarter of 1941 was double the output in the last quarter before the war. During April-June, 1939, the last quarter for which figures were published, the merchant tonnage launched was 137,000 gross. If the rate of output was of the same order of magnitude during the three months ended August, 1939, the volume of shipping produced during the last quarter of 1941 must have been at the rate of over 1,000,000 gross tons. True, this is comparatively small in relation to pre-war building facilities. But there has been a very considerable increase in repair work and in naval construction. According to Mr Attlee, the volume of naval tonnage completed during October-December, 1941, was four times as large as during the last quarter preceding the war. There are no figures of output for June-August, 1939, to which his statement can be related. But the rate of naval construction before the war was far from small; on December 6, 1939, Mr Churchill stated that there were then 1,000,000 tons (displacement) of naval vessels under construction in British yards. In fact, although the volume of shipbuilding and repairing in this country is far from adequate to meet present needs, it is of massive dimensions.

Nevertheless there are indications that production could be increased still further with the facilities and labour at the disposal of the industry. There are persistent reports that output is being lost by faulty organisation, mal-distribution of labour and through other causes within the control of management. Some of the charges of inefficiency are no doubt exaggerated, but they must be examined and, in so far as they have substance, the remedy must be applied without hesitation, for no waste of shipbuilding resources can be tolerated at this stage of the war.

Some of the adverse comment is directed against existing methods of production and, in particular, against the

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failure to introduce mass-production methods, to extend the system of pre-fabrication and the application of the process of welding in place of riveting. The critics usually point to the success achieved by the introduction of mass-production methods in the United States. While this criticism does not lack some substance, the extent to which American methods can be introduced in this country is limited. After the war the British shipyards may have to be largely re-equipped; but during the war they must make the best of existing facilities, though a further measure of adaptation is no doubt both possible and advantageous. The employment of welding in place of riveting, which saves steel and time, has made some progress, but the layout of the yards and lack of sufficient trained welders and equipment renders its large-scale adoption impracticable during the war.

Lastly, there is the controversy about the design and speed of merchant ships. There is only one test that is valid at present: the facilities engaged in the production of merchant ships must be made to yield the biggest volume of carrying capacity without regard to post-war considerations. This is not necessarily an argument for concentrating on the construction of fast ships. The problem is highly complicated and can only be solved by balancing a number

of considerations whose relative importance can only be measured by the authorities. For example, fast ships take longer to build than the slow vessels, and the manufacture of their machinery requires a higher degree of skill which, in view of the heavy naval construction programme, is scarce. Moreover, speed might be wasted in convoy, whose pace is that of the slowest vessel. It is significant that even the United States with its much greater freedom of choice has found it advantageous to design its "ugly ducklings" to the moderate speed of about 11 knots. There may be a need for a bigger proportion of the faster vessels; a need which appears to have found consideration in the present building programme of this country.

Close collaboration between the United States and Great Britain is vital to ensure the requisite balance between, and within, the categories of naval and merchant shipbuilding and the most advantageous utilisation of building facilities. The integrated building programme of the two countries must be geared to their capacity. And any defects of organisation or technique which have been brought to light by the recent criticism of the industry in this country must be rectified forthwith, for the course of the war will be vitally affected by the volume of new fighting and transport ships that will be completed this year.

Finance and Banking

Turn of the Quarter

The turn of the quarter and of the financial year has passed amid exceptional ease in the money market. Normally pressure on credit is at an appreciable seasonal peak at this period, but this year no serious evidence of strain has been apparent. To some extent the credit position was still affected this week by the measures taken in the previous week to provide an ample cushion on which the impact of Warships Week subscriptions to Government loans could be taken without disturbance. These measures included heavy Ways and Means borrowing at the Bank of England incurred in the first instance to finance the payments on vested Canadian securities. The funds raised for this purpose were rapidly repaid out of receipts from public subscriptions to Government loans, and by Tuesday of this week all Ways and Means borrowing from the Bank had been repaid. It is now clear that assistance to the market was also given last week by arrangements between the Bank and the clearing banks for holding up the clearing of large cheques due from the latter to the former. No official admission of such arrangements has been made, but their presence emerges not only from the evidence of last week's Bank return, but from the experience of many city houses which found themselves with unexpectedly large balances at their clearing banks as a result of the non-clearing of cheques drawn in favour of the Bank. This particular factor should, however, have spent its force by the beginning of this week.

June 30 Bills

The discount market bid keenly for the end-of-June Treasury bills which were tendered for on Friday of last week and raised its price to £99 15s. both for these and for the July bills, which were taken up this week. As a result the average rate of discount on the £75,000,000 of bills issued fell to 19s. 11.69d., and the syndicate obtained the heavy allotment of 60 per cent of its applications. Though the bulk of these bills were taken up on Tuesday of this week, the effort involved proved well within the capacity of the market and of the banks, which continued to buy bills up to the last day of the quarter. The position this week is also being eased by net repayments of Treasury deposits. New payments of £20,000,000 in TDR's were required from the banks this week, but as against this the amount maturing was slightly under £35,000,000. Nominal maturities were £70,000,000, but heavy prior encashments had reduced this figure by rather more than half. Some of these encashments occurred in the previous week in connection with the financing of the banks' payments for their customers' and their own subscriptions to Government loans. In deciding which of their TDR's to call in, the banks follow no rule of thumb, such as concentrating on those deposits having the shortest currency. They are guided by the specific maturity dates and choose those which

suit them best. They would, for example, avoid encashing TDR's maturing on June 30. But in general, it would be true to say that the tendency is to encash the shorter rather than the longer dated deposits.

Treasury Deposit Encashments

The national debt return showing the amount raised during March and the position of the floating debt at the end of the financial year is of particular interest for its revelation of the extent of the banks' prior encashments of Treasury deposit receipts during the month, which included the climax of the Warships Weeks campaign. This calculation is made possible by the fact that the previous debt statement was dated February 28th and that the period covered by the last statement thus begins on the first working day of a week. The only assumption which has to be made is reasonably safe—namely, that all the remaining TDR maturities in the past week fell due in March and that the new TDR payments were made in April. On this basis, the new TDR payments in March amounted to £80,000,000, while the true maturities (nominal maturities less prior encashments) amounted to about £165,500,000. Thus there was an excess of maturities over payments amounting to some £85,500,000 during the month. The debt returns, however, reveal a drop of £181,000,000 in the outstanding total of TDR's, and it follows that prior encashments during March amounted to about £95,500,000. The bulk of these encashments no doubt occurred during London's Warships Week, and their magnitude goes a long way to explain the exceptional ease with which the banking system withstood the shock of financing the huge payments made to Exchequer accounts last week in respect of subscriptions to Government loans. The large receipts from Government issues also made it convenient for the Treasury to repay ways and means advances from public departments over the month, these being £20,265,000 down at £195,135,000. Ways and means advances from the Bank of England, which were outstanding to the amount of £21,750,000 at the end of February had been wholly repaid by the end of March. The usual table showing the respective shares of revenue and borrowing in meeting expenditure will be given in the Budget Supplement next week.

The Banks and Coupon Accounts

The final touches have now been given to the scheme which is to entrust to the banks the task of handling and transferring the millions of coupons which clothes rationing is putting into circulation. Coupon accounts will be opened for all businesses dealing in rationed clothing, whether as manufacturers, retailers or intermediaries, and for firms which receive periodical allotments of coupons from the Board of Trade for the purchase of rationed

goods. The accounts will be fed in the first place through payments by retailers. These will be in the form of envelopes of three standard sizes containing not less than 98, 490, and 980 coupons, and credited to the accounts concerned at the rate of 100, 500 and 1,000 respectively. The 2 per cent discount is intended to make good the losses of rationed goods through pilferage and other causes. From this point, the coupons themselves will disappear from circulation. The envelopes will go from the banks to the Board of Trade, there to be subjected to some form of check. All subsequent dealings in coupons will be made through coupon accounts which are to be operated by "transfer vouchers." In essence, therefore, the scheme will be compulsory. The banks will act as agents of the Board of Trade; they will make no charge to the traders for whom coupon accounts are opened; they will be remunerated by a pro-rata commission paid by the Board of Trade; they will undertake none of the responsibilities which attach to the paying or collecting banker in the handling of cheques. The scheme, though it must involve a great deal of complicated procedure and will certainly burden the banks with additional labour which they can ill afford to undertake with their depleted staffs, has much to commend it. Its alternative would have been the setting up of an altogether new control machinery at the Board of Trade. It will certainly be a great advance on the present machinery by which coupons have been exchanged for vouchers at the Post Offices. That scheme has lent itself to abuse by unscrupulous persons who have acquired vouchers for envelopes purporting to contain coupons, but,

in effect, filled with waste paper. The scheme is discussed from the traders' point of view in a note on page 477.

Lloyd's Air Raid Insurance

As from the beginning of April all benefits under Lloyd's "1,000 to 1 Air Raid Insurance" have been doubled. The decision follows the now considerable period of relative freedom from air raids during which a substantial reserve of premiums has been built up. The scheme was launched in the early months of the heavy air attacks on this country. It provides cover against death or personal injury caused by bombing, and during the early phases of the scheme heavy claims were paid out. The premium income has recently settled down at about half the figure which obtained when air raids were at their height. Since the scheme was started over £100,000,000 has been insured under it. Large industrial firms, taking out policies to cover their staffs, have been among its most important subscribers. The underwriters retain the right to vary the terms of the insurance month by month. The recent doubling of the benefits is the first occasion on which that right has been exercised. The scheme at its inception was fraught with a risk for which no actuarial calculation of premiums could be made and was launched with no little apprehension and head-shaking. The response and the success which has attended it are the reward of that courage allied to the foresight for which Lloyd's underwriters have ever been renowned.

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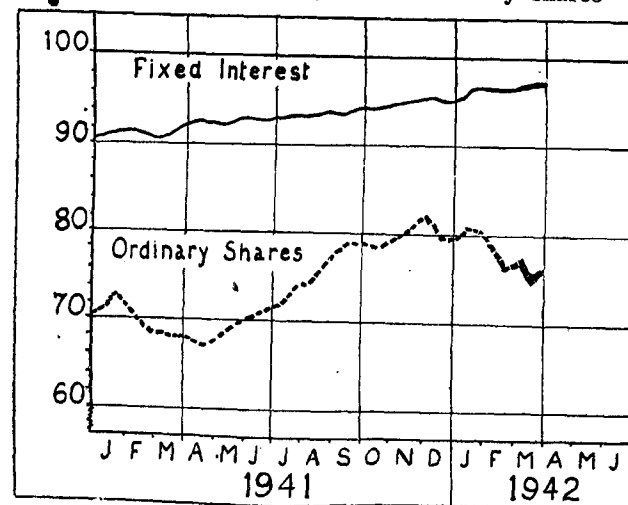
Investment

Awaiting the Offensive

The few weeks before the opening of the Budget usually bring a number of erratic movements to the stock market, as one theory or another of the Chancellor's intentions gains the upper hand. This year this factor has, so far, been singularly lacking in importance. It is generally felt that tax changes will not be large, and that they will probably include minor adjustments to income and surtax, and additions to sumptuary taxes. The latter are not likely to affect profits of the concerns providing the goods, since the few remaining "luxuries" are in scarce supply, and the demand for them appears to be inelastic. Even so, uncertainties as to the possibility of further discriminatory taxation remain, and this is one factor promoting the quietness which has now descended on the market, after the very satisfactory showing of the first half of Warships Week. The Easter holiday is another factor, but of even less importance, and there can be little doubt that the overriding considerations are the problem of India, and the tension as to the much-advertised spring offensive. The attached chart of indices compiled by *The Financial News* shows that

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

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



equity prices have continued to fluctuate with a downward trend since early December, and that the latest movement was a recovery. This is doubtless to be associated with the new approach to the Indian problem, and the modest evidence that this country is prepared to take the offensive itself whenever it is conceived to be feasible. The fall, although much less severe and uniform, has lasted more than twice as long as that which followed the collapse of France, and there can be little doubt that the absence of any clear cut victory, such as that achieved in the battle of Britain, is the explanation. A contributory factor is, however, the greater stability of fixed interest stocks on this occasion, which seems to indicate that the investor now realises that the sharp advance in equities, as compared with fixed interest stocks, between April and December, 1941, was overdone. The margin in the chart is still less than it was a year before. Whether it widens or narrows will depend largely on the extent to which the country is convinced that a new spirit and a new determination are abroad at home and overseas.

ESTABLISHED 1824
SCOTTISH UNION AND NATIONAL
INSURANCE COMPANY
ASSETS EXCEED £17,500,000
FIRE LIFE ACCIDENT MARINE
Edinburgh: 35, St. Andrew Square.
London: 5, Walbrook, E.C.4 (Temporary Address: 5, Lothbury, E.C.2)
And 45, Pall Mall, S.W.1.

Cable and Wireless Changes

The recently announced decision of Sir Edward Wilshaw to abandon the position of managing director, which he has hitherto held jointly with Lord Pender, to a number of the companies of the Cable and Wireless group is causing a good deal of speculation. Although Sir Edward retains directorships in all these companies, the effect is to leave Lord Pender in sole charge of finance, while Sir Edward retains command of operation. The only explanation provided is the statement that Sir Edward does not believe in dual control, but he has been practising it for a number of years and it is not surprising if people look for some further explanation. Interest has been increased by the news that those directors of Marconi International Marine who are not on the boards of other Cable and Wireless concerns have also resigned. Is this also designed to centralise control in one hand? In addition to the business of telecommunications, the group controls numerous manufacturing ventures on the Marconi side of the undertaking, while the security holdings of the old cable companies constitute an investment trust business. The debentures and preference capital of the cable companies have a first call on their earnings, the remainder going to Cable and Wireless (Holding), and thus to the private investor. It has long been felt by many observers that this very complicated structure could, and should, be simplified. No doubt substantial investments are necessary to the company, but holdings which have to earn prior charge dividends for outside interests do nothing to strengthen its position. It is possible that the present moment is not ideal for liquidating some of the investments concerned, but the hope is again being expressed that an early opportunity will be taken of winding up the old cable companies. It would then be possible to simplify the structure of the group to the extent of amalgamating the operating and holding companies into one body. Recent developments might possibly be read as the beginning of a move in this direction.

Holding Companies

In more than one case recently, chairmen of holding companies have gone out of their way to stress the benefits which their particular enterprises have secured for the community and to advance this, without qualification, as the answer to the criticism of this form of enterprise. The holding company is, of course, a piece of financial machinery, and, like any other, it is valuable or the reverse according to the use made of it. The objections to it are that it facilitates pyramiding and the divorce of control from the ownership of capital. Moreover, as the law now stands, it also facilitates the concealment of information as to the position of operating companies which it is plainly the intention of the Companies Act to disclose. Both these features have the overwhelming disadvantage that they encourage monopoly. It is sometimes suggested that the holding company can overcome the hindrances to progress imposed by antiquated laws, and this argument is frequently applied in the case of public utilities. This may be so, but clearly the question arises as to who is to say when a law is out of date, and there will be general agreement that the decision cannot be left to those who are proposing to circumvent it. Another claim made is that occasionally joint holdings are one way of making possible a development which would normally be delayed, as not in itself economic. Here again it is open to question whether, if a subsidy is desirable, it would not be better for the state to provide it—by taxation graduated according to capacity to pay—rather than to impose it arbitrarily upon a section of the community chosen by the controlling company. In any case, so long as full disclosure is not made there are no means of checking the very natural assumption of those responsible that the development has been effected as cheaply as possible. No doubt holding companies have proved beneficial in certain instances. But one swallow does not make a summer, and if this particular piece of finance machinery is to continue in operation, it must be under very different legal safeguards from those operating hitherto.

Another Montreal Default

The announcement that the City of Montreal does not propose to repay its 3½ per cent sterling debenture stock, due May 1, 1942, is evidence that no great progress has so far been made by the Committee representing British holders of Montreal bonds. Apparently, some hopes had been entertained that default on a sterling issue—the previous defaults have been on dollar bonds—might be avoided, for the stock fell 5½ points on the announcement. Since, however, its previous price was only 88, it is clear that the chances of redemption at par in May were thought to be slight. The default can only accentuate the distrust felt in this country for Canadian municipal loans, and it has to be admitted that the behaviour of the Montreal authorities is distinctly unhelpful. Although an exchange of correspondence has been proceeding for some months between representatives of British bondholders and Canadian authorities, it still appears to be the case that no means has been found of effecting a rapid exchange of views—rapid, that is, even in the context of wartime delays. This attitude is in sharp contrast with the action of the Dominion, which grudges nothing to help forward the war effort. The whole attitude of Montreal is characterised by irresponsibility, and it is quite evident that, whatever the feelings of the individual bondholder, London cannot afford to encourage the City in its rake's progress. The British Committee is continuing its labours in the face of all difficulties, and it is understood to be due to its efforts that the Montreal authorities consented to make their first direct communication to British holders, the notice of the impending default.

21.9 to 19.3 per cent. The accounts of *Vickers-Armstrongs*, one of the largest operating companies, show a smaller fall in income after tax from £1,963,527 to £1,931,023, but depreciation is £160,000 higher at £1,160,000. Consequently, there is decline in the rate of earnings from 7.6 to 5.75 per cent tax free, equivalent to 11.5 against 13.2 per cent less tax. The tax free ordinary dividend is reduced from 7 to 5 per cent, equivalent to 10 against 12.1 per cent less tax. There is an addition to the carry forward of nearly £60,000, bringing the total to £268,896. The accounts of *English Steel*, owned jointly by *Vickers* and *Cammell Laird*, show an even more severe contraction in net income, the tax free rate of earnings for deferred shares falling from 31.0 to 17.9 per cent. The balance sheet of *Vickers* shows a fall in the surplus of liquid assets, excluding inter-company items, from £4,389,285 to £2,261,642. Cash and gilt-edged holdings are more than £1,400,000 lower at £4,997,577. The loan to *Vickers-Armstrongs* has jumped from £3,997,123 to £6,395,155. The most significant change in the balance sheet of the latter company is the striking rise in stocks from £46,382,267 to £50,939,458. Both creditors and debtors are lower, a fact which suggests that, since the concern was undoubtedly working to full capacity, there was some improvement in the matter of prompt payment. Cash is up by some £500,000 to £2,176,770. Under war conditions, the accounts of the group, which lack a consolidated statement, are less than ever able to convey a complete picture of its activities, and the chairman, Mr A. A. Jamieson, points out that no indication is given of the work in progress in the shadow factories managed by the group or of its subsidiaries, other than *Vickers-Armstrongs* and *English Steel*. The *Vickers* 10s. stock, at 16s. 3d., offers £6 3s. per cent.

Company Notes

The Vickers Group

The full accounts for 1941 reveal total disclosed profits of *Vickers, Ltd.*, at £977,755 against £1,188,651. As was estimated in the note on the preliminary statement in *The Economist* of March 21st, equity earnings are down from

South Durham Improvement

Accounts of *South Durham Steel and Iron* show a substantial recovery for the year to September 30th last, with profits of £281,134 against £188,576. Since there is a liability for taxation of £41,000 against nil, excluding tax on dividends, and of £25,933 against nil for war damage

REFUGE ASSURANCE COMPANY LIMITED.

CHIEF OFFICE: OXFORD STREET, MANCHESTER, 1.

Summary of Directors' Report for the year ended 31st December, 1941.

Total Income for the year, £13,496,154.

Total Assets at end of the year, £77,726,104.

Total Claims Paid in the year, £7,130,844. The Company has paid £140,468,475, in claims since its establishment.

The Total Assurances existing on December 31st, 1941, amounted to £83,065,446 in the Ordinary Branch and £122,775,708 in the Industrial Branch.

Ordinary Branch: Bonus of £1 per cent. for 1939, 1940 and 1941 declared on participating policies which become claims during the ensuing year. Surplus carried forward is £1,838,284.

Industrial Branch: £419,926 Profits allocated to Policyholders.

J. WILCOCK HOLGATE, Chairman.

insurance, the rise in equity earnings is less marked. It is, however, possible, after repeating the transfer of £100,000 for depreciation, to raise the dividend on ordinary capital from 6 to 8 per cent and to pay 2 per cent on "B" ordinary shares. These payments are covered by rates of 8.03 against 6.1 per cent and 2.03 against 0.1 per cent, respectively and there is a small increase in the carry forward from £122,717 to £122,865. *Cargo Fleet*, which is controlled by *South Durham*, shows a recovery in profits from £118,415 to £170,743, but here the combined incidence of taxation and war damage insurance is sufficient to cause a decline in equity earnings from £526 to £501 and no dividend is paid for the second year in succession. The *South Durham* balance sheet shows a substantial rise in stocks from £490,722 to £617,942; debtors are some £45,000 higher at £485,568, and creditors some £40,505 lower at £531,435. Net loans to a subsidiary are reduced from £112,215 to £21,436. An important feature of the accounts is the initiation of the redemption of 4 per cent mortgage debenture stock with the purchase and cancellation of £7,990. Net additions to fixed capital were reduced from £168,019 to £19,719. It is clear that the record of the *South Durham* group has been affected by a number of special circumstances, and affords little clue to the conditions governing heavy industrial profits in general. Last year's recovery most probably denotes the end of the period of acute shortage of certain raw materials which was responsible for the earlier setback. The £1 ordinary shares jumped 2s. 3d. on the publication of the results. At the current price of 26s. 6d., they yield £6 4s. 3d. per cent, a return which appears to discount further considerable progress.

London Store Accounts

The full accounts of *John Barker* and the *Harrods* group for the year to January 31, 1942, both indicate that last year's revival in the London general retail trade was considerable. Total profits of *Harrods*, with a lower dividend from D. H. Evans and no payment from *Dickins and Jones*, rose from £1,951,760 to £2,029,877, while those of *John Barker* are up from £1,398,672 to £1,433,699. Profits of *Harrods* were discussed in *The Economist* of February 28th; those of *John Barker* on March 7th. Of the *Harrods* subsidiaries, *Dickins and Jones* realised an increase in net profits from £21,933 to £41,374. There is, however, no payment on preference stock, the service stock for the whole year being met from the Preference Stockholders Reserve Fund. Total income of D. H. Evans is reduced from £345,372 to £307,552, but substantial economies in general expenses have raised net profits from £85,883 to £94,355. As Sir Woodman Burbidge points out in his speech, the main cause of the improvement is the cessation of enemy bombing. Increasing limitation of supplies and stricter rationing are to be expected in the current year and there is little possibility that the improvement can be sustained for the rest of the war. The *Harrods* group has suffered through the curtailment of its important mail order business, which followed the restriction on the issue of catalogues. It is possible that the Kensington group will con-

tinue to attract custom from its competitors, as appears to have been the case in the last few years, and so may be, to some extent, sheltered from the general effects of wartime curtailment of the retail trade. On the other hand, the balance sheet of *John Barker* shows a reduction in stock—the figure most vitally influencing potential profits—from £1,002,010 to £914,573, accompanied by a rise in cash from £303,939 to £515,961, while *Harrods'* balance sheet shows a rise in stock from £1,116,165 to £1,245,405 accompanied by an increase in cash only from £124,465 to £221,556. The increased stock figure is due solely to higher prices, but the company believes it can meet all reasonable demands for six months at least. The *John Barker*, £1 ordinary shares, at 37s. 6d., yield £5 6s. 8d. per cent, those of *Harrods*, at 30s., offer £3 6s. 8d. per cent, implying considerable confidence in recovery.

Ellerman Lines

The publication of the long-delayed accounts of Ellerman Lines for 1940 reveals an improvement in profits and an increase in activity. Total disclosed earnings, after taxation, rose from £1,360,403 to £1,429,004, while the depreciation provision is rather higher at £745,890 against £725,000. The allocation from profits for replacement of steamers is £500,000 against the £450,000 in 1939. Thus, after meeting service on preference and preferred ordinary capital, the surplus for deferred stock is slightly lower at £107,464 against £109,753, but is equivalent to 16.9 against 16.5 per cent. The equity receives 10 per cent, as before, and the carry forward receives an addition of £27,464. The directors have decided to transfer £1,250,000 from the carry forward for replacement of steamers, for which inadequate provision is made under the requisition terms of the Ministry of War Transport, and the total of undistributed profit is consequently reduced from £1,940,920 to £718,384. This prudent transfer partially explains the jump in the total of creditors, including tax and replacement reserve, from £1,633,541 to £5,230,079. The bulk of the rise is, however, presumably due to the difference between written-down value of lost steamers and the compensation received. There is, moreover, a rise in the debtors of nearly £2,500,000 to £2,702,701, while the total of cash and British Government securities is some £2,000,000 higher at £2,885,387. The book value of fleet is reduced from £2,226,359 to £1,743,147, and payment on account of steamer building is £50,000 lower at £155,365. The accounts indicate that, from the income standpoint, trading under Government contract was profitable in 1940, and that the management takes a realist view of the weight of future replacement costs. The absence of a profit and loss account, and the combination of creditors with replacement reserve, make it impossible to assess the true position. It is to be hoped that the publication of the 1941 accounts will not be long delayed.

Ashanti Goldfields Results

The reports of Ashanti Goldfields and the companion concern, Bibiani (1927), show that despite the maintenance of dividends at 80 and 25 per cent respectively for the year to September 30th last, profits were in both cases rather lower. In the case of the former concern, a fall in total revenue from £2,388,613 to £2,291,426 was due to a reduction in tonnage milled from 242,865 to 228,300 tons, which was not fully offset by a slight improvement in yield. Expenses rose by 23d. per ton owing to higher costs of materials, while the usual 10 per cent depreciation on increased amounts of plant called for an additional £15,000 odd. The effect is that, after maintaining the dividend and the £300,000 transfer to tax reserve, the carry forward is increased by some £18,000 compared with a rise of some £133,600 a year before. The figures of Bibiani are less satisfactory so far as output is concerned for both tonnage and yield fell, but, owing to restricted development, the rise in costs is only 2d. per ton, and total expenses are down on the year. Thus, while gross revenue fell from £851,635 to £752,433, the net figure was £305,544 against £376,509. The tax reserve appropriation is cut from £210,000 to £180,000, but there is only a draft of £4,456 on the carry-forward compared with £18,488. Despite further curtailment of work, owing to uncertainty of supply at Ashanti, it has been possible to add 140,700 tons to the ore reserve, raising it to 2,076,516 tons, but the grade is reduced from

21.8 to 21.6 dwts. At Bibiani, there was a further fall from 2,747,205 to 2,548,204 tons, and in value from 7.20 to 7.17 dwts. In both, however, the reserve position is so strong that the minor decline has little immediate importance. A much more serious question is the ability to maintain supplies of essential stores. In his comments, the chairman of both companies, Mr. James H. Batty, points out that, in the case of Bibiani, the target has been reduced to 21,000 tons a month to yield 6,400 ounces. In the case of Ashanti, he hopes to maintain present figures, but points out that this is dependent upon shipping facilities. The prices of the shares, of 4s. nominal in each case, stand at 19s. 4½d. for Ashanti and at 16s. 6d. for Bibiani.

United Glass Bottle

Total profits of United Glass Bottle for 1941 are shown after EPT so that income is reduced only from £457,769, and not from £537,769, to £415,530. Income tax claims £168,000 against £160,000, and the company is liable for war damage insurance contribution of £14,080 against nil. Despite a reduction of £10,000 to £15,000 in

the transfer to staff funds, there is a fall in equity earnings from £125,347 to £93,575, equivalent to 16.7 against 19.4 per cent. The usual 12 per cent dividend is distributed on ordinary shares. Contingencies receive £25,000 as before and the carry forward is slightly higher at £65,922 against £64,369. The balance sheet shows a rise of some £100,000 in stocks, while cash holdings are up from £170,951 to £205,999. Investments in Government securities are unchanged, but the chairman, Sir Max J. Bonn, points out that substantial increases in the holdings of subsidiary companies have taken place during the year and that the total now exceeds £350,000. In this connection, the absence of a consolidated balance sheet leaves the picture particularly incomplete. The chairman states that there has been no general increase in prices and that profits have been maintained through reliance on a high volume of output and rapid turnover. Whether this can be maintained depends on a number of circumstances outside the control of the group. Sales in the north, for instance, are closely linked to the future of the distilling industry. Shareholders enjoy a strong probability that dividends can be maintained in the current year, even if a further decline in net earnings is inevitable. The £1 ordinary shares, at 55s. ex dividend, yield £4 7s. 3d. per cent.

Industry and Trade

Future of Road Transport

Like the railways, the principal road transport interests have decided to set up a post-war reconstruction committee. The purpose of the committee, as stated by Mr S. D. Wilson, chairman of the British Road Federation, on March 25th, is "to evolve a statement of principles, in the light of what we can see at present which will be of use to the Government as indicating the considered and agreed opinion of the great majority of all those interests which are concerned with the use of commercial mechanical transport on the roads, and all the vast ancillary industries which are linked up with that essential industry." The committee is broadly based. Apart from the chairman of the British Road Federation, and of representatives of the public haulage industry, of public service vehicle operators, and of ancillary users, it includes representatives of the motor and road construction industries and of the petroleum distributors. Mr F. S. Bristow, secretary to the British Road Federation, is to act in a similar capacity to the committee. The need for a set of principles to guide the post-war development of transport in accordance with the national interest is unquestionable. The composition of the new committee suggests that the case for the road transport industry will be stated with vigour.

War Damage Commission

On the occasion of the first anniversary of the War Damage Commission, which was appointed on March 27, 1941, the day after the War Damage Bill became law, Mr Trustram Eve, K.C., its chairman, issued a statement about its activities. The work of the Commission during the first year of its existence has fallen into two divisions. First, it has had the administrative task of meeting the claims lodged with it for immediate payment. Secondly, it has had the task of considering many difficult points of interpretation and the practical problem of converting a complicated Act into an administrative code. As an illustration of the kind of problems facing the Commission, Mr Eve mentioned the difficulty of finding a proper basis of compensation for Wren's lost masterpieces, a crater in a field, a gravestone in an old churchyard. So far the Commission has been concerned chiefly with claims for payment in respect of temporary, partial or permanent repairs already executed, for in a considerable proportion of the cases notified work must be postponed until after the war. Of the claims subject to immediate payment some 60 per cent have been passed and 118,000 cheques have been paid since the beginning of this year. Cheques are now being issued by the Commission at the rate of 15,000 each week. Its task is far from easy and its administrative difficulties are legion; but on the whole the Commission has tackled them

courageously and it has achieved a fair measure of success during the first year of its existence.

Coupon Banking Accounts

The scheme for the handling of traders' clothing coupons by the banks has now been published in detail, and is expected to begin to operate in the middle of June. From the traders' point of view, much time and trouble will be saved: after the first counting of coupons for deposit in the bank all transactions with other traders will be by transfer-voucher, which will be written out much in the same way as a cheque. But before transfer-vouchers can be passed on in settlement of coupon debts, they must be confirmed by the banks. This provision is made because overdrafts on accounts are, not unnaturally, ruled out. Traders will be required to keep a pass-book for themselves, but the banks will give verbally the number of coupons in credit. In transactions which involve the exchange of more than fifty coupons, the banking system must be used, though transfer-vouchers may be written for any number of coupons. Loose coupons may still be passed on, where less than fifty are required, but in these cases provision is made for a check by the Board of Trade of a sample of the actual coupons presented, presumably so that forgeries may be detected. Coupon-equivalent documents of the kind which carry rights to quota-free supplies will continue to be passed from trader to trader. Special envelopes are to be issued in which the coupons will be deposited. These are for 98, 490 and 980 coupons each, but the accounts will be credited with 100, 500 and 1,000 respectively; the 2 per cent discount is intended to make good losses of rationed articles through pilfering and other causes. The envelopes, which are signed by the firms depositing them, will be checked by the Board of Trade, which stated that if too many are put into any envelope the excess will not be returned. Traders will continue to be permitted to keep deposits of coupons with their suppliers, which will be made by transfer-vouchers in the usual way. The services of the banks and all relevant documents are to be free to traders. The scheme is discussed from the banks' point of view in a note on page 472.

Wartime Ship Repairs

The cost of ship repairs and the contract system at present in force are causing concern among shipowners. The national interest demands that repairs are executed with a minimum of delay and that no labour is wasted by reason of the contract conditions. Provided extravagances are avoided, the question of cost is less important. It is difficult to estimate the average rise in the cost of repairs since

TOWARDS THE FUTURE

"When the war comes to an end there will be 8,000,000 or 9,000,000 people, the mainspring of whose existence will have snapped overnight, and it is essential that we should have an ordered scheme of what we mean to do."—Graham White, M.P., in the House of Commons, 10/3/42.

What are the essentials of this 'ordered scheme' of the future?

READ

DEMOCRACY'S OTHER WAR

It traces a new social pattern for the use of money to create new health, new agriculture, new homes, new happiness...

Contributors:

Lord Northbourne, Richard Stokes, M.P., Lord Sempill, Edgar J. Saxon, Lord Lymington, Sir Reginald Rowe, Professor Frederick Soddy, A. Trystan Edwards, Edward Holloway

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the outbreak of war, partly because many jobs require exceptional treatment, justified by the saving in time, but uneconomical by peace-time standards. An increase of 40 to 50 per cent over pre-war charges, has been mentioned by repairers as a fair average for normal work, but ship-owners would probably regard this as an underestimate. War damage repairs are priced according to the Emergency Repairs Agreement between the Admiralty and the ship repairers, the basis of which is the cost of labour and materials, plus a percentage for profit. More than once the Select Committee on National Expenditure has called for a reversion to the fixed price contract wherever possible, but the Admiralty has defended the present system as being the only means of avoiding delay. As was recorded in a note on page 441 of *The Economist* of March 28th, the annual report of the Liverpool Steam Ship Owners' Association expressed concern at the trend of ship repairing costs and questioned the wisdom or economy of the "cost plus" system. At the annual meeting of the Chamber of Shipping a few weeks ago, it was suggested that the wider use of the fixed price contract would mean speedier work, even if more costly, and it was added that repairers, though often willing to adopt this basis, were not allowed to do so. Technical considerations are involved in this controversy. It is certain that in many cases precious time would be wasted if repairers had to open up a vessel thoroughly and discuss financial matters before getting to work. On the

other hand, it is evidently the opinion of some of those who have had practical experience that the fixed price contract could be used more often. The problem might usefully be re-examined with a view to the adoption of arrangements that would satisfy more effectively the different requirements, of which speed is the most important.

Control of Industrial Diamonds

On March 25th, the Ministry of Supply announced the appointment of Sir Cecil Rodwell as Controller of Diamonds. The official announcement added that the new controller "will deal with questions relating to rough diamonds." The control of polished gem diamonds and of the gem cutting trade will remain with the Board of Trade, while the diamond tool trade remains under the supervision of the Controller of Diamond Dies and Tools. As the supply of rough stones constitutes the basis of all sections of the diamond trade, Sir Cecil Rodwell will occupy a key position which can be effectively used to direct the flow of diamonds to the requirements of the Allied war industries. Though not connected with the diamond trade, the new controller has for many years been in close touch with diamond interests. He started his public career in the

South African civil service and from 1928 to 1934 he was Governor of Southern Rhodesia, a territory in which the De Beers concern held exclusive prospecting rights for diamonds. Moreover, as a director of leading gold and copper mines, Sir Cecil is acquainted with practical mining problems. The appointment of a British Diamond Controller coincided with a report from Washington early this week according to which the War Production Board is planning a survey of all rough diamonds at present held in the United States. It is, therefore, not unreasonable to assume that the appointment of a controller reflects a decision of the Allied raw material pooling organisation.

Such a decision has, in fact, been expected since last December. The requirements of industrial diamonds for war purposes in the United States, Great Britain, and Russia have reached a rate which would have been regarded as fantastic before the war. Although the employment of industrial diamonds had been more extensively developed before the war in the United States than elsewhere, demand in that country has doubled during the last few months. Apart from the fact that the volume and speed of war production, as well as the hardness of armament alloys, has greatly increased replacement requirements, industrial diamonds are employed for a rapidly expanding range of purposes. The diamond producers and their sole selling agency, the Diamond Trading Company, have made an effort to keep the Allied war industries supplied with industrial diamonds. They have, moreover, abstained from using the record demand for their own ends, and have kept prices for industrial diamonds at pre-war levels. Demand, however, has now reached a rate at which careful planning of future supplies becomes vital, especially as the trend of demand is still upwards. This planning can, of course, only be done by a Government department acquainted with all the relevant facts. Fortunately, almost the whole of the world's output of diamonds is at the disposal of the United Nations. World production, which, according to the United States Bureau of Mines, reached 9,570,400 metric carats in 1937, advanced to 14,140,200 carats in 1940. A further substantial improvement took place last year. At present the Belgian Congo (the Beceka Mines) and British West Africa (the Consolidated African Selection Trust), quantitatively the world's largest producing areas, are making determined efforts to establish production records in 1942 and 1943. As a result there is every prospect that, despite the idleness of the South African mines which produce mainly gem diamonds, world production will reach 20,000,000 carats by next year.

Britain and the United States for collapsible tubes and foil, which absorbed 5,000 tons last year, has been virtually eliminated. In addition, the use of tin in solder and bearing metals has substantially declined. If the use of tin in tinplate is also restricted, there is a fair chance that consumption in the two countries will be reduced to a level, at which current needs can be met by supplies from Bolivia, Nigeria, the Belgian Congo, South Africa, Argentina and Cornwall.

Meat Prices and Ration

Meat is allocated to retail butchers on a money basis, to cover the ration for their registered customers, with an extra allowance to compensate for wastage, and to provide for contingencies, such as rations for the Armed Forces on leave, travellers and emergency ration cards and new registrations. Adjustments are made for changes in the number of registrations. The Ministry of Food recently made an investigation into the rate of allocation of meat to butchers, which showed that the present scale of allocation yielded a margin over the ration more than enough to cover contingencies comfortably, with the inevitable result that, if meat was not to be wasted, some customers were able to buy more than their ration. Indeed, this was a wise and even patriotic action, in spite of the Ministry

	Before March 28th per lb.	From March 28th per lb.
Beef:—		
English longsides, 1st quality	9d.	9½d.
" " 2nd quality	7d.	7½d.
Imported hinds, bone in	7d.	8½d.
Mutton:—		
Carcases, home killed, 1st quality ..	1/0	1/0½
" " 2nd quality ..	6½d.	6½d.
" " imported	6½d.	6½d.
Pork:—		
Carcases, heads on, home killed	1/0	1/0½
" " imported	1/0	1/0½
" " off, home killed	1/0½	1/1
" " imported	1/0½	1/1½

of Food's exhortations to the housewife, in their advertisement last November and at other times, never to accept more than their rations. The amount of meat the butcher can buy on his permit has now been reduced by the expedient of a slight increase in wholesale prices, shown in the accompanying table. The effect of the price rise will also be to lower the butcher's gross profit, which has been higher than was estimated. The full ration will continue to be available from the butchers' allocations; the choice of meat in any shop is likely to be more restricted and the most favoured customer may find herself with a smaller amount of meat than she has been receiving. The Ministry has been considering a reduction in the meat ration, but this has been postponed. Meanwhile, some economy will be secured as a result of the raising of the wholesale price.

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

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Substitutes for Tin

On April 14th a new Ministry of Supply Order prohibiting the cutting of plain tinplate for the manufacture of packages and crown corks for civilian use will come into force. Amongst the products affected by the Order are biscuits, confectionery, coffee, syrup, dried milk and milk foods, tobacco, oils, polishes and many pharmaceutical and toilet articles. In announcing the new Order the Ministry of Supply pointed out that lacquered steelplate will in future be used for the purposes concerned. Until last year the manufacture of tinplate absorbed roughly half the tin consumed in Great Britain and the United States. Although the new Order affects only a comparatively small part of the British tinplate consumption—probably less than one-fifth—it prepares the way for further measures designed to economise tin by the substitution of other materials. Last year Germany was able to replace virtually the whole of its tinplate consumption by lacquered steelplate. In a few exceptional uses for which lacquered steelplate proved an inadequate substitute—amongst these the conservation of foodstuffs containing acids is the most important—thin aluminium plate was used instead of tinplate. As the aluminium production of the United Nations outstripped that of the Axis last year and will show a steep rise in 1942, they should be in a position to follow the German example in case of need. A new instruction has been issued this week under which milk bottle caps are in future to be produced from aluminium instead of tin. Actually it is most unlikely that the Allies will run short of tin for essential purposes. Since December last the use of tin in Great

COMPANY MEETINGS

REFUGE ASSURANCE COMPANY LIMITED

LARGE INVESTMENTS IN NEW WAR LOANS

STRENGTHENING OF VALUATION BASES: PROFITS TO POLICYHOLDERS

ASSETS £77,700,000. INCOME EXCEEDS £13,400,000

The seventy-eighth annual ordinary general meeting of the Refuge Assurance Company, Limited, was held on the 31st ultimo at the chief office of the Company, Oxford Street, Manchester.

Mr. J. Wilcock Holgate (chairman of the company) presided.

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

The chairman, in moving the adoption of the report and accounts, said:

Gentlemen.—I am glad to-day to be in a position to give you a favourable report on the operations of the company during the past year. Despite all the problems with which we have had to cope, and the difficulties we have had to overcome, arising out of the disturbance to the ordinary life of the country created by the war, we have not only carried on our work but also increased the scope of our activities. I refer to this progress with particular emphasis because success in our work means also effective assistance to our country in one aspect of its war endeavour. We are urged to-day to refrain from unnecessary spending, and it is a characteristic feature of life assurance that money laid out by way of premiums is not money spent, but money saved. You will see from the balance sheet how large a proportion of our funds is invested in Government securities; and our ability to do this is entirely the product of the united thrift and foresight of our policyholders, who may regard their life assurance premium payments as a direct compliance with the wishes of the Government in this connection.

In securing this progress we have had to make many adjustments to meet the constantly changing conditions affecting our work, notably, of course, as regards our staff. At the present time the number of our employees serving in the Forces, or on whole time national service, is 2,462, and a large proportion of the agency work is now conducted by women, who are giving evidence, in the excellence of their work, of the adaptability and resource of their sex. In chief office where, as I remarked last year, the work is constantly under review with the object of eliminating all non-essential operations, increasing use is made of the services of married women, who now represent 12 per cent of the female staff.

STAFFING DIFFICULTIES

The position as a whole will become increasingly difficult as the call-up of both men and women proceeds, though we are hopeful that the authorities, with the co-operation of the Life Offices organisations, will continue to recognise the essential needs of the insurance industry in this respect. It is of course upon our trained staff that we rely for the training of the numerous recruits to the business, and for the carrying out of technical and administrative duties which cannot be handled by persons without long experience in the service.

As you are aware the company, in addition to maintaining their pension rights, is making allowances to members of the staff called up into the Forces. We are happy to be in a position at the present time to provide this measure of financial assistance to the households affected; and I know you will share my earnest hopes for the continued well-being and safe return of those members of our staff of whose services we are temporarily deprived.

I have, however, the sad task of recording the deaths of seventeen members of our staff on active service and through enemy action in this country, and I wish now to express to their relatives the sympathy of the company. There are also four members of the staff who are prisoners of war, and in their case I would say that we all hope for their safe and speedy return to their families and friends. Two are at present reported as missing, and here again we hope that news of them may be forthcoming.

LIFE ASSURANCE IN THE WAR

During the year the circumstances affecting the progress of the business were not entirely, by pre-war standards, unfavourable.

As regards interest and expenses, of course, the trend of events was definitely and generally adverse; but our mortality experience for the year was favourable, and in addition to a considerable increase of new business in the ordinary branch it was encouraging to observe the evident determination of our policyholders in both branches to keep their policies on foot. It is in such days as these that the true value of the protection which life assurance affords is brought home to many who, under other conditions, might be apt to regard it as merely desirable rather than necessary, as it nearly always is; and it is, I think, due in part at least to this realisation that the rate of discontinuance in each branch, from whatever cause, is remarkably low.

In both branches we make special provision to meet those pre-war policyholders who, through financial hardship due to the war, are unable to continue the payment of their premiums; and although during the year comparatively little recourse was had to the assistance we are prepared to make in such cases, a number of instances occurred where the help we were able to render has proved most opportune.

I may here mention that from the outbreak of war to the end of 1941, the company has paid the sum of £342,993 in death claims under policies upon the lives of members of His Majesty's Forces and of civilians, due to enemy action.

INTEREST

Perhaps our major concern at the present time has relation to the rate of interest, where circumstances may be said to have simplified somewhat our investment problems by restricting so closely the possible fields for the investment of our funds. The yield it is possible to obtain on the majority of such securities as it is proper for a life assurance office to purchase is low in itself, and is rendered still lower through the operation of the gradual tax: and the effect is, of course, a continuance of the gradual reduction in net yields which has been a feature of life assurance operations for some time. The effect of recent developments may perhaps bring to the front the original conception of life assurance as a means of providing financial protection to a man's dependants in the event of his premature death, the investment element assuming a lesser importance than it has been possible to attach to it, quite fortuitously, in the past.

EXPENSE RATIOS

As regards expenses, we have to face expenditure which, in pre-war days, either was not required, or was on a lower scale, major items being allowances to our called-up employees, war-time additions to the normal earnings of our staff, and the additional cost of materials, taken in conjunction with such other extraordinary expenditure as Civil Defence and Fire Protection expenses. These special war-time charges have naturally modified the steady and unbroken reductions in expense ratios in both branches recorded over a number of years preceding 1941, but despite these additional burdens the expense ratio in the industrial branch increased by only .95, whilst that in the ordinary branch showed a slight reduction.

MORTALITY

Whilst in total the percentage of actual deaths to those anticipated by the mortality tables employed in the valuation remained practically unaltered in the ordinary branch, the mortality in the industrial branch was more favourable than for many years; but taking the age groups separately both branches were alike in recording an increase in the percentage for the under 50 group and a decrease for the over 50 section. A significant increase in each branch was in respect of the age group 20-29, a result which might perhaps have been anticipated as the result of war conditions but even more significant is the considerable reduction in mortality

INVESTMENTS

Turning to the balance sheets, I have already referred to the fact that the assets of the company now amount to £77,726,104, showing an increase of £3,119,552. Again, as last year, perhaps the outstanding feature in this connection is the increase during the year in our holding of British Government securities. These securities now amount to £33,971,646, having increased during the year by £3,778,324 and represent 43.71 per cent. of our total assets and 54.28 per cent. of our Stock Exchange securities. You will be interested to know that of the above total the new War Loans held by the company at the end of last year amounted to £6,249,300, the amount invested in this respect during 1941 being £3,550,500.

The aggregate value of our Stock Exchange securities very materially appreciated during the year, and exceeded considerably the value at which they appear in the balance-sheets, the investments reserve funds being retained intact.

As regards the interest yields per cent on our assurance funds, in the industrial branch the gross yield has fallen from £4 11s. 5d. to £4 8s. 3d., and the net yield from £4 3s. 4d. to £4 2s. 2d. In the ordinary branch the gross yield is £4 11s. 2d., against £4 13s. 1d. in 1940, and the corresponding net yield £3 6s. 9d., compared with £3 7s. 8d. In the circumstances I think you will agree that these decreases, though unavoidable, are at least well within the limits which might fairly have been anticipated.

The geographical distribution of our investments differs little from that of the preceding year: the trend, however, has been in the same direction for a number of years, with the cumulative effect indicated by the following figures:

	1932	1941
	Per cent.	
Great Britain	77.46	88.53
Indian and Colonial	14.59	8.47
Foreign	7.95	3.00
	100.00	100.00

NATIONAL HEALTH INSURANCE

Turning now to another branch of the company's activities, I have to report that on behalf of the National Amalgamated Approved Society we administer the National Health Insurance of a membership of 766,000, an increase of 21,000 over the corresponding figure for 1940. During the year payments of benefit were made amounting to £636,887, including £70,792 in respect of maternity benefits. In addition, the further considerable sum of £35,378 was received by "Refuge" members by way of non-cash benefits. The number of new members of the Society obtained during the year by "Refuge" representatives was 65,492.

TRIBUTE TO STAFF

In conclusion, let me once again acknowledge the services rendered by the company's staff, both in the field and at Chief Office, under the exacting conditions imposed by yet another year of war. Many have worked in circumstances of actual danger, and all have had to face and overcome difficulties not met with in times of peace; but our employees, men and women alike, have once again risen to the occasion, and played their parts in securing that the company they represent should continue to function in all parts of this Kingdom. I am also pleased to say that the relations between the company and the Refuge Field Staff Association and the Chief Office Staff Council continue to be on a most friendly basis.

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

The report and accounts were adopted.

Messrs Francis H. Thornton and J. Proctor Green were re-appointed directors.

Messrs Walton Watts and Company were reappointed auditors.

The meeting closed with a vote of thanks to the chairman.

RESULTS OF YEAR'S WORKING

Turning now to the results of the year's working you will see from the accounts before you that our total premium income increased by £268,008 to £10,934,622. Our total claims were £7,130,844, which included £4,021,577 by way of maturities alone. The aggregate surplus in both branches amounted to £2,907,560, and the total assets now stand at £77,726,104, having increased by £3,119,552 during the year.

In the industrial branch our premium income amounted to £6,275,383, showing an increase of £134,564 over that of the previous year. The net interest income was £1,245,853, and the life assurance fund increased by £1,770,140, after the transfer of £200,000 to the investments reserve fund, which now amounts to £2,650,000. The expense ratio was 32.58 as against 31.63 in respect of 1940.

In the ordinary branch the number of new policies issued was 35,385 as compared with 32,038 issued during the previous year. The new sums assured amounted to £6,192,115, a sum greater by 27 per cent. than the corresponding figure for 1940. In this branch the premium income for the year was £4,659,239, a figure greater by £133,443 than that of the previous year, and the net interest amounted to £1,294,246. The expense ratio was 12.43 as compared with 12.60 in 1940: and the life assurance fund now amounts to £40,076,401, in addition to which there is an investments reserve fund of £2,250,000.

VALUATIONS

Twelve months ago I referred to the probability of a diminishing yield on our funds, and stated that it had been thought desirable to strengthen the basis of valuation in the ordinary branch to meet the altered conditions. The industrial branch, as you are aware, was already on an interest basis of 2½ per cent., and we have on this occasion strengthened our ordinary branch valuation in order to put it upon a similar basis.

In the industrial branch additional provision has been embodied to meet prospective adverse mortality due to the war, and the resulting surplus, which includes £143,094 brought forward from the previous year, is £924,112. As I have already stated, the sum of £200,000 has been transferred to the investments reserve fund, and it is proposed to allocate to shareholders £97,984, to carry forward £206,202, and to set aside £419,926 for allocation to policyholders.

In the ordinary branch the liability brought out by the method adopted is not less than that which would have emerged from a net premium valuation using the A24-29 ultimate table of mortality with interest at 2½ per cent. The resulting surplus is £1,983,447, which includes £1,273,235 brought forward from the previous year. It is proposed to allocate to the shareholders £14,516, to set aside £130,647 for allocation to policyholders, and to carry forward the materially increased sum of £1,838,284 to meet any contingencies which may arise out of the present world situation or to be dealt with subsequently as the Board may determine.

ALLOCATIONS TO POLICYHOLDERS

In the industrial branch, the amount set aside for policyholders is allocated by way of permanently increasing the sums assured by certain policies, and by making the payment of claims arising by death or survival of endowment terms during the ensuing year on the basis of the latest and most favourable scale of benefits as regards those policies which have not been placed permanently upon this latest scale by this or previous allocations of surplus, together with an addition of 2½ per cent. in respect of policies, with certain exceptions, dated prior to January 1, 1937.

Having regard to the continued uncertainty of the times, we propose to continue the modified form of bonus distribution in the ordinary branch adopted since the outbreak of war. The distribution to policyholders takes the form of a bonus on participating policies which become claims by death or survival within the twelve months commencing March 20, 1942, at the rate of £1 per cent. on the sum assured in respect of each full year's premium due and paid in 1939, 1940, and 1941 respectively. It is proposed also until further notice to allow an interim bonus on policies becoming claims by death or survival at the rate of £1 per cent. on the sum assured.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes. In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever. Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, Brettenham House, Lancaster Place, London, W.C.2.

BRITANNIC ASSURANCE COMPANY, LIMITED

FINANCIAL POSITION STRENGTHENED

£364,000 ALLOCATED TO POLICYHOLDERS

MR J. A. JEFFERSON'S STATEMENT

The 76th annual general meeting of the Britannic Assurance Company, Limited, was held on Friday, the 27th ultimo, at the chief office, Broad Street Corner, Birmingham, Mr J. A. Jefferson, FIA, chairman and general manager, presiding. His statement to the stockholders was as follows:—

The results disclosed in the report are highly satisfactory and reflect the greatest credit on the staff, particularly when one bears in mind that there are now over 1,600 members of the indoor and outdoor staffs serving in His Majesty's Forces or engaged on other work of national importance. I would like to pay a special tribute to the lady agents who have come fresh into the business and who now number 1,572, nearly half our agency staff. They have done splendid work during the past year.

In common with other life offices, we are still experiencing the adverse effects of war, including war claims, increased expenses, heavy taxation and low rates of interest on new investments, to which I directed your attention last year. The most serious adverse factor at the moment is, of course, the low rate of interest, as you will realise that practically all our available money is being invested with the Government, yielding us a rate of 3 per cent. gross, compared with 3 to 3½ per cent. net assumed in calculating the premiums for the bulk of the business in force. The strong position we are in to-day is the result of the frugal and conservative policy which we have pursued for very many years.

THE REVENUE ACCOUNTS

The premium income of the life branches at £5,893,000 shows an increase of £365,000, which reflects the larger amount of money in circulation, particularly among the working classes. We claim that we are performing a most valuable function in attracting these sums to channels of thrift, enabling us to invest large sums in Government securities, helping to prevent inflation and at the same time promoting the prosperity of the policyholder. We also claim, and I believe justly, that a very large percentage of the money we collect by way of life assurance premiums would not be otherwise saved and would not therefore become available for investment with the Government. While much emphasis has rightly been laid on the saving of money and its investment in Government securities, it might also be stressed that a further important purpose of this saving is to cut down personal spending and set free materials and labour for the war effort. In other words the advice "Don't spend a penny more than is strictly necessary" is as much to the point as "Save all you can."

Lapses and surrenders have again fallen. Mortality, in spite of increased war claims, was more favourable in 1941 than in 1940; war claims in the life branches amounted to £104,644, making a total since the outbreak of war of £177,552. Large payments were made under maturing policies in 1941, although the total of £1,291,000 was less than in the previous year.

The company provided for income-tax, national defence contribution and war damage contribution in 1941 no less than £463,000. The total income increased by £392,000 to £7,478,000, and as a result of the year's operations the funds increased by £2,239,000 and now amount to £37,479,000.

ORDINARY BRANCH

The new business, in 1941 increased by over £2,000,000 to £4,143,000, a result largely due to our scheme for enabling policyholders to acquire 3 per cent. Savings Bonds by instalments spread over a period of 15 years by means of endowment assurance policies sharing in the profits of the company. Thousands of policyholders have embarked on a course of systematic saving which will help the war effort this year and next year, and will also help the country through the post-war period.

The premium income rose by £176,000 to £1,598,000, while the funds increased by £729,000 to £13,421,000. Net interest rose by £4,000 to £444,000, which represents a yield of £3 9s. 2d. per cent. on the mean fund, compared with £3 11s. 3d. per cent. in 1940.

Death claims at £238,000 were £29,000 less than in 1940. Expenses rose from 10.76 per cent. of the premium income to 12.37 per cent., a result due almost entirely to the large increase in new business.

INDUSTRIAL BRANCH

An outstanding milestone has been passed in regard to our funds, which now exceed twenty million pounds and show an increase during the year of £1,413,000. The premium income at £4,295,000 was £189,000 in excess of last year's total. Premium collections were maintained at a higher level than ever before and represented 19s. 11½d. in the £1 of all premiums falling due. The net rate of interest earned was £3 15s. 5d. per cent., which was 4s. 3d. per cent. below that of a year ago. Death claims amounted to £1,318,000, including £70,000 paid in bonuses, and represented a drop of £93,000 as compared with the previous year. The expense rate was 32.54 per cent., an increase of .78 per cent.

VALUATION OF ASSETS

There is only one item on the assets side of the balance-sheet to which I need draw your attention, and that is an increase of £2,220,000 in our holdings of British Government securities, which now amount to over ten and a half million pounds, representing 27 per cent. of our total assets. Since the last pre-war balance-sheet we have increased our holdings in this class of security by over four million pounds. This is a contribution to the country's war savings of which the company may be justly proud, and it is a policy which we are continuing as far as it lies within our means. Last year we were able to certify that our assets were fully of the value stated in the balance-sheet, and that the investment reserve funds were intact. There has been an appreciable rise in values during the year, making the position even more satisfactory than on December 31, 1940. Nevertheless, we have still continued to build up the investment reserve funds, which now amount to £2,350,000.

VALUATION OF LIABILITIES

The bases adopted in the valuation of the liabilities were very stringent. The Britannic contracts in the ordinary and industrial branches were valued by the net premium method at 2½ per cent. interest, whereas last year ordinary branch without-profit contracts and annuities were valued at 3 per cent. The mortality tables used were the same as those employed last year and are the latest available. Having provided for all foreseeable contingencies, the directors feel fully justified in making a distribution of surplus.

ALLOCATION OF SURPLUS

In the Britannic ordinary branch the surplus disclosed is £425,599. After transferring £30,000 to the ordinary branch investment reserve fund, the directors have allocated £184,298 to provide a reversionary bonus on all with-profit policies in force on December 31, 1941, at the rate of £1 per cent. on the sum assured. The surplus carried forward undivided to 1942 is £185,823. In the Britannic industrial branch the surplus disclosed is £709,621. Allocations have been made of £160,000 to policyholders, £140,000 to profit and loss account, £90,000 to staff pension fund and £70,000 to industrial branch investment reserve fund. The balance of surplus carried forward undivided to 1942 is £249,621. The directors have been able to repeat the bonus scheme without modification for a further period of one year from April 1, 1942. The allocations from the life branches for policyholders' bonuses amount to £364,416, while the surpluses carried forward undivided in these branches totalled £451,279.

GENERAL BRANCH

Despite the restricted opportunities at the present time for the transaction of certain classes of business, the premium income at

£201,000 shows an increase of over £30,000, which brings the income back to the 1939 level. The claims experience was again satisfactory, and after all necessary reserve adjustments had been made there was a net profit of £7,565.

STAFF PENSION SCHEME

The transfers to the staff pension fund this year again amount to £100,000. This scheme is non-contributory and we are continuing service with HM Forces as pensionable service with the

company. The directors express their warm appreciation of the good work done during the year by all members of the indoor and outdoor staffs. Relations with all sections of the staff have continued to be excellent, and the directors will spare no pains to maintain this happy state of affairs.

The resolution moving the adoption of the report and accounts was proposed by the chairman, seconded by Mr J. Murray Laing, and carried unanimously. Mr W. Roscoe, the retiring director, was unanimously re-elected.

THE UNITED GLASS BOTTLE MANUFACTURERS LIMITED

MAXIMUM CAPACITY OUTPUT

DIVIDEND AND BONUS MAINTAINED

SIR MAX J. BONN'S STATEMENT

Your Directors feel they are meeting a general convenience by adhering to their recent practice of issuing the Chairman's Speech together with the Annual Report and Accounts.

The Annual General Meeting, to be held on the 16th instant, will, therefore, be to transact formal business only.

The following is the statement by the Chairman, Sir Max J. Bonn:

Considering the increasing difficulties under which both production and distribution are carried on, the results for the financial year ended December 31, 1941, will be regarded as highly satisfactory. They are entirely due to the fact that we have been working to maximum capacity.

BALANCE SHEET ITEMS

On the asset side of the balance-sheet it will be seen that the net additions during the year to land and buildings amount to £17,772. Plant and machinery (after writing off £98,437, which represents our normal rate of depreciation and special allocation for mould depreciation) stand at £533,595, as compared with last year, £558,450. Air raid precaution expenditure has been eliminated by the transfer to land and buildings of items of a permanent nature amounting to £5,000, and the balance of £8,562 to profit and loss appropriation account. Stocks, stores, packages, etc., at £889,500 show an increase of £105,655. Debtors, including dividends from subsidiary companies (since received), at £720,136 compare with £701,380. Cash at bankers and in hand at £205,999 shows an increase of £35,048.

You will observe that the item "Investment in British Government securities" remains unchanged. I should explain that investments made subsequent to December 31, 1940, were allocated to various subsidiary companies, and the total holding at the end of the year under review was well over £350,000. With each successive year of the war the incidence of EPT, levied at 100 per cent. and without any increase in the allowances for depreciation, constitutes a progressive strain. The need for carrying heavy stocks of raw materials whenever they can be accumulated by way of replenishment, at rising prices, tends in the same direction.

On the liability side of the account, sundry creditors, etc., at £905,223 show an increase of £146,224, due chiefly to increased provision for excess profits tax and contingencies.

PROFIT AND LOSS ACCOUNT

Trading profit at £359,049 is shown this year after provision for EPT and compares with a corresponding figure of £383,909 in the previous year. Full provision has been made for amounts due from territories at present occupied by the enemy. In accordance with the Finance Act, 1941, the directors' fixed remuneration has been adjusted—the liability for income-tax in excess of 5s. 6d. in the £ being borne by the individual. It is only fair to my colleagues if I say that, prior to the Chancellor of the Exchequer's pronouncement, the Board had already passed a resolution for an adjustment practically on these lines.

The net profit for the year, including interest and dividends shown in the accounts, is £196,317 (against the previous year £236,345), to which is added the balance from last year, £64,368.

After making appropriations to debenture redemption reserve, £20,050, contingency reserve, £25,000, staff benevolent fund,

£15,000, air raid precaution expenditure, £8,562, and war damage contribution, £14,080, there remains £177,993 available for distribution. The dividend for the year, less income-tax, on the Preference shares, £45,951, and an interim dividend, less income-tax, on the Ordinary shares, £19,547, have been paid, and it is proposed to pay a final dividend on the Ordinary shares of 6 per cent., less income-tax, making 9½ per cent. for the year (same as last year), and a cash bonus of 2½ per cent., less income-tax (same as last year), £47,473, leaving a balance of £65,922 to be carried forward.

SUBSIDIARY COMPANIES

The dividends from subsidiary companies consist mainly of the dividends received from British Bottles, Ltd., and Kork-N-Seal, Ltd. In the case of the latter company the rate of dividend is unchanged, though the incidence of taxation reduces the net amount received. In the case of British Bottles, Ltd., there has been a reduction in the dividend declared, though the actual results would have warranted the maintenance at the former rate. But you will readily appreciate that our northern factories are largely dependent on the activity of the distilling industry, more particularly on the export side.

COSTS AND SELLING PRICES

With the exception of some readjustment in the price of a few "low sellers" which have been unremunerative for many years past and have now been placed on a more economic price basis, there has been no general price increase throughout the year. This is no mean achievement in view of rising costs of every kind—the incidence of some of which will be more markedly felt in 1942. I cannot sufficiently emphasise the importance of the high volume of output and the velocity of the turnover which we have been enjoying; any substantial drop would quickly affect the good results of the last few years.

Shareholders, as well as all members of the UGB organisation—whether in factories, warehouses or offices—will take pride in the fact that the glass container industry has been proving more and more a national asset and enjoying a greater measure of recognition by Government. It was a particular satisfaction to your Board to be able to respond to a suggestion by the Board of Trade and to help meet an acute shortage of essential glassware, which we had not hitherto produced. To this purpose an entire furnace has been reserved, and I feel we are doing a good job well.

GREAT STRAIN ON ORGANISATION

It is not possible for me to go into greater detail as to the manner in which the entire UGB organisation has responded to the heavy calls. Those who have temporarily left our service to join the armed forces, civil defence, etc., are much missed, both for their own sake and the efficiency they represented. We should like to pay our tribute to the way newcomers have fallen into step and more particularly the splendid way in which the "weaker sex" have taken on heavy tasks.

In asking Mr Moorshead to convey our thanks and good wishes to all concerned we wish to take this opportunity of expressing to him and Mr Judd our appreciation of their untiring exertion and the results attained.

THE BRITISH ALUMINIUM COMPANY, LIMITED

MR. R. W. COOPER'S STATEMENT

The annual meeting of stockholders of the British Aluminium Company, Limited, was held, on the 31st ultimo, at Shrewsbury, Mr R. W. Cooper, MC (chairman of the company), presiding.

In moving the adoption of the report and accounts for the year ended December 31, 1941, the chairman presented the following statement:—

The works of the company continued to be employed to the fullest possible extent during the year, and much additional plant came into production.

Comparing the balance sheet figures with those of the previous year, the main differences are as follows:—

The application of the mortgage debenture stock sinking fund for the year 1940 has further reduced the outstanding amount of the stock to £3,391,007, and has raised the debenture stock redemption account to £108,993. To this falls to be added the sinking fund for 1941, amounting to £39,359, for which cash was deposited with the debenture stock trustees, and that sum was applied by them in redemption of stock on January 1st of this year under the terms of the trust deed.

Sundry creditors at £2,807,882 are increased by £807,339, mainly due to reserves for taxation in its various forms, the incidence of which bears heavily on all industrial concerns.

The amounts owing to subsidiary companies have been reduced by £2,393, and stand at £65,081.

SUBSTANTIAL RESERVES

We have added £50,000 to the depreciation reserve account, raising it to £1,550,000, and, as has been pointed out on a previous occasion, the setting up of a debenture stock redemption account, and the annual increments thereto, may be regarded as an additional contribution towards depreciation, adequate provision for which is increasingly necessary considering the exceptionally heavy duty which plant and machinery are called upon to perform.

From the profits of the year we have allocated £100,000 to the reserve account, which now stands at £3,050,000, out of which sum £500,000 remains earmarked as a provision to cover fully our assets in the enemy-controlled territories of Norway and France.

Capital expenditure during the year amounted to £175,008, whilst our investments, less reserves, in subsidiary companies have expanded by £163,858 to £6,349,374, and in allied companies by £201,234 to £1,484,890.

Government and other securities at cost stand at £371,011, or an increase of £210,000, being the cost of additional Government stock purchased during the year.

Debtors amount to £1,266,084, a decrease of £10,647, but stocks are up by £214,563 and stand at £959,772.

Cash at £928,521 represents an increase of £27,869.

PROFIT AND DIVIDEND

The total profit for the year amounts to £973,582, an increase of £61,371 over the previous year. Deducting directors' fees, debenture stock service fund, the reserves for depreciation and general reserve already mentioned, and an increased allocation from £150,000 to £200,000 as a provision for income tax, the balance is £417,332. Dividend on the preference stock requires £90,000. We paid an interim dividend of 3 per cent. on the ordinary stock, and now recommend a final dividend of 7 per cent., making 10 per cent. for the year, requiring together £300,000. There remains a balance of £27,332, making the amount carried forward £222,127.

An increasing number of our male staff and employees are serving with the armed Forces, and we are employing women wherever possible. The high pressure at which our remaining staff and employees are working demands the most strenuous efforts from all, and our sincere appreciation of the energy and perseverance which they are devoting to their vitally important tasks will undoubtedly be endorsed by the stockholders. Apart from their duties in factory or office, they are taking their part in the many extraneous activities which have to be undertaken by civilians in these times.

The motion was seconded by Mr W. Murray Morrison, MInstCE, MIEE (deputy-chairman and managing director), and unanimously adopted, and the payment, less income-tax, on April 1, 1942, of a final dividend of 7 per cent. on the ordinary stock (making, with the interim dividend already paid, 10 per cent. for the year) was approved.

ASSOCIATED ELECTRICAL INDUSTRIES LIMITED

DIVIDEND OF 10 PER CENT.

The forty-second annual general meeting of Associated Electrical Industries, Limited, was held on the 31st ultimo, in London.

Sir Felix J. C. Pole (the chairman) said that the profit for the year was £681,536 compared with £716,795 for the previous year, a decrease of 4.9 per cent. After charging £263,296 against a decrease of £37,272. The depreciation provision just mentioned was in respect of the Metropolitan-Vickers Electrical Company only. Depreciation provided by all the companies in the Associated group totalled £573,428. To the net profit of £418,240 had to be added £265,472, being the balance brought forward from the previous year, making a total profit available for distribution of £683,712. They had again appropriated £100,000 to the dividend equalisation reserve account, increasing it to £500,000. The object of the reserve was to keep dividends on an even basis, and it represented over 20 per cent. gross on their ordinary issued stock.

After providing for dividends on preference stock, £52,306, there remained £531,406, and the directors recommended a dividend on the ordinary stock of 10 per cent. per annum, less tax, leaving a balance to be carried forward of £285,314 compared with £265,472 brought in from the previous year.

CALL FOR EFFICIENCY

The knowledge and skill of the company's technicians and manufacturing staffs had been in constant demand in making improvements in designs and in accommodating factory areas and manufacturing programmes to secure the highest degree of workshop efficiency and the most speedy flow of output. Their desire—and it was the desire of everybody connected with the company—was to do their utmost to win the war speedily, and all ranks of their employees were rendering outstanding services. Once again he asked shareholders to join him in expressing their sincere thanks to their executive directors, officers and all ranks and grades of employees, who had rendered splendid service. Work had been well and cheerfully done, often in trying circumstances. He could not overstress their appreciation.

It was interesting to recall that at a time when the Minister of Labour was urging all companies to establish works committees the Metropolitan-Vickers Electrical Company's Works Committee was already 25 years old. That committee had performed most useful service. The chairman was Mr Sam Ratcliffe, who was also a member of their Long Service Association, and he was particularly pleased that in the New Year Honours Mr. Ratcliffe had had the distinction of being awarded the MBE by HM The King.

In addition to the Works Committee, it had been the practice for many years for each department to hold efficiency meetings to which the Shop Stewards were invited. All those who attended took part in the discussions, and many useful suggestions were made and much good work was done.

The extension of the war into Far East zones had naturally affected their export turnover, and that curtailment they deplored, for they placed great weight on their export turnover, which in peace-time was a very material part of their business.

RESEARCH FACILITIES EXPANDED

The company's research facilities had been expanded during the year. The provision of new and substitute materials had involved urgent and continuous enquiry and effort. Close co-operation was maintained with the various scientific departments of the Government.

The work of the Education Department had increased by reason of the replacement of those called to the Fighting Services, and the substitute labour had required specialised and intensive training. The management was very appreciative of the voluntary work undertaken by those employees who had given unstintingly of their spare time to various ARP services.

The company were making grants to the dependants of employees who were serving with the Forces, and there was a War Assistance Fund for organised distribution of comforts to their people who were on active service. Last, but by no means least, he would tell shareholders that they had done much to encourage and develop the National Savings Scheme, and they would continue to do so.

The report was adopted.

BRITISH ROPES LIMITED

MR. HERBERT SMITH'S STATEMENT

The annual general meeting was held, on the 31st ultimo, in London.

The following are extracts from the chairman's statement circulated with the report and accounts:

The profit for the year after making a reserve for taxation, but before appropriations, is £251,608, as against £271,321. The small decrease may be explained by the heavier charge for excess profits tax in 1941, i.e., at the rate of 100 per cent., as compared with only 60 per cent. for the first three months up to March 31, 1940, and also the provision for taxation on expenditure, which the Inland Revenue regard as disallowable for tax purposes, and variations in investment income, which is not subject to EPT, in our hands.

A sum of £25,000 has been transferred to general reserve, bringing it up to £75,000.

We recommend a final payment of 7½ per cent. to the ordinary shareholders, which, with the interim already paid, makes a total of 12½ per cent. for the year. After giving effect to the above recommendations, the carry-forward is increased from £181,525 to £201,877.

Stocks on hand are greater in the aggregate than a year ago, and, in particular, stocks of raw materials have been maintained at a high level. At this time, in view of the Far Eastern situation, we must face up to the sombre fact that for the moment one of our main sources of supply has been cut off, and be thankful that largely due to the efforts of the Hemp Control, our raw material stocks are as high as they are.

The reports from our subsidiary companies, both at home and abroad, continue to be most encouraging. Rand Ropes (Pty.) Limited has had another satisfactory year's trading. The profit of our Canadian subsidiary has also been maintained, and both have proved of particular assistance in executing export orders, which could not be sent from this country.

Home trade has been well maintained, and our plants have been very fully engaged.

The report was unanimously adopted.

MITCHELL COTTS AND COMPANY, LIMITED

INCREASED DIVIDEND

The ordinary general meeting of Mitchell Cotts and Co., Limited, will be held on the 8th instant in London.

The following is an extract from the statement by the chairman (Mr Alexander Hamilton) circulated with the report and accounts:

The trading profit amounts to £176,236, from which is deducted directors' fees £870 and provision for income-tax £80,000, leaving a net profit for the year of £95,366. The directors have declared and paid the preference dividend for the year and a first interim ordinary dividend of 5 per cent., less tax, and a second interim ordinary dividend of 10 per cent., less tax. At the time the second interim ordinary dividend was paid the directors explained that this took the place of the usual final ordinary dividend and that it was not proposed to recommend any further distribution. Accordingly, the total ordinary dividend for the year is 15 per cent., less tax, against 13 per cent., less tax, for the previous year. £40,000 has been transferred to general reserve, and £5,000 to staff provident fund.

The provision for taxation is again higher, this being due to a further increase in profits. However, it is estimated that the present provision for taxation should be ample to cover your company's liabilities in this country, and, of course, our subsidiaries have made their own reserves.

As regards the current year, any forecast can only be made with considerable reservations, but the present indications are that the accounts for the year to June 30, 1942, should disclose that the year has not been less favourable than 1940-41. I am again glad to record that relations with our numerous connections at home and overseas continue to be very cordial.

I decided, after nearly 37 years of continuous work for this company and its predecessors, to relinquish at December 31, 1941, the managing directorship, but at the request of my colleagues, I have retained the chairmanship. Mr Leonard Aldridge, who has been a member of the board and very closely associated with our business since it became a public company, has been appointed managing director.

CLYDE VALLEY ELECTRICAL POWER COMPANY

ANNUAL GENERAL MEETING

MR R. ROBERTSON'S SPEECH

Presiding at the annual general meeting of the Clyde Valley Electrical Power Company in Glasgow, on the 31st ultimo, Mr R. Robertson, LLD, the chairman, said:

Ladies and Gentlemen,

Before proceeding with the business of this meeting, I wish to refer to the great loss the company and the board have sustained by the death of Mr J. H. Maurice Clark. Mr Clark joined the board in 1932 and took a very keen interest in all the affairs of the company until, at the outbreak of war, he went into active service as Captain in the Royal Naval Volunteer Reserve, in which he was fully engaged up to the time of his death. His active participation in the work of the board was much appreciated by his colleagues.

The further restrictions on the form of the report of the directors this year is due to new prohibitions imposed upon the company by Government. These restrictions also apply to anything I might otherwise have had to say to you on this occasion.

SUPPLYING CHEAP POWER IN SUBURBAN AND RURAL AREAS

Like other electrical power companies, this company has played an important part in the electrical development of the country, including the provision of supply over large areas of sparsely populated districts. When circumstances permit, a recital of the services it has afforded to the community will make impressive reading. Rural development and the supply of energy to industry commencing in new districts have, in the main, been the work of the companies, which renders them capable of taking an important part in post-war development. Their great experience, both in suburban and in rural areas in affording large blocks of power on terms which enable their consumers to compete with industry in the densely populated areas will be of immense value in schemes concerned with the re-distribution of industry after the war.

With regard to the resolution declaring a dividend on the ordinary stock of the company, I think it right to say that, before deciding to recommend this dividend, the board have made provision for war damage insurance, contingency fund and taxation.

TRIBUTE TO STAFF

There have been no important changes in the personnel of our staff during the year but, as in the previous year, the majority of them have been working under difficult conditions. I again welcome this opportunity of expressing on behalf of the board our appreciation of their loyalty to the interests of the company.

I now have pleasure in moving that provision be made for the dividend on the six per cent. cumulative first preference stock for six months to April 30, 1942, and that a final dividend of 5 per cent. on the ordinary stock be paid, which, together with the interim dividend of 3 per cent. paid in September, 1941, makes a total of 8 per cent. for the year.

The report and accounts were adopted.

THE ANGLO-FRENCH EXPLORATION COMPANY, LIMITED

The following are extracts from the statement by the chairman, Mr F. A. Robinson, in place of his speech at the forthcoming ordinary general meeting to be held on the 8th instant.

The results for the year 1941 may be considered satisfactory considering that we are now in the third year of the war.

Our cash position has improved, net cash assets at December 31st amounting to £92,331 compared with £53,675 the previous year.

The net profit for the year is practically the same, viz., £47,452 as against £47,266.

We have continued to reduce expenditure, total expenses having fallen by over £3,000, making a reduction of more than £8,000 since 1938. The amount shown for taxation in the profit and loss account, viz., £8,767, arises as a result of the alteration in the method of presenting the revenue from dividends and interest.

The sum of £7,573 is written off on account of depreciation of certain holdings, and after providing for the dividend recommended of 5 per cent. there is £21,146 to be carried forward.

The total net valuation of our assets at December 31, 1941, amounts to £924,021 or a surplus of £174,021, showing a satisfactory increase of £64,638 over 1940.

Finance

GOVERNMENT RETURNS

For the 10 days ended March 31, 1942, total ordinary revenue was £77,572,000, against ordinary expenditure of £173,999,000 and issues to sinking funds of £267,190. Thus, including sinking fund allocations of £12,168,985, the deficit accrued since April 1st is £2,713,806,000 against £2,475,421,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	Receipts into the Exchequer (£ thousands)				
		April 1, 1941, to Mar. 31, 1941	April 1, 1941, to Mar. 31, 1942	9 days ended Mar. 31, 1941	10 days ended Mar. 31, 1942	
ORDINARY REVENUE						
Income Tax	756,000	523,949	769,657	15,744	24,598	
Sur-tax	80,000	76,107	74,937	3,060	2,870	
Estate, etc.,	82,000	80,777	90,870	1,995	2,520	
Duties	14,000	13,678	14,133	910	500	
Stamps	210,000	24,085	21,883	640	599	
N.D.C.	1,000	1,015	902	64	100	
E.P.T.	1,000	1,015	902	64	100	
Other Ind. Rev.	1,000	1,015	902	64	100	
Total Ind. Rev.	1143,000	791,714	1,219,542	26,523	37,337	
Customs	310,700	304,939	378,361	3,581	17,061	
Excise	266,660	224,100	325,650	15,300	12,650	
Total Customs & Excise	577,360	529,039	704,011	18,881	29,711	
Motor Duties	39,000	38,006	38,422	171	269	
P.O. (Net Receipts)	3,300	15,323	13,668	3,740	2,750	
Crown Lands	1,100	1,100	950	50	40	
Receipts from Sundry Loans	2,600	2,553	5,234	...	49	
Miscell. Receipts	20,000	31,132	92,230	2,997	7,416	
Total Ord. Rev.	1786,360	1,408,867	2,074,057	52,362	77,572	
SELF-BALANCING P.O. & Brdcastg.	100,646	86,417	100,582	...	...	
Total	1887,006	1,495,284	2,174,639	52,362	77,572	

Expenditure	Estimate, 1941-42	Issues out of the Exchequer to meet payments (£ thousands)				
		April 1, 1941, to Mar. 31, 1941	April 1, 1941, to Mar. 31, 1942	9 days ended Mar. 31, 1941	10 days ended Mar. 31, 1942	
ORDINARY EXPENDITURE						
Int. and Man. of Nat. Debt	255,000	212,957	257,207	6,692	3,066	
Payments to N. Ireland	9,200	9,699	9,121	1,244	1,045	
Other Cons. Fnd. Serv.	7,800	7,476	7,728	296	84	
Total	272,000	230,132	274,056	8,032	4,195	
Supply Services	468,815	363,713	450,168	14,959	16,804	
Total Ord. Exp.	496,015	386,725	477,569	13,980	17,399	
Sinking Funds	...	17,043	...	5,514	...	
SELF-BALANCING P.O. & Brdcastg.	100,646	86,417	100,582	...	...	
Total	506,081	397,075	487,627	14,532	17,399	

After decreasing Exchequer balances by £136,434 to £2,434,454, the other operations for the week (no longer shown separately) raised the gross National Debt by £96,411,531 to about £14,073 millions, after deducting sinking fund allocations of £12,168,985.

NET ISSUES (£ thousands)		
War Damage Act	2,288	
NET RECEIPTS (£ thousands)		
P.O. & Telegraph Act	2,400	
Overseas Trade Guarantees	34	
	2,434	

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Mar. 28th and Mar. 31st. (Figures in brackets are par of exchange.)

United States. \$ (4-80) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-80) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22) 17-30-40. Sweden. Krona (18-159) 16-88-95. Argentina. Peso (11-45) 16-95½-17-13; mail transfers 16-95½-17-15. Dutch West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$ 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 520. Italy. 71-25 lire.

MONTH'S CHANGES IN DEBT

Net Increases		Net Repayments	
Treasury Bills	102,685	Nat. Saving Bonds	744
Nat. Sav. Certs.	37,750	1% Treasury Bonds	50
3% Def. Bonds	33,726	Ways and Means	42,015
2½% Nat. War Bds.	128	Treasury Deposits	181,000
1946-48	128		
2½% Nat. War Bds.	118,254		
1949-51	118,254		
3% Savings Bonds	142,804		
1955-65	142,804		
"Other Debt"	9,140		
Tax Reserve Certs.	40,505		
	484,992		223,809

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt
Date	Tender	Tap	Public Depts.	Bank of England	By Banks	
1941						
Mar. 31	2211-6	172-3	...	429-5	2813-4	
Dec. 20	975-0	186-3	66-0	811-5	3610-8	
1942						
Jan. 10	975-0	Not available				
" 17	970-0	"				
" 24	960-0	"				
" 31	945-0	1584-0	191-0	9-2	764-5	3493-7
Feb. 7	930-0	Not available				
" 14	915-0	"				
" 21	905-0	"				
" 28	905-0	1612-7	215-4	21-7	677-5	3432-3
Mar. 7	905-0	Not available				
" 14	905-0	"				
" 21	905-0	"				
" 31	2620-6	195-1	...	496-5	3312-2	

TREASURY BILLS

Amount		Average Rate of Allotment		Per Cent Allotted at Min. Rate
Date of Tender	Offered	Applied for	Allotted	
1941				
Mar. 28	65-0	148-3	65-0	s. d. 2 46 28
1942				
Jan. 2	75-0	157-8	75-0	20 1 85 30
" 9	75-0	161-6	70-0	20 2 00 27
" 16	70-0	143-9	65-0	20 1 85 28
" 23	65-0	142-9	60-0	20 1 78 17
" 30	60-0	144-6	60-0	19 11 21 20
Feb. 6	60-0	148-6	60-0	20 0 23 21
" 13	65-0	139-9	65-0	20 0 20 26
" 20	75-0	153-7	75-0	20 0 52 31
" 27	75-0	142-6	75-0	20 0 18 35
Mar. 6	75-0	139-4	75-0	20 0 31 38
" 13	75-0	128-0	75-0	20 0 34 44
" 20	75-0	121-4	75-0	20 0 63 50
" 27	75-0	131-6	75-0	19 11 69 60

On March 27th applications at £99 15s per cent for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 60 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid on Monday were accepted in full. £75 millions of Treasury Bills are being offered on April 3rd. For the week ending April 4th the banks will be asked for Treasury deposits to a maximum amount of £20 millions.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.
March 26	23½	23½
" 27	23½	23½
" 30	23½	23½
" 31	23½	23½

Market Rates.—The following rates remained unchanged between Mar. 28th and Mar. 31st.

Egypt. Piastres (97½) 97½-8. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-2. China. National \$ 2½-3½.

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 1 cent pm.-par. Canada. 1 cent pm.-par. Switzerland. 3 cents pm.-par. Sweden. 3 ore pm.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Mar. 28th and Mar. 31st:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months)

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Mar. 29, 1941	Mar. 28, 1942	Mar. 29, 1941	Mar. 28, 1942
Working days:—	6	6	75	74
Birmingham	2,014	2,038	29,114	29,100
Bradford	3,501	2,488	30,478	29,674
Bristol	1,906	2,580	24,628	28,878
Hull	610	1,141	8,624	10,908
Leeds	1,217	883	11,220	11,716
Leicester	931	990	7,323	61,343
Liverpool	6,454	5,345	71,323	61,213
Manchester	11,643	11,931	153,794	161,213
Newcastle	1,178	1,543	17,422	6,473
Nottingham	466	442	6,342	12,242
Sheffield	459	571	8,063	12,242
Southampton	108	146	1,392	1,736
12 Towns	30,487	30,098	376,374	395,883
Dublin*	5,557	6,788	74,196	86,716

* Mar. 22, 1941, and Mar. 21, 1942.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE BANKS		Million \$'s	
12 U.S.F.R. BANKS		Mar. 27, 1941	Mar. 26, 1942
Resources		27,12	19,19
Gold certifs. on hand and due from Treasury		20,102	20,514
Total reserves		20,454	20,856
Total cash reserves		341	328
Total U.S. Govt. secs.		2,184	2,253
Total bills and secs.		2,193	2,268
Total resources		23,527	24,264
LIABILITIES			
F.R. notes in circ.		6,079	8,597
Excess mtr. bank res.		6,013	3,270
Mr. bank res. dep.		13,633	12,968
Govt. deposits		15,327	14,345
Total deposits		23,527	24,264
Total liabilities		23,527	24,264
Reserve ratio		91-3%	90-9%
BANKS AND TREASURY		Mar. 27, 1941	Mar. 26, 1942
Monetary gold stock		22,359	22,709
Treasury & bank currency		3,108	3,271
LIABILITIES			
Money in circulation		8,842	11,520
Treasury cash and dep.		3,136	2,236

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended		3% Defence Bonds		3% Savings Bonds		2½% War Bonds 1949-51	
		N.S.C.	£ thousands	N.S.C.	£ thousands	N.S.C.	£ thousands
Feb. 10	5,003	3,780	9,182½	11,362½	13,093½	18,260½	9,546½
" 17	5,816	3,700	11,294½	15,019½	16,367½	18,260½	9,546½
" 24	6,385	4,119	11,294½	15,019½	16,367½	18,260½	9,546½
Mar. 3	6,804	4,772	11,294½	15,019½	16,367½	18,260½	9,546½
" 10	7,169	8,630	11,294½	15,019½	16,367½	18,260½	9,546½
" 17	9,649	6,890	11,294½	15,019½	16,367½	18,260½	9,546½
" 24	10,394	8,015	11,294½	15,019½	16,367½	18,260½	9,546½
Totals to date	497,621	430,152	632,615½	347,557½	347,557½	347,557½	347,557½

* 12 weeks. † 64 weeks. ‡ 24 weeks. § Including series "A." ¶ Including Series "A" and "B." Interest free loans received by the Treasury up to Mar. 24th amounted to a total value of £46,233,591. Up to Mar. 31st, principal of Savings certificates to the amount of £60,772,000 has been repaid.

NEW YORK EXCHANGE RATES		Mar. 25		Mar. 26		Mar. 27		Mar. 28		Mar. 30	
New York on											
Cables	Cents	403½	403½	403½	403½	403½	403½	403½	403½	403½	403½
London	87-180	86-87½	87-000	86-930	87-000	86-930	87-000	86-930	87-000	86-930	87-000
Montreal	23-30	23-30	23-30	23-30	23-30	23-30	23-30	23-30	23-30	23-30	23-30
Zurich	23-70*	23-70*	23-70*	23-70*	23-70*	23-70*	23-70*	23-70*	23-70*	23-70*	23-70*
B. Aires	5-14	5-14	5-14	5-14	5-14	5-14	5-14	5-14	5-14	5-14	5-14
Brazil	5-14	5-14	5-14	5-14	5-14	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78.

† Commercial Bills.

THE REVENUE

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

	Quarter from January 1 to March 31, 1942, compared with the corresponding Quarter of the preceding Year.				Estimate for the Year 1941-42	Period from April 1, 1941, to March 31, 1942, compared with the corresponding Period of the preceding Year.			
	Quarter ending March 31, 1941.	Quarter ending March 31, 1942.	Increase.	Decrease.		Period ending March 31, 1941.	Period ending March 31, 1942.	Increase.	Decrease.
ORDINARY REVENUE.	£	£	£	£	£	£	£	£	£
Inland Revenue—									
Income Tax.....	336,870,000	442,752,000	105,882,000	—	756,000,000	523,949,000	769,657,000	245,708,000	—
Sur Tax.....	52,839,000	51,200,000	—	1,639,000	80,000,000	76,107,000	74,937,000	—	1,170,000
Estate, &c., Duties.....	22,677,000	25,146,000	2,469,000	—	82,000,000	80,777,000	90,870,000	10,093,000	—
Stamps.....	3,300,000	4,240,000	940,000	—	14,000,000	13,678,000	14,133,000	455,000	—
National Defence Contribution.....	7,850,000	6,549,000	—	1,301,000	} 210,000,000	{ 24,085,000	21,883,000	2,202,000	—
Excess Profits Tax.....	28,320,000	67,589,000	39,269,000	—					
Other Inland Revenue Duties.....	667,000	625,000	—	42,000	1,000,000	1,015,000	902,000	—	113,000
Total Inland Revenue.....	452,523,000	598,101,000	148,560,000	2,982,000	1,143,000,000	791,714,000	1,219,542,000	431,313,000	3,485,000
Customs and Excise—									
Customs.....	78,419,000	107,098,000	28,679,000	—	310,700,000	304,939,000	378,361,000	73,422,000	—
Excise.....	81,114,000	83,250,000	2,136,000	—	266,660,000	242,100,000	325,650,000	101,550,000	—
Total Customs and Excise.....	159,533,000	190,348,000	30,815,000	—	577,360,000	529,039,000	704,011,000	174,972,000	—
Motor Vehicle Duties.....	24,858,000	25,592,000	734,000	—	39,000,000	38,006,000	38,422,000	416,000	—
Post Office (Net Receipts).....	8,473,000	4,268,000	—	4,205,000	3,300,000	15,323,000	13,668,000	—	1,655,000
Crown Lands.....	260,000	240,000	—	20,000	1,100,000	1,000,000	950,000	—	150,000
Receipts from Sundry Loans.....	1,582,871	2,275,820	692,949	—	2,600,000	2,553,125	5,233,978	2,680,853	—
Miscellaneous Receipts.....	9,219,090	31,664,934	22,445,844	—	20,000,000	31,131,972	92,230,332	61,098,360	—
Total Ordinary Revenue.....	656,448,961	852,489,754	203,247,793	7,207,000	1,786,360,000	1,408,867,097	2,074,057,310	670,480,213	5,290,000
			{ 196,040,793 Net Increase.					{ 665,190,213 Net Increase.	
SELF-BALANCING REVENUE.									
Revenue required to meet expenditure on Post Office and Broadcasting....	20,317,000	23,682,000	3,365,000	—	100,646,000	86,417,000	100,582,000	14,165,000	—
Total.....	676,765,961	876,171,754	206,612,793	7,207,000	1,887,006,000	1,495,284,097	2,174,639,310	684,645,213	5,290,000
			{ 199,405,793 Net Increase.					{ 679,355,213 Net Increase.	

COMPANY RESULTS (March 18 to March 31, 1942)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	
Trusts													
Caledonian Trust	Jan. 31	100,695		30,062	69,943	14,376	13,529	6	2,157		108,938	38,067	
City Property Investment	Jan. 31	19,425		6,513	12,171	3,410	1,950	7½	863	290	20,406	7,558	
Fourth Conversion Investment	Jan. 31	50,162		25,774	31,829		19,688	4		6,086	49,536	28,958	
General & Commercial Investment	Feb. 28	26,802		13,463	37,876	7,935	5,598	3½		70	31,333	15,617	
Scottish Western Investment	Jan. 31	120,859		42,582	95,741	14,376	24,805	11	3,401		130,414	53,298	
Second Conversion Investment	Jan. 31	17,420		9,000	12,478		6,337	4		2,663	17,626	10,269	
Second Edinburgh & Dundee	Jan. 31	64,298		16,008	29,279	10,131	3,377	2½	5,000		63,727	17,619	
Tyneside Investment	Jan. 31	11,252		5,264	10,379	3,851			500	913	11,409	5,982	
Other Companies													
Alliance & Dublin Gas	Dec. 31*	162,815		60,697	67,900		44,186	5	Dr. 2,016	18,527	148,506	54,669	
Angus (George) & Co.	Dec. 31	42,065		33,817	53,869	4,800	26,875	7½		2,142	42,313	32,806	
Arnott & Harrison	June 30	55,465	6,417	8,374	15,938		7,656	14 5/8		718	61,518	14,073	
Associated Electrical Industries	Dec. 31	681,536	263,296	418,240	683,712	52,396	246,092	10	100,000	19,842	716,795	455,512	
Automatic Telephone, &c.	Dec. 31	261,548	49,288	123,336	290,758	14,000	130,547	12½		21,211	238,052	144,667	
Bairns-Wear	Dec. 14	117,617		21,267	32,880	4,434	12,403	15	5,000		89,679	30,914	
Baker (John) & Bessemer	Dec. 31	81,731		20,686	40,730	7,820	12,398	10		468	78,712	204,548	
Baldwins Limited	Dec. 31	341,645	150,000	185,805	230,321	51,312	124,737	10		9,756	360,433	186,897	
Barker (John) & Co.	Dec. 31	1,433,699	30,207	193,748	399,071	46,175	110,633	10	35,000		1,398,673	16,622	
Bath & Portland Stones	Jan. 31	46,826		19,663	62,966		20,000	8		337	38,413	18,357	
Bernard (Thomas & James)	Jan. 31	15,154		15,154	23,127	4,375	7,500	10½	3,000		15,551	15,582	
Blantyre & East Africa	Sept. 30	61,727	9,978	14,010	21,802		6,000	5	5,000		1,031	18,679	
Blythe Colour Works	Dec. 31	28,280		15,781	21,802		3,750	5			1,878	282,145	
Bovril Limited	Dec. 31	299,215	19,879	275,628	359,437	78,750	165,000	7½ & 9	30,000		373,857	269,186	
Bradford Dyers' Association	Dec. 31	240,024		166,826	167,500	159,327				7,499	373,857	508,156	
British Aluminium	Dec. 31	973,582	50,000	517,332	712,128	90,000	300,000	10	100,000	27,332	912,211	14,166	
British Automatic Co.	Dec. 31	89,874	32,898	4,125	12,041		8,000	4		3,875	92,508	63,765	
British Home Stores	Dec. 31	176,575	22,096	39,368	54,370	15,050	16,875	25	5,000	2,443	179,063	558,277	
British Insulated Cables	Dec. 31	810,385	247,324	547,348	1,036,047	57,500	400,000	20	100,000	10,152	786,232	251,321	
British Ropes	Dec. 31	517,185	112,859	236,608	418,133	81,726	109,530	12½	25,000	20,352	549,336	107,361	
Brown Brothers Limited	Jan. 16	98,252		91,245	183,994	8,437	34,050	12½		1,242	114,260	19,099	
Buttons Limited	Dec. 31	46,418		14,533	42,303	3,167	8,803	10	5,000		45,879	241,852	
Cammell Laird & Co.	Dec. 31	248,981		186,548	291,361		88,750	10	100,000	2,202	266,115	586	
Cargo Fleet Iron Co.	Sept. 30	170,743	65,000	501	97,771					501	118,415	18,522	
Copestake, Crampton & Co.	Dec. 31	97,835	1,611	12,699	19,258		12,500	5		199	91,310	14,622	
Cordova Land Co.	Dec. 31	48,700		12,499	35,990		14,390	2		1,891	45,928	251,840	
Courage & Co.	Dec. 31	404,133		245,872	346,703	50,000	175,000	14	20,425	447	403,035	11,443	
Devas, Routledge & Co.	Dec. 31	14,722	1,252	10,470	27,594		7,000	5		3,470	13,547	11,486	
Eastern Chemical Co.	Mar. 31	34,754	6,230	20,566	Dr. 17,306					20,566	20,566	74,218	
Elephant Trading (S. Africa)	June 30	157,845		80,214	353,189	16,500	50,400	14	10,000	3,314	104,001	390,122	
Firth (Thos.) & Brown (John)	Dec. 31	534,817	175,000	211,736	Dr. 10,449	42,000	155,000	10½		14,736	619,647	Dr. 13,065	
Ford (J. J.) & Sons	Dec. 31	2,527		318,022	508,380	32,500	234,789	27½	Dr. 5,500	Dr. 5,000	988,937	368,699	
Gallagher Limited	Dec. 31	921,726		15,081	32,972	10,000	5,000	24		81	10,342	1,444	
Gorringe (Frederick)	Jan. 31	21,802		18,865	26,769	8,603	6,904	3	3,000	358	79,562	15,564	
Grainger & Smith	Dec. 31	74,757	2,548	25,351	67,392	2,400	12,376	7½	8,000	2,575	78,564	74,989	
Grassmoor Co.	Dec. 31	79,751	21,000	110,489	234,994	92,000			30,000	11,511	140,634	52,098	
Greyhound Racing Trust	Dec. 31	676,950	400,000	124,568	218,723	39,053	91,875	5		6,360	602,502	259,621	
Guest Keen Baldwins, &c.	Dec. 31	259,457		138,904	787,071	6,750	121,299	22½		70,855	297,496	29,476	
Hadfields Limited	Dec. 31	58,948	7,407	21,039	42,268	1,346	15,000	40	4,500	193	70,391	405,609	
Harding, Tilton & Hartley	Dec. 31	2,029,877	84,432	415,121	617,028	300,000	110,760	5		4,361	1,951,760	76,844	
Harrods Limited	Dec. 31	73,961	15,000	53,320	89,749		43,083	15	10,000	237	203,135	123,677	
Hugon & Co.	Sept. 30	201,769		122,769	144,145	9,000	105,510	30		8,259	203,135	5,385	
International Combustion	Dec. 31	1,063		1,063	2,083	1,104					41	924	136,145
International Lighting	Dec. 31	428,175	5,875	138,472	160,086	12,000	106,900	20	20,000		398,091	103,914	
International Paint	Dec. 31	204,589		75,876	129,638	73,541				965	236,930	96,680	
Inveresk Paper Co.	Jan. 31	94,128		87,528	150,319	36,000	50,020	10		1,508	93,280	269,018	
Lamson Paragon Supply	Dec. 31	1,246,796	175,000	203,205	286,068	56,956	121,179	7	25,000	130	1,216,274	53,959	
Lancashire Steel Corporation	Dec. 31	279,954	26,000	47,980	47,980	16,500	27,621	10	3,859		169,708	28,879	
Lancashire United Transport	Dec. 31	261,655		20,036	33,995	15,750	14,000	4		9,714	271,395	252,670	
Law Land Co.	Feb. 28	438,463		217,283	271,031	114,580	92,531	15	10,000		436,890	15,125	
Lewis's Investment Trust	Dec. 31	155,732		12,382	14,999	1,089	7,500	20		3,793	67,475	20,979	
Lloyd (Richard) & Co.	Dec. 31	28,980	1,054	16,020	27,273	16,000	8			20	39,010	44,409	
Mallandain (Albert E.)	Dec. 31	179,000		45,331	97,979	22,687	12,907	8			102,210	63,043	
Mappin & Webb	Dec. 31	268,886	23,261	77,793	308,875	13,682	36,321	7	130,000		199,882	80,048	
Meux's Brewery Co.	Sept. 30	271,541	115,006	45,035	25,678	19,357	20,475	7½		5,203	199,882	10,048	
Napier (D.) & Son	Dec. 31	63,951		49,402	76,353	12,000	30,000	5	10,000	2,598	64,548	12,911	
Octagon Brewery	Dec. 31	23,146		12,236	28,147	2,000	9,450	13½	3,000	2,214	22,979	14,890	
Owen Owen Limited	Jan. 31	102,352	8,356	14,901	23,367	13,000	1,502	5		399	88,003	3,021	
Property & Reversionary Investment	Dec. 31	45,144		3,444	33,303				4,000	556	54,368	117,969	
Radiation Limited	Dec. 31	130,432		130,432	273,216	32,626	67,876	6	25,000	4,930	117,969	13,167	
Roberts (J. R.) Stores	Feb. 14	21,815	922	14,465	2,244	1,000	9,687	12½	2,500	1,278	374,729	235,130	
Rowntree & Co.	Dec. 31	320,111		225,004	372,418	169,800	42,500	8½		12,704	374,729	44,806	
Rubercoid Co.	Dec. 31	59,521		52,224	68,156	15,653	24,000	8	10,000	2,571	49,971	7,709	
Sackville Estates	Dec. 31	21,899	2,500	3,963	17,570		3,750	2½			213	26,927	42,176
Singapore Tractor Co.	Sept. 30	128,658	25,000	2,727	37,197	8,466	46,875	18½		7,814	107,973	55,521	
Smith & Nephew Associated Cos.	Dec. 31	104,843		47,419	112,692	1,875	46,875	18½		1,331	103,631	14,371	
Smithfield Animal Products	Dec. 31	15,876	1,576	11,601	25,530		10,854	16	7,500	6,753	18,109	39,321	
South Durham Steel &c.	Sept. 30	281,134	100,000	57,905	125,530		39,757	8 & 2		148	188,576	74,160	
Spratt's Patent	Dec. 31	83,214	5,000	67,713	101,174	11,500	56,250	12½		37	84,660	37,783	
Swan & Edgar	Jan. 31	61,030	10,408	38,536	123,784		37,500	3		1,036	61,035	7,759	
Switzerland Co.	Jan. 31	12,123		8,623	18,045	1,500	6,000	6	1,000	123	11,259	63,488	
Tarnac Limited	Dec. 31	301,167	45,207	80,961	120,064	11,000	49,394	10	20,000	567	152,934	47,738	
Tizer Limited	Dec. 31	42,206		42,206	58,224		6,000	20	20,000	2,206	44,738	7,094	
Tremletts Limited	Dec. 31	18,746	1,686	6,089	13,330		5,250						

fallen by 14 per cent. This is the chief reason for the decline in output per man-shift of all employees. Output per shift at the coal face is not badly down, in spite of the sharp increase in the average age of the men employed.

It would be wrong to lay the major share of blame for what has happened on the workers. Of all those connected with the industry they were least able to foresee the trend of events. But the men can hardly be fully acquitted. Their attitude, ever since it became apparent that higher output per man was essential in the nation's interest, has not been so helpful as it might have been. Absenteeism has increased just when it should have been reduced to a minimum. Avoidable absenteeism is considerably larger than before the war—in some coalfields it has doubled. Moreover, when an attendance bonus scheme was introduced to meet this problem, the intervention of the unions so amended the scheme that its effect in reducing absenteeism was negated. This paradoxical result has followed from the schedule of excusable absences that was drawn up. These cover incapacity for work as a result of accidents to workmen at the mine or while travelling to or from the mine; treatment for the after-effects of an accident; sickness; absence as official delegate on trade union business; absence for attendance as member of a local authority; absence for Civil Defence duties; absence for which permission has been given by the management. The list is reasonable enough; but the fact remains that, under its influence, "unavoidable" absenteeism in many districts has almost doubled. If the truth were known, it might well be that the attendance bonus scheme has increased absenteeism rather than diminished it. The Joint Pit Committees which were expected to help in reducing absenteeism have been disappointing; the chief reason for this is probably the reluctance of the workmen's representatives, usually chosen from lodge officials, to shoulder responsibility for effective disciplinary action. It is also complained that the Essential Work Order has undermined the authority of colliery managers, and in other ways diminished discipline above as well as below ground.

But, if the chief reason for the decline in output is to be found on the side of the labour force, the owners and the Mines Department must share responsibility for the lack of effective measures to remedy the position. The colliery owners are a group whose industrial attitudes are by now familiar to the public. It is perhaps enough to say that they have not changed. It would be difficult to find fiercer individualists anywhere in the world. They accepted with a bad grace even the gift of monopoly selling powers pressed on them by Mr Shinwell's Act of 1930 and the subsequent Conservative legislation. Their dominant passion is to preserve the right of each pit to run its business in its own way. They have steadily, and successfully, fought the workers' demand for national wage negotiations, and they are equally adamant in refusing to treat with any organisation of merchants. If it is true of the men that they are the only group of workers in any important industry who are working no harder and producing no more per head than before the war, it is equally true of the owners that no other industry of equal importance has abandoned so little of its peacetime methods of doing business. There is an elaborate priority scheme in existence, by which owners are supposed to be guided in choosing which of their customers shall have first call. But it has been the general experience, throughout industry, that priority directions are very ineffective when supplies are short. In the coal industry, where prices, transport costs and other conditions vary so greatly from transaction to transaction, and where individual mines are always most jealous of their established contacts, the effect of the priority scheme has been small. One concession, and one only, have the owners made to the needs of the time. A scheme was set on foot in 1940, after very long and difficult negotiations, for providing compensation for closed-down mines and for those that are running at a loss. The cost of the compensation, it is hardly necessary to add, came from the consumer in the form of a levy added to the price of coal.

It is impossible not to feel a certain sympathy for the Mines Department, caught in the cross-fire of these bitter

antagonists. But the timidity of the Department—or, rather, of the Government as a whole, since a single subsidiary Department has limited powers in a matter so charged with political dynamite—has amounted almost to cowardice. It has imposed only the loosest possible form of control; it has retreated at every growl from either side; it is almost inconceivable that it could have done less than it has. Before the war, provision was made for the appointment by the Department, in each of the 17 districts, of a Coal Supplies Officer who was to represent the Department in all matters relating to the production of coal. But, in order to make certain that this machinery of control should be ineffective, the offer was made to appoint the nominee of the Executive Board of the district (i.e., the body set up, representing the owners only, to operate the Act of 1930), provided the Executive Board relieved the Government from all financial liability on account of the official or his office. In virtually every case the independent chairman (i.e., independent as regards any one owner) was appointed and while acting as Coal Supplies Officer, he has retained his position under the district selling scheme, and has been wholly remunerated by the owners. The Coal Supplies Officer have powers to give instructions to individual mine about the disposal of their coal, and even to requisition coal if need be, but it is hardly surprising, in the circumstances, that these powers have been only rarely and ineffectively used.

On the distribution side, the organisation has been equally weak. The Department evolved a scheme early in 1940 for a complete organisation of the merchant throughout the country, with a Controller and district officials whose duty it would be to see that the supply of coal was distributed in the most economical possible way. That this scheme would have been very effective if it had ever been put into operation may be doubted, since it would have left distribution as fully under the control of the merchants and their Federation as production was just as much efficiency and economy as was possible with the existing organisation of a notoriously inefficient trade, and no more. But even this was too much for the colliery owners, who presumably feared that any greater cohesion on the merchants' part would diminish the bargaining advantage that the Act of 1930 had conferred on the collieries. Their opposition was loud and bitter; the Department retreated; and the scheme fell into the discard, to be replaced by an even weaker set of proposals. These make an attempt to introduce an element of organisation into the distribution of supplies from the individual local depot, and Regional House Coal officer have been appointed (they are the merchants' nominees in each of the twelve Civil Defence Regions, where there were already Divisional Coal officers and Coal Export officers).

It would be wrong to begrudge the Mines Department the measure of success they have had in restraining the rise in the price of coal, which might otherwise have soared to very high levels. But both on the production side and on the distribution side, the coal industry at wartime is still substantially the same as in peacetime. The dominant consideration in the operation of the industry, and of each individual pit and merchant business, is still the financial one. To say this is not to impute either any particular selfishness or lack of patriotism, either to mine owners or to coal merchants. Their industry has been bitterly depressed for almost a generation, and is hardly prosperous to-day; the anxiety is not to make fortunes out of the community's need but to make sure, now and in the future, of avoiding losses that the industry cannot bear. Nevertheless, the fact that the industry—and each pit—is still manifestly run for the profit of the owners reacts directly upon the attitude of the men, who use it to excuse the fact that they too continue to seek their self-interest by their familiar methods. But whatever the motives and whatever the rights and wrongs, the net effect is the same: the industry is not equipped to play its part in a war economy and is not in fact pulling its weight in a desperate race. (A second article will appear in a forthcoming issue.)

Finance in War

IT may be assumed that the Chancellor of the Exchequer, in opening his forthcoming Budget, will follow his own precedent of last year. His task will not be merely to present a set of financial accounts, but to pass in review the whole of the Government's financial policy in relation to the structure of a war economy. The estimates of revenue and expenditure and the proportions they bear to each other are a part, but only a part, and perhaps not the most important part, of the picture that the Chancellor will present. It seems to be very probable that another admirable precedent from last year will also be followed, and that the Budget will be accompanied by a White Paper giving estimates of the size of the national income, its distribution and the sources from which the finances of the war have been drawn. It is an inestimable gain that, for the first time in British history, and probably for the first time in any country, public finance is now openly regarded, not as an independent mystery, but merely as part of the wider whole of social and economic policy. Perhaps the best-founded hope for sounder and more successful economic policy after this war than after the last rests on this departure.

In some quarters, however, the enthusiasm for treating the economic problem as a whole is so great that there is a tendency to cry down any discussion at all of its parts. An article in the *Financial News* a few weeks ago, for example, bore the engaging title "The Gap? Forget It," and the Chancellor of the Exchequer has been subjected to some criticism for laying renewed emphasis on the necessity for avoiding inflation. This is carrying zeal too far. It is true that winning the war ranks, as an aim of policy, far ahead of avoiding inflation, and the minor objective must yield to the major whenever they come into conflict. But inflation can have very real and immediate repercussions on the war effort. That many people nowadays have more and more money in their pockets, while others—and in particular members of the Forces—have not, is a gravely upsetting social fact. The shortage of fuel—to take a particular example of the administrative disorder caused—is at least in part due to the fact that wide sections of the public have money to burn, and the Government is now being forced to spend time and energy on devising most complicated and cumbersome rationing schemes which will be very costly in administrative manpower. It would be foolish to suppose that a tight control of purchasing power would be enough by itself to avoid the wasteful use of resources, or that taxation policy can undo all the harm that is done by the continued inflation of cash earnings. But it is the Chancellor of the Exchequer's duty to provide the maximum assistance that is in his power.

How much is in his power is difficult to say. The prospective expenditure, as was argued last week, will

be at least £5,200 and perhaps £5,500 millions. Revenue on the basis of the existing taxes, should be somewhere between £2,300 and £2,400 millions. The deficit, in other words, will be in the neighbourhood of £3,000 millions. How much of this can be reckoned as the true inflationary "gap" it is difficult to say, but it is worth recalling that the Chancellor's estimate a year ago of what could be raised from non-inflationary sources (genuine savings, drafts on capital, etc.) was £1,522 millions, to which should be added the subsequent increase in the yield of taxation, amounting to about £440 millions. It seems likely that, with a deficit of £3,000 millions, the true "gap" will be not very far short of £1,000 millions.

It can be said at once that revenue, in the ordinary meaning of the word, cannot possibly be increased by anything like this amount. All that can in practice be done is that every practical possibility of increasing taxation without unbearable inequity should be taken. Even after the last two Budgets, the Chancellor still has some expedients left. The surtax limit can be brought down to £1,500. The Purchase Tax, since it has failed to restrict purchasing, can be increased; there is no reason why the maximum rate on many of the goods that can still be bought should not be higher than 24 per cent. A Services Tax, regularly propounded in these columns, could be imposed. The liquor duties are not reducing consumption, and can therefore be set still higher; the same is even more true of tobacco. The income tax, so long as its basic structure remains untouched, has perhaps reached the limit. It would probably be harmful to raise the "standard rate" to more than 50 per cent, while a reduction in allowances would either penalise the large family as against the small or else impose the burden of coping with still more millions of forms on a machine that is already creaking. But a radical reconstruction of the income tax has become a matter of urgency and, as one of its by-products, an increase in the actual yield might still be secured while the psychological effect is diminished. In these and other ways, revenue can still be increased. As an aim of practical policy, the Chancellor might set himself the object of raising £2,500 millions in revenue. That would not close the "gap"; but it is probably about as much as is possible along the lines of existing taxes. The only way of raising a substantially larger sum would be by an adoption of the principle of deferred pay. If, for example, it were possible to defer until after the war the payment of all overtime wages, a total of over £3,000 millions could be brought into the Exchequer and the gap could be completely closed. The present consumption of the wage-earners would not suffer to any material extent, and their future security would be greatly enhanced. Nevertheless, there seems to be no

(Continued on page 495)

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BUDGET FIGURES

It has been the custom of The Economist for many years to collect together, shortly before the Budget is presented to Parliament, facts and figures relating to the national finances. At present paper rationing compels severe cuts in the explanatory matter. Where possible, however, the tables which have appeared in former years are given below, although some have had to be omitted because the sources of the figures are no longer published.

Revenue

TABLE 1.—REVENUE (EXCHEQUER RECEIPTS)

	(£ millions)					
	1913-14	1929-30	1938-39	1939-40	1940-41	1941-42
Income Tax	43.9	237.4	335.9	390.1	523.9	769.7
Sur-tax	3.3	56.6	62.5	69.8	76.1	74.9
Estate, etc., Duties	27.4	79.8	77.4	77.7	80.8	90.9
Stamps	10.0	25.7	21.0	17.1	13.7	14.1
Nat. Defence Contribution	...	...	21.9	26.9	24.1	21.9
E.P.T.	...	...	...	...	72.1	247.2
Other In. Rev.	3.4	3.2	1.6	1.3	1.0	0.9
Total Inland Revenue	88.0	402.7	520.3	582.9	791.7	1,219.5
Customs	35.5	119.9	226.3	262.1	304.9	378.4
Excise	39.5	127.5	114.2	137.9	224.1	325.6
Total	75.0	247.4	340.5	400.0	529.0	704.0
Motor Vehicle Duties†	...	26.8	35.6	34.1	38.0	38.4
Total Tax Revenue	163.0	677.0	896.4	1,017.0	1,358.7	1,961.9
Crown Lands	0.5	1.3	1.3	1.3	1.1	1.0
Sundry Loans	1.6	32.6	5.7	4.9	2.6	5.2
Miscellaneous	2.3	36.4	12.9	20.4	31.2	92.2
Post Office, Net Receipts, and Fund	6.2	9.0	10.9	5.6	15.3	13.7
Non-Tax Revenue	10.6	79.3	30.8	32.2	50.2	112.1
Total Ordinary Revenue†	173.6	756.3	927.2	1,049.2	1,408.9	2,074.1
Self-balancing Revenue— Post Office and Broad- casting	24.6	58.9	79.0	83.1	86.4	100.6
Total Revenue	198.2	815.2	1,006.2	1,132.2	1,495.3	2,174.6

* £40,000.

† Including Road Fund revenue self-balancing until 1936-37 inclusive.

TABLE 2. CUSTOMS AND EXCISE DUTIES—NET RECEIPTS.

Details of the yield of customs and excise duties in recent years are given in the following table. The biggest increases in 1940-41, compared with the previous year, are in the beer and tobacco duties, which were again increased in both the April and July Budgets of 1940. A new item in the table is the purchase tax, which yielded £26 millions in 1940-41, against an estimate of £40 millions. The only change in customs and excise duties made in the Budget for 1941-42 was the repeal of the medicine stamp duties, estimated to cost the Exchequer £840,000 in a full year.

	(£ thousands)					
	1913-14	1929-30	1937-38	1938-39	1939-40	1940-41
Spirits	23,976	42,599	35,849	35,663	40,659	45,552
Beer	13,655	77,151	65,740	65,581	78,750	139,054
Wine	1,152	4,881	4,989	4,825	5,703	7,831
Tea	6,499	43	7,341	10,851	11,729	13,432
Cocoa	341	689	870	1,101	1,335	1,706
Sugar, etc.	3,329	13,549	11,873	12,955	27,697	31,494
Tobacco	18,284	62,794	82,821	84,818	117,718	172,796
Matches and mechanical lighters	...	4,170	4,377	4,367	4,966	5,961
Hydrocarbon oils, etc.	841*	15,042	50,188	58,133	54,206	47,639
Entertainment duty	...	6,636	7,985	8,154	7,243	8,996
Liquor licences, etc.	4,517	4,587	4,812	4,836	4,644	4,644
Other revenue duties†	2,633	3,210	2,980	3,086	4,177	3,855
Purchase tax	...	...	...	...	...	26,261
Total revenue duties	75,227	235,411	279,825	294,370	358,983	509,222
Silk and artificial silk	...	6,243	6,297	5,827	4,525	2,240
"McKenna" duties	...	3,692	2,812	1,961	1,341	...
Other protective duties‡	...	2,637	4,752	4,665	4,673	4,521
Import Duties Act, 1932	...	...	29,682	25,281	24,148	14,462
Ottawa duties	...	...	8,089	8,123	7,155	1,816
Duties on Eire goods...	...	...	4,181	326	...	...
Total protective duties	...	12,572	55,813	46,183	41,842	23,039
Grand total	75,227	247,983	335,638	340,553	400,825	532,261

* Motor spirit duty, repealed 1921. † Including British wine, table waters, cider and perry, coffee and chicory, dried or preserved fruits, railway passenger duty, patent medicines, other licences, and miscellaneous. ‡ Safeguarding, abnormal importations, hops, and (1936-37) onwards beef and veal. || Included in duties under the Imports Duties Act.

TABLE 3.—DIRECT AND INDIRECT TAXES

The following table shows how the contribution of direct taxes (i.e., income tax, surtax, estate duties, National Defence Contribution, Excess Profits Tax, and other inland revenue) to total tax revenue has been rising steadily in the last few years at the expense of indirect taxes (i.e., customs and excise, stamps, and motor duties).

	Direct		Indirect		of Total	
	£ millions	% of Total	£ millions	% of Total	£ millions	% of Total
1913-14	78.0	17.8	85.0	18.8	163.0	36.6
1929-30	376.9	55.6	300.0	44.4	676.9	50.0
1936-37	400.5	51.1	382.6	48.9	783.1	50.0
1937-38	447.1	53.2	394.1	46.8	841.2	50.0
1938-39	499.3	55.6	397.1	44.4	896.4	50.0
1939-40	565.8	55.6	451.2	42.7	1,017.0	49.2
1940-41	778.0	57.3	580.7	42.7	1,358.7	50.0
1941-42	1,205.5	61.4	756.5	38.6	1,961.9	50.0

TABLE 4.—INCOME TAX RATE AND ALLOWANCES

	Years ended March 31			
	1939	1940	1941	1942
Standard rate in £	5s. 6d.	7s. 6d.*	8s. 6d.*	10s. 0d.
Personal allowance: Single	£100	£100	£100	£140
Married	£180	£180	£170	£160
Each child	£60	£60	£50	£50
Earned income allowance:				
Proportion	1/5th	1/5th	1/6th	1/10th
Maximum allowance	£300	£300	£250	£160
Fraction of standard rate charged on first part of taxable income..	10/33rds on £135	1/3rd on £135	10/17ths† on £165	13/20ths on £165

* In September, 1939, standard rate raised from 5s. 6d. to 7s. for 1939-40 and to 7s. 6d. for 1940-41; in July, 1940, standard rate raised to 8s. 6d. for 1940-41. † In September, 1939, the reduced rate of tax raised from one-third to one-half of standard rate for 1940-41; in July, 1940, the reduced rate raised to 5s. 1 April, 1942, reduced rate raised to 6s. 6d.

TABLE 5.—INCOME TAX AND SURTAX

This table shows the amount of tax actually payable by specimen incomes. The table does not take into account further reliefs, such as for life assurance premiums, to which the taxpayer may be entitled, but it shows in italics the amounts to be returned to the taxpayer as post-war credits.

Total Actual Income	1940-41†: Standard 8s. 6d.			1941-42: Standard 10s.		
	Single		Married	Single		Married
	No child	3 children		No child	3 children	
£ 120	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
300	37 10 0	20 0 0	Nil	66 2 6	42 5 0	Nil
400	70 5 10	40 16 8	3 6 8	111 2 6	81 2 6	22 15 0
500	105 14 2	75 19 2	24 3 4	156 2 6	126 2 6	52 0 0
800	211 19 2	182 4 2	118 9 2	291 2 6	261 2 6	186 2 6
1,000	282 15 10	253 0 10	189 5 10	381 2 6	351 2 6	276 2 6
2,000	672 7 6	642 12 6	578 17 6	856 2 6	826 2 6	650 0 0
5,000	2,428 12 6	2,398 17 6	2,335 2 6	2,837 7 6	2,807 7 6	2,732 7 6
10,000	6,078 12 6	6,048 17 6	5,985 2 6	6,862 7 6	6,832 7 6	6,757 7 6
50,000	41,641 2	41,611 7	41,547 12 6	45,424 17 6	45,394 17 6	45,319 17 6

* Assuming all earned income. Maximum addition to tax where income is from investments (and operating at incomes of £1,500 and over) is £106 5s. in 1940-41 and £75 in 1941-42. † Under Budget of July, 1940.

Expenditure

TABLE 6.—EXPENDITURE (EXCHEQUER ISSUES)

	(£ millions)					
	1913-14	1929-30	1938-39	1939-40	1940-41	1941-42
Interest and Management of National Debt	19.3	307.3	216.8	222.9	213.0	257.2
Other Consolidated Fund Services	12.8	22.2	14.3	16.8	17.2	16.9
Total	32.1	329.5	231.1	239.7	230.2	274.1
Navy, Army, Ordnance and Air Votes	77.2	113.0	254.4	217.9	†	†
Civil Defence	...	...	17.8	23.2	...	...
Civil, Roads and Revenue Departments	58.4	280.4	423.5	428.6	417.1	416.6
Vote of Credit	...	...	...	408.5	3,220.0	4,085.0
Total Supply (excluding P.O. and Broadcasting)	135.6	393.4	695.7	1,078.3	3,637.1	4,501.6
Total Ord. Expenditure, Sinking Funds	167.7	722.9	926.8	1,318.0	3,867.3	4,775.7
...	5.2	47.7	13.2	7.1	17.0	...
Total	172.9	770.6	940.0	1,325.1	3,884.3	4,775.7
Add Issues out of Defence Loans	...	...	128.1	491.7	...	...
New Sinking Fund outside debt charge	...	4.8*	...	4.2	...	12.2
Total Expenditure Self-Balancing—P.O. and Broadcasting	24.6	58.9	79.0	83.1	86.4	100.6

* Interest on National Savings Certificates paid in excess of provision in Permanent Debt Charge.

† Met out of Vote of Credit.

TABLE 7.—FINANCING EXPENDITURE

The following table summarises the Exchequer returns for the financial year and shows the respective shares of revenue and borrowing in meeting expenditure. It will be noted that the difference, amounting to £2,715 millions, between ordinary revenue on the one hand, and total expenditure (including sinking funds and debt repayments) on the other, was met as to nearly £500 millions by borrowing from the money market (i.e., by additions to floating debt), compared with £1,329 millions in 1940-41; nearly £410 millions by small savings (3 per cent defence bonds and national savings certificates), compared with £360 millions, £1,779 millions by other borrowing, compared with £995 millions; and £27 millions by miscellaneous receipts, in which is included contributions received under the War Damage Act:—

£000		£000	
Total ordinary expenditure	4,775,694	Total ordinary revenue	2,074,057
New Sinking Funds	12,169	Loans raised—	
Loans repaid—		3% Funding 1959-69	120,825
4% Conversion Loan	45	3% Def. Loan 1954-58	45,731
Nat. Savings Bonds	850	3% Def. Bonds (net)	182,075
1% Treasury Bonds	50	3% Savings Bonds	577,416
		2% Nat. War Bds. 1945-47	705
		2% Nat. War Bds. 1946-48	345,026
		2% Nat. War Bds. 1949-51	378,589
		Nat. Saving Certs. (net)	227,600
		Tax Reserve Certs. (net)	191,515
		"Other debt" (net)	119,581
		Floating debt (net)†	
		Treasury Bills—	
		Tap	408,759
		Tender	...
		Bank of England Adv.	...
		Public Dept. Adv.	22,875
		Treasury deposits	67,000
		Miscellaneous receipts (net)	26,862
		Decrease in balances	192
		Total, Pensions	192
		Total, Pensions	192
		Total, Pensions	192

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

TABLE 8.—THE COST OF SOCIAL SERVICES

The latest available figure for expenditure on public social services by central and local authorities appeared in Hansard of March 24, 1942, from which the following table has been compiled. The expenditure figures include payments out of taxes and rates, and also contributions by the persons benefiting in the case of the contributory schemes. Many persons shown in the last two columns as receiving benefits do so under two or more of the Acts mentioned in the first column, and are, therefore, accounted for more than once.

Service	Great Britain		Total Number of Persons directly benefiting from the Expenditure	
	1938-39	1939-40	1938-39	1939-40
Unemployment Insurance and Assistance Acts—	£000	£000		
Unemployment Benefit (a)...	64,328	45,903	14,352,000*	14,541,000*
Unemployment Allowances (b)...	39,643	32,218	19,086,000*	Not available
National Health Insurance Acts (c)...	40,554†	40,067†	21,446,300*	Not available
Old Age Pensions Acts (d)...	96,195	97,842	4,293,000	4,409,088
War Pensions Acts, &c. (d)...	37,460	36,961	8,008,551	Not available
Education Acts...	122,398	121,083	Not available	Not available
Public Health Acts (e)...	25,005	27,544	1,432,624	1,424,894
Housing Acts...	47,683	51,135	Not available	Not available
Relief of the Poor Acts...	47,595	49,190	Not available	Not available
Other (f)...	10,093	10,298	Not available	Not available
	530,954	512,346		

* Numbers given are of insured persons. † Calendar years 1939 and 1940 respectively. (a) Including agricultural scheme. (b) Including prevention and relief of distress. (c) Including Contributory Pensions Acts. (d) Including Personal Injuries (Emergency Provisions) Act, 1939. (e) Relating to hospitals and to treatment of diseases, and to maternity and child welfare work and midwives. (f) i.e., Physical Training and Recreation Act, Approved Schools Acts, and Lunacy and Mental Deficiency Acts.

TABLE 9.—CIVIL AND REVENUE DEPARTMENTS NET EXPENDITURE† EXCLUDING CIVIL DEFENCE

This table gives estimates of purely civil expenditure for 1941-42 and 1942-43, compared with the amounts actually spent in the two previous years. The biggest change since the war is in unemployment assistance, which has shown a big fall. The pensions item, on the other hand, has increased owing to the assumption by the state of the responsibility for paying supplementary pensions to needy pensioners. Details of the amounts actually spent in 1941-42 are not available, but, as Table 6 shows, the total for civil and revenue departments and roads came to £416½ millions, a saving on the estimate of over £21 millions.

Votes	1939-40	1940-41	1941-42 Est.	1942-43 Est.
I.—Central Government and Finance . . .	3,225	4,473	2,423	2,780
of which : Secret Service	988	1,500		
II.—Foreign and Imperial	16,636	13,906	13,136	13,883
of which : F.O., Diplom., and Consular	2,510	3,175	3,444	3,950
Colonial and Middle-Eastern	6,953	6,866	6,047	5,596
Development and Welfare (Colonies, etc.)	500	378	804	1,436
India and Burma	5,106	2,166	2,181	2,205
III.—Home Dept., Law and Justice . . .	21,143	21,332	20,284	20,781
of which : Police and Prisons	16,850	17,288	16,005	16,313
IV.—Education, Museums, etc. (exc. B.B.C.)	63,124	63,049	66,290	69,483
of which : Board and Dept. of Education	60,116	60,385	63,417	66,597
Universities and Colleges	2,266	2,040	2,149	2,149
V.—Health, Labour and Insurance . . .	158,157	167,391	188,216	182,639
viz., Housing Grants	18,411	18,802	18,013	17,675
Health Insurance and Misc.	10,536	10,648	11,708	13,528
Total, Health and Housing, etc.	28,947	29,450	29,721	31,203
Ministry of Labour	25,224	30,658	31,613	34,903
Unemployment Assistance	32,210	17,601	19,680	8,750
Special Areas, and other labour items	5,904	4,373	3,964	3,201
Total, Labour	61,338	52,632	55,254	46,801
Old Age Pensions	48,347	49,218	50,716	51,650
Contributory Old Age, etc., Pensions	19,525	20,525	21,525	22,525
Supplementary Pensions		15,566	31,000	30,460
Total, Pensions	67,872	55,309	103,241	104,635
VI.—Trade and Industry	41,117	32,800	23,010	18,956
of which : Agriculture, Livestock, Fisheries	18,877	7,749	6,327	4,663
Roads	16,452	16,353	10,738	7,364
VII.—Common Services (Works, etc.) . .	16,700	28,909	14,850	14,242
VIII.—War Pensions, Superannuation, etc.	41,776	43,247	40,956	40,117
of which : Ministry of Pensions	38,159	39,444	37,008	36,179
IX.—Block Grants to Local Authorities . .	54,134	53,278	52,794	52,773
Total, Civil Departments (exc. B.B.C.) . .	416,012	428,385	421,959	415,654
Inland Revenue	8,324	9,387	9,706	12,147
Customs and Excise	6,030	6,130	6,515	6,372
Total Civil, Revenue and Roads	430,366	443,902	438,180	434,173
Post Office	79,929	90,062	93,746	102,523
Broadcasting	3,760	4,637	6,900	10,000

TABLE 10.—EDUCATION IN ENGLAND AND WALES

	Board's Net Estimates		Total Expenditure by L.E.A.s.†		Cost per Elementary Pupil
	Total Vote	Grants to L.E.A.s.	Elementary Education	Higher Education	
1913-14	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ s. d.
1935-36	14.7	12.8	25.6	4.4	15 2
1936-37	46.1	42.1	68.2	13.1	14 7 3
1937-38	48.1	43.9	69.8	19.0	15 4 5
1938-39	49.5	44.8	71.6	20.1	15 16 4
1939-40	51.0	45.6	72.6	21.2	16 7 1
1940-41	52.2	46.6	72.1	20.8	16 17 1
1941-42	52.7	46.6	73.0*	20.7*	...
1942-43	54.9	48.5	75.8*	21.6*	...
1942-43	57.8	51.6	80.4*	21.6*	...

* Provisional. † Including proportion borne by the rates.

National Debt

TABLE 11.—NOMINAL VALUE OF NATIONAL DEBT AT MARCH 31ST (£ millions)

	1923	1938	1939	1940	1941
INTERNAL DEBT					
Funded Debt:—					
Pre-war Funded Debt*	314.2	313.3	313.2	313.3	313.2
3½% Conversion Loan	683.6	739.4	739.4	739.3	739.3
4% Consolidated Loan	...	400.7	400.7	400.7	400.7
3½% War Loan	...	1,911.5	1,911.3	1,911.2	1,911.1
Total Funded Debt	997.8	3,364.8	3,364.6	3,364.4	3,364.3
TERMINABLE ANNUITIES	13.7	12.5	13.5	14.6	14.8
INTERNAL UNFUNDED DEBT:—					
(a) Other than Floating Debt:—					
2½% Conversion Loan	...	206.5	206.5	206.5	206.5
3% Conversion Loan	...	301.8	301.8	301.8	301.8
Old War Loans, Bonds, etc.	3,274.2	...	...	...	...
2½% Funding Loan	...	200.2	200.3	200.2	200.2
2½% Funding Loan	...	100.6	100.6	100.6	100.6
3% Funding Loan	...	143.8	141.9	139.9	137.9
4% Funding Loan	400.4	350.2	346.0	341.7	337.3
4½% Conversion Loan	...	363.4	352.8	350.3	...
5% Conversion Loan	...	322.8	322.8	322.8	321.5
4% Victory Bonds	353.9	313.4	309.8	306.0	302.1
2½% Nat. Defence Bonds	...	100.2	100.2	100.2	100.2
3% War Loan	...	...	81.2	81.2	156.2
3% Defence Bonds	...	...	...	99.2	302.5
Treasury Bonds	411.0	100.0	100.0	100.0	250.4
Savings Certificates	353.8	1389.6	1384.9	1433.9	1606.7
2½% Nat. War Bonds, 1945-47	...	...	...	...	443.9
2½% Nat. War Bonds, 1946-48	...	...	...	...	148.3
3% Savings Bonds, 1955-65	...	...	...	...	88.6
Total of (a) (plus other debt)†	4,795.3	2,892.5	2,948.8	3,146.0	4,285.2
(b) Floating Debt:—					
Treasury Bills	616.0	828.7	892.4	1,427.7	2,211.7
Treasury deposits	...	...	...	...	429.5
Ways and Means Advances:—					
By Public Depts.	193.9	13.1	27.9	61.5	172.3
By Bank of England	...	...	...	...	...
Total Floating Debt	809.9	841.8	920.3	1,489.2	2,813.5
Total Internal Unfunded Debt	5,605.2	3,734.3	3,869.1	4,635.2	7,098.7
TOTAL INTERNAL DEBT	6,616.7	7,111.6	7,247.3	8,014.4	10,477.8
EXTERNAL DEBT	1,155.7	1,032.5	1,032.4	1,032.4	1,034.7
TOTAL DEAD-WEIGHT DEBT	7,772.4	8,144.1	8,279.7	9,046.8	11,512.5
Funding Loan and Vic. Bds. held by Nat. Debt Commissioners	30.2	118.0	116.5	115.2	113.7
NET TOTAL DEAD-WEIGHT DEBT	7,742.2	8,026.1	8,163.2	8,931.6	11,398.8

* 2½% Consols, 2½% and 2½% Annuities, and Debts to Banks.
† Includes National Savings Bonds (now about £3.3 millions).
‡ Other debt now includes interest-free loans.
§ Includes loans made by colonial governments to the United Kingdom.

TABLE 12.—NET INDEBTEDNESS OF THE STATE (£ millions)

	March 31, 1938	March 31, 1939	March 31, 1940	March 31, 1941
Net total deadweight (as opp.)	8,026.1	8,163.2	8,931.6	11,398.8
Deduct external debt	1,032.5	1,032.4	1,032.4	1,034.7
Add accrued interest on saving certificates	6,993.6	7,130.8	7,899.2	10,364.1
Deduct estimated assets	7,124.5	7,268.2	8,042.4	10,518.4
Deduct Exchequer balances	6,455.4	6,609.7	7,372.8	9,840.5
Net total	6,453.0	6,607.2	7,370.4	9,837.9

Table 12 gives the net total of the internal debt after allowing for the accrued interest on national savings certificates, which is not included in the figure of principal given in the previous table, and after deducting Exchequer balances at the Banks of England and Ireland at the end of the financial year, and the state's estimated assets. The largest single item of the latter total is the £575 millions of the Exchange Equalisation Account; it also includes the Suez Canal shares (£32 millions); India and Burma—outstanding liability for 5 per cent War Loan (£16.7 millions); Land Settlement loans outstanding (£13.2 millions); issues to Czechoslovakia (£6.1 millions); and issues under the Overseas Trade Guarantees Act, 1939 (£6.8 millions).

TABLE 13.—COST OF THE NATIONAL DEBT, 1918-41. (£ millions)

Financial Year	Net nominal total of Deadweight Debt outstanding at end of Financial Year	Interest, Management, etc.	Col. (2) as % of col. (1)
1913-14	649.8*	19.3	2.97
1937-38	8,026.1	216.2	2.69
1938-39	8,163.2	216.8	2.66
1939-40	8,931.6	222.8	2.50
1940-41	11,398.8	213.0	1.87
1941-42	14,073†	257.2	1.83

* Debt at beginning of year. † Provisional estimate including reduction in debt effected by sinking funds.

Local Finance

TABLE 14.—LOCAL GOVERNMENT EXPENDITURE (£ millions)

Purpose	1937-38			1938-39		
	Revenue Account	Capital Account		Revenue Account	Capital Account	
	Total	Loan Charges†		Total	Loan Charges†	
Rate fund services	374.1	66.4	110.5	392.9	70.9	121.3
Of which:—						
Education	98.0	6.4	11.9	100.4	6.9	15.7
Public health	75.1	11.9	17.8	79.7	12.5	19.4
Housing schemes	41.9	32.9	53.7	44.5	34.5	55.3
Poor relief	34.3	0.6	1.5	35.3	0.6	1.7
Police	25.3	0.3	1.2	26.1	0.4	1.4
Streets	49.6	9.3	13.1	50.4	9.3	0.9
Civil defence	...	...	...	4.6	...	...
Trading Services	141.9	36.7	40.0	148.4	37.9	37.9
Of which:—						
Water	22.7	9.9	6.6	23.6	10.0	7.5
Electricity	53.1	15.4	21.5	57.5	16.3	20.4
Gas	18.0	2.6	2.6	18.2	2.4	2.1
Transport	24.5	2.8	4.6	25.3	3.0	3.5
Harbours, canals, etc.	14.1	4.4	2.3	14.0	4.4	1.4
Special Funds	27.8	...	...	30.2	...	...
Of which:—						
Sinking funds	15.9	...	...	17.9	...	...

* Including mental treatment. † Loan charges, included in total on Revenue Account. ‡ Plus general corporation estates.

TABLE 15.—LOCAL AUTHORITIES FINANCE. (£ millions)

England and Wales	1935-36	1936-37	1937-38	1938-39
INCOME*				
Total on Revenue Account*	481.2	503.1	517.7	543.9
Of which rates	164.9	172.8	177.3	191.4
grants	132.9	135.6	136.1	140.2
Receipts from loans	82.3	101.1	122.7	129.8
EXPENDITURE*				
Total on Revenue Account	470.9	484.6	505.6	532.8
Of which loan charges	100.2	100.7	103.7	109.4
Total on Capital Account	96.8	116.8	142.1	150.8
Of which sinking funds†	9.0	11.1	12.1	9.1
Rateable value at start	293.6	298.5	304.0	310.8
Gross loan debt at end	1,451.3	1,481.0	1,521.0	1,584.7
Of which education	79.0	74.5	82.2	83.0
Sewers, etc.	81.6	79.3	82.3	84.7
Housing	551.6	568.9	600.9	635.9
Trading services	475.7	484.5	490.1	502.1
Balances in sinking funds, etc.	98.7	81.4	54.6	56.8

* Including Trading Services. † Including Repayments.

SOURCES OF THE TABLES

A great many of the official sources of material relating to the national finances are now no longer published. Among those which still appear are the Finance Accounts of the United Kingdom, the Civil Appropriation Accounts, the Revenue Departments Appropriation Accounts and the Civil Estimates.

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hope of securing such a radical concession to common-sense.

But what of the major problem? What opportunities are there for finance to contribute some assistance to the winning of the war? It has frequently been argued in *The Economist* that the mobilisation of the resources of the country could have been achieved much more speedily and with far less human misery if there had been a wider extension of the principle of compensation—to be paid after the war. The suffering caused, haphazardly and without discrimination, by mobilisation measures has been a persistent brake on the war effort. There should have been an extended application of the basic formula of the War Damage Act. Wherever a section of the public can be clearly identified, in which some individuals, through no fault of their own, suffer much heavier losses than others, a scheme of compensation should have been drawn up, with the financial burden divided equally between the state and the group in question. It may not be too late even now for something to be done on these lines.

But, in the main, the phase of mobilisation in this country is now over. The people of Britain are at their battle stations and the displacements of persons and property that are still to come will be comparatively minor. The chief problem now is to secure the maximum efficiency of the resources mobilised. What can finance contribute to this end? Here the region of controversy is entered. There is one school of thought which argues with great cogency that the way to secure maximum efficiency is to provide cash incentives both to manager and to worker. Excess Profits Tax, in this view, should be reduced, and all restrictions should be removed from the increase in earnings. It is certainly true, as a general proposition, that no means of increasing output that is normally available is as potent as piece-work for the workers and the possibility of increased profits for the owners. But these are not normal times, and the argument, as generally presented, is far too sweeping. It is to the managers of industry, not to the owners, that incentives need to be provided, and a system of individual bonuses for those directly concerned would be far cheaper and far more effective than a relaxation of the controls on profits in general. Similarly with labour, an increase in general wages might lower the incentive to added effort. Moreover, there is the moral issue involved in any general removal of the restraints on earnings and profits. It is more than doubtful whether the community could be persuaded to tolerate the encouragement of profiteers in the ranks either of capital or of labour. It cannot be too strongly stated that large and widening discrepancies in spending power—even though the larger part of the

increased cash earnings cannot in fact be translated into increased consumption, because of rationing and limited supplies—are seriously upsetting to national morale.

There is at least as much force in the opposite set of contentions. So long as the mainspring of society is the money incentive, that incentive must be left free to operate. But when, as in wartime, it cannot be left free (at least without the gravest social and moral disturbance), the only thing to do is to try to remove it completely. This is the school of thought which would, at the beginning of the war, have incorporated the whole population in the services, assigned ranks and rates of pay and divorced income completely from functions. The argument would be that, so long as an industrialist acts within a profit system he must seek a profit for fear of making a loss, and that the way to free him for the task of maximum production is not to dangle the carrot of excess profits in front of his nose but to relieve him of all fear of loss by acquitting him of financial responsibility. With the wage-earner, the insistence on higher earnings would disappear, it is argued, once it was clear that everybody's remuneration was fixed. Now that the nation is virtually mobilised the need for adjustments of pay to give war workers a relatively higher reward than those not yet at their battle stations has largely passed away. There may be some truth in the paradox that the best way to increase incentive at this stage is to abolish it completely.

It would be rash to pontificate upon these questions. But it is becoming reasonably clear that the present compromise is unsatisfactory—economically, socially and morally. At present, the greater part of the nation's activities is formally motivated by money incentives, but taxation is so high that it blunts the edge of incentive. Should the incentive be liberated and financial moderation allowed to go hang, with all the inflationary consequences of such an act? Or should the Government take over more and more of the financial responsibility of the community, fixing wages and profits, regarding both as a direct charge on the Exchequer, and relying on the incentives of patriotism, emulation and command? Or perhaps the two are not complete opposites. It is possible to envisage a system in which the labour force received, directly from the Government, standard earnings irrespective of the hours worked, in which profits at a fixed rate (e.g., the EPT standard) were similarly paid out of the Exchequer and in which contract prices made no allowance for either factor—but in which provision was made for cash bonuses to individuals for proved efficiency in excess of the standard.

These are abstract questions. But they are also becoming real questions. It is very much to be hoped that some discussion of them will find a place in the Budget speech.

Oaths and the Man

IN 1745, the year of the Rising, the air of England was full of invasion, and Parliament, as one of its war measures, passed an Act to prevent profane cursing and swearing. It is not at first sight clear how an Act to punish bad language aided the war effort of a Hanoverian King, but the preamble to the Act gives the clue:

Forasmuch [it says] as the horrid, impious and execrable vices of profane cursing and swearing (so highly displeasing to Almighty God and loathsome and offensive to every Christian) are becoming so frequent and notorious that they may justly provoke the divine vengeance to increase the many calamities these nations now labour under. . . .

Having cleared the ground and made plain the connection between cursing and the loss of the war, the Act lays down the course to be pursued if any man shall be heard cursing or swearing, the action to be taken by the justices, constables and tythingmen, and the penalties to be imposed when the crime is proved. If a constable overhears an oath, he is to lay information against the offender, and, if the man be a stranger, to drag him forth-with before a justice. The justice, when the case is proved, will inflict the appropriate punishment, and if

the justice himself should catch the sound of bad language he is not to wait for a formal trial but convict and sentence the criminal on the spot. He shall then sign a certificate as follows:

Be it remembered that A. B. was convicted before me of swearing one or more profane oath or oaths, or of cursing one or more profane curse or curses as the case shall be.

The clerk of the justices will then receive a shilling for the conviction, and another name will have been added to the history of crime.

As the young Pretender's schemes went wrong, and George II kept the throne safe for the statesmanlike George III and the virtuous George IV, the Act was no doubt a success; the horrid, impious and execrable vice was stamped out, and the divine vengeance was not provoked to increase the calamities under which the Realm laboured. But, alas, the cure was not permanent. The habit, though checked, was not exterminated, and 197 years after this law received the Royal assent, men may still be heard to sprinkle oaths into their conversation and relieve their irritation with an occasional explosive

curse. A few weeks ago, for example, Mr Fred Walker (a War Reserve constable who ought to have known better) so far forgot his sacred calling as to make a profane comment. He had been summoned for his rates and he went to the council office to pay. Asked if he wished to pay 4s. costs, he made his profane comment and threw the money at the clerk who gave him a receipt.

So gross an infraction of the Act of George II could not be overlooked, and he was charged before the justices, found guilty, certified doubtless as having sworn one or more profane oath or oaths or (as the case was) having cursed one or more profane curse or curses, and then—then came the moment of real delicacy, the moment when the justices had to make their difficult decision, the moment on which Mr Fred Walker, if he is a snob, will look back with shame for the rest of his life.

To appreciate the real delicacy of the justices' dilemma we must go back to the Act under which Mr Walker was convicted. The fact is that the Act lays down a scale of fines to be inflicted on the convicted criminals:

(a) For a day labourer, a common soldier or a common seaman, one shilling.

(b) For a gentleman, five shillings.

(c) For a man who is not a day labourer or common soldier or a common seaman, but, on the other hand, is no gentleman, two shillings.

It was admitted both by the prosecution and by the defence that Mr Walker was not a labourer or soldier or a seaman. He was a War Reserve constable. But was he a gentleman? Should the justices temper their justice with mercy and hold him to be no gentleman, so that they might fine him only two shillings, or should they boost his social standing and fine him five? It would be nice to know how they approached the problem. Did they put it to him and ask him where his preference lay—whether he would rather pay an extra three bob and be certified a gentleman or (taking the cash and letting the credit go) get off with two bob and sink or swim with the canaille? We do not know. All the reporters tell us is that he was put into the no gentleman class and fined two shillings, and to-day he stands convicted of having made a profane comment and of not being a gentleman.

It looks like bad luck for Mr Walker, but actually he was rather lucky, because the justices, if they had done their duty to the full, would have fined him another £2—eight times the gentlemanly fine. You see he was a

constable, and the Act says that if a constable should hear a profane oath sworn and fail to take the criminal into custody he is to be fined forty shillings; and as Mr Walker must have heard his own comment and appreciated its profanity, it was his duty to lodge information against himself. So really he seems to have been guilty of two crimes, the first (2s.) when he swore, and the second (40s.) when he failed to take himself into custody. Gentleman or no gentleman, he got off lightly.

This is one of the most promising expedients for wasting time and effort that the war has so far produced. Mr Walker's time was obviously occupied by the case when he might have been digging for victory or been on duty. The police must have given a good deal of time and thought to it when they might have been hunting spies and investigating the black market. Mr Walker's solicitor had to mug up the Act of 1745 and prepare the defence; and the justices had to hear the case and ponder their judgment, when they might have been carrying on their own works of national importance. Altogether a capital waste of valuable time, and one capable of great development. Wherever men gather there are oaths and curses to be heard, and a small army of Home Office snoopers could reap a rich harvest of prosecutions under this law—and endless hours could be wasted on the trials. How easy it is to picture one such trial. The darkening courthouse as the trial draws to its end. The haggard figure in the dock, the tense silence as Sir Patrick Hastings, counsel for the prisoner, makes his last appeal to the jury.

My task, Sir Patrick says, is almost done. I ask you to say that my client did not use the phrase of which he is accused. If you do, he leaves the court blameless. If you do not he will be branded for life as a man who called a fellow-countryman a damn fool and told him to get to hell out of here. But his monetary punishment will also rest with you, for if you find that he is a gentleman his fine will be 150 per cent greater than if you find the opposite. It is a matter of fact for you to decide, and, in deciding, I implore you to remember the evidence. You have been told his trade. He is a Fleet Street hack who writes so-called light leaders for *The Economist*. Is that the occupation of a gentleman? Above all, you have seen the man himself—his face, his clothes, his bearing and, having seen them, I defy you to put him in the 5s. class. I say you must decide in accordance with this overwhelming evidence and fine him only 2s.

NOTES OF THE WEEK

Agreement?

At the time of writing, though his self-set time limit has expired, Sir Stafford Cripps has neither failed nor succeeded in his mission to India. Three times he has promised a public announcement on the state of the negotiations, and three times it has been postponed. For most of the past two weeks, the odds have seemed against agreement. The battle of words has mostly been around the Indian demand to control defence during the interim war period before the post-war stage of Dominion status, offered in the British plan, is reached; and the British Cabinet is reported to have conceded an Indian Defence Minister, while reserving its own responsibility, and that of General Wavell, for defence of the Indian link in the chain of United Nations. But disagreement has obviously gone much deeper than this urgent and immediate issue. The British plan itself has not found favour, as it stands, from any major Indian group. The Hindu Mahasabha has openly protested against the "vivisection" of India by the proposed right of provinces to stand out of the United Dominion of India. The Moslem League, on the other hand, is dissatisfied because the opportunity for Moslem independence by partition is not taken far enough. Congress, to judge from the *obiter dicta* of various spokesmen, including Pandit Nehru—neither Congress nor the League has put out any official statement yet—still believes that the right solution is to set up a National Government

now, with the power after the war to settle differences between Hindus and Moslems without conditions imposed by Britain; and the proposed right of the Indian States to send nominated, and not elected, representatives to the Union assembly is opposed. On the face of it, the deadlock is unbroken. But the discussions have gone on. No outright rejection has been published. There have been proposals and counter-proposals behind the scenes; and hopes in New Delhi were higher on Wednesday and Thursday than at the week-end. It is hard to believe that some of the Indian bargainers are not trying to play "heads I win, tails you lose," knowing that Britain cannot divest itself of responsibility for the defence and administration of India, whatever the fate of these negotiations. This interpretation has been strongly voiced in the United States, where up to now the Indian Nationalists have been accustomed to look for indiscriminate support and sympathy, practically as a matter of routine; and there is little doubt that the frankness of these American comments, and the personal counsel of Colonel Johnson, President Roosevelt's envoy in India, have given the Indian leaders cause to think again. Until now, with no official statement from either side, they have appeared to be asking for more powers in defence than the British Parliament itself possesses, and, on the wider question of Indian independence, to be on the brink of throwing away the best chance of freedom that India will ever have. It is a matter of deep concern for the whole free world that second thoughts should prevail.

A Controller-General

The Minister of Supply has appointed Sir George Beharrell as Director-General of Controls. The office thus created is one that has been very badly needed from the beginning of the war. One of the most urgent criticisms that can be directed against the Raw Materials Department is that it has not been able to see the wood for the trees, and a Director-General, who will presumably not concern himself with the details of the day-to-day policy to be pursued in each commodity, but with larger matters of organisation and long-term policy common to all controls, may be able to exercise a good influence. At the same time it is impossible not to express regret over the appointment to such a key post of the chairman of the Dunlop Rubber Company, one of those semi-monopolies whose staffing of the Controls is by far the largest defect of their structure. It was known that Sir Andrew Duncan (as was perhaps natural) saw no objection in the great State-fostered growth of private monopolies. Now he has chosen to re-emphasise his belief in it. Henceforward, Sir Andrew will be known as the professed champion of monopoly.

Free French Recognition

The United States Government has recognised General de Gaulle's authority over French Equatorial Africa. The step, which is the same in substance as the earlier American recognition of the Free French in the Pacific, springs from Washington's realisation of the vital military importance of the Free French Colonies in Africa, an importance which would be enormously enhanced if Madagascar were to fall to the Japanese. The Administration may have felt more inclined to take the step now that Admiral Muselier, who led the St. Pierre and Miquelon expedition, has resigned from the command of the Free French Navy. This limited recognition raises once again the problem of more general recognition for the Free French. General de Gaulle has pressed for it, and has called, too, for the breaking-off of relations with Vichy. On the latter question, only the American Government can decide, but there is reason to suppose that Admiral Leahy's presence in Vichy strengthens the non-collaborationist wing. As for the former question, it would be difficult for the British Government to move to general recognition while the United States still maintained relations with Vichy. The issue must surely be decided on the basis of its military significance. If breaking with Vichy now would ensure a speedier victory for Britain, America, and the Free French, then it would be folly to delay it an hour. But would it do so? Neither the Governments nor the experts are agreed.

Plans and Programmes

The latest reports of the Select Committee on National Expenditure, the seventh and eighth of this Parliamentary session, will serve as useful directives for Mr Lyttelton. One deals with the use of manpower, and the other with the organisation of production, but both have the same message—the need for “a programme at all times planned sufficiently far ahead.” Mr Lyttelton's Production and Planning Staffs are now in a position, with the Minister's Cabinet authority, to give the “unified” direction to a “balanced” national plan that the Committee calls for; and there is reason to hope that, at last, the production programme will be sufficiently “informed,” on the one hand, of the relevant data about supplies and capacity, and, on the other hand, of the strategic requirements of the Services. Moreover, there should now be the reverse process—that is, the strategists will be informed, as they make their programmes, of the material resources available, so that they can cut the coat according to the cloth, and in the best style. But, conceivably, there may be one gap in this overdue dovetailing. The Select Committee asks for a permanent body to deal with the allocation of manpower between the Services and industry, and among the industries. For too long the manpower requirements of the Services were taken as a datum and immutable, when the only datum, obviously, is the total manpower available for all purposes, fighting and producing weapons. The question is whether Mr Lyttelton and Mr Bevin “in co-ordination” can give the same unified direction and balance to this problem that Mr. Lyttelton “in authority” will now be able to give to the distribution of material factors in the national programme.

Trouble in the North

The collective resignation of practically all the clergy of Norway is another big step in the relentless struggle the Norwegian people are waging against their quisling Government. It was not at first certain whether the rank and file of the clergy would follow the lead given by the Norwegian Bishops some weeks ago. Now the authorities are faced with a revolt at a level of national life which intimately touches every Norwegian family. The teaching profession and the Pastors of the Church are on strike against the dictator state, in defence of one of the most fundamental of the rights of man—the right of parents to determine the education of their children—and resistance here cannot but prove a rallying ground for resistance everywhere. It is not the most revolutionary but in a sense the most conservative elements among the Norwegian people who are taking up the fight for human freedom. If their stand is maintained—and there is every reason to believe that it will be maintained—then Quisling will have to rule against a united front of the people he has betrayed. The struggle is being watched with eager anxiety and sympathy from Sweden. In February, the Swedish bishops associated themselves with the action of the Norwegian Bishops and Bishop Aulen preached a vigorous sermon on the sufferings of the Norwegian people. In the course of it he said: “One day the plea for help coming from the West may rise to a cry which we cannot refuse to hear.” Towards the end of March, the Central Board of the Swedish Public and Elementary School Teachers' Association issued the following statement:—

“The teachers of Sweden have noted with regret and dismay, the measures taken against the Norwegian teachers, and with warm sympathy have followed their struggle against the attempt to convert Norwegian education into an instrument for rearing people with a philosophy of life foreign to the Nordic mentality.”

Comment on Quisling in the Swedish press has been free and often violent, in spite of some much-criticised efforts on the part of the Swedish Minister of Justice to ban reports of tortures and brutality in the Quisling camps and prisons. But the Norwegian people cannot hope for much beyond sympathy. Swedish policy remains one of rigid and absolute neutrality which will be defended against all comers, and there is no doubt that the great majority of the people are wholeheartedly behind this attitude. Although opinion is at one in condemning the Nazi occupation of Norway—as the *Dagens Nyheter* put it on April 2nd: “What the Nasjonal Samling is doing in Norway is aimed at converting the occupation into a conquest”—it is equally united in supporting the Finns in their struggle against Russia. In fact, the British alliance with Russia has upset Sweden considerably, particularly the Swedish Left, which is strongly anti-Communist. Sweden's desire for neutrality is thus reinforced by the country's inability to get straight its ideological sympathies. It is anti-German as far as Norway is concerned, anti-Russian in Finland. One remarkable result of this divided attitude is a further rationalisation of the desire to maintain neutrality. “We must remain outside the conflict (argue the Swedes) so that after the war, committed to neither side, we can act as a bridge between Norway—fighting against the Germans—and Finland—fighting with them.”

Part-Time Workers

A further encouragement has been given to part-time work by a new regulation relieving employers and workers from paying unemployment contributions in the case of employment begun after September 3, 1939, where not more than 30 hours of work in a week are involved. This is an obvious and welcome concession, for since this part-time work is, or should be, additional work—either to a person's normal employment or to domestic duties—the question of compensation for loss of the part-time job does not arise; it is the State that is receiving benefit at the hands of these part-time workers, not the other way round, and unemployment contribution merely seems to these workers an additional tax. It is not quite clear, in fact, why the same concession has not been applied to national health and pensions insurance. There are the same considerations—many of the women will not trouble to apply for the medical benefits, which are the only ones immediately available, and, except on the poorest prognosis of the

duration of the war, will not be able to qualify for pensions. There ought surely to be some means of enabling part-time workers to become voluntary contributors either for health or pensions or both, as is already done for workers who overstep the income limit for compulsory insurance, instead of imposing a compulsory payment upon them. A corollary to the concession in respect of unemployment insurance is the exclusion of these part-time workers from the operation of the Essential Work Orders. Some people are undoubtedly held back from volunteering for part-time work by the fear that they may not be able to leave if their circumstances change. On the other hand, it is difficult for employers to make arrangements for such work if they cannot count on workers being there.

The Church Within “Co-Prosperity”

There seems little doubt now that the Vatican is to follow up its acceptance of diplomatic relations with Japan by exchanging ambassadors with Free China. This helps to rectify the anomalous position into which the foreign policy of the Holy See had fallen. At the same time, it is a fit recognition of the extent to which the Catholic Church is growing in China. Converts in the last twenty years are variously estimated at between a million and two million. Many of these, of course, do not live under the authority of the Generalissimo; at the same time, the victory of Free China is the only guarantee that the widespread missionary work will continue. No amount of diplomatic representation would help the Catholic Church if “Co-prosperity” were to be triumphant. The Japanese press is already giving its own gloss on the new agreement. Tokio newspapers have pointed out that the new relations with the Vatican have nothing to do with freedom of action for Catholics. Religion within the sphere of Co-prosperity will be tolerated only if it keeps in step with the Way of the Emperor. Religious liberty can never mean liberty to obstruct any Japanese policy or action. Under the circumstances, it is difficult to see what any Church can gain by accepting formal relations with so totalitarian a partner.

Stirrings at the Board of Trade

There are signs of increased activity at the Board of Trade. The new President, Mr Hugh Dalton, has already shown his eagerness to discover what has been left in the pigeon-holes and to take decisions on some of the many problems that he found unsolved. Coal and the clothes ration are two of these problems which have been taken in hand. Price control is another. The criticism of the administration of the Goods and Services (Price Control) Act, 1941, voiced recently by the chairman of the North Midland Price Regulation Committee, has not fallen on deaf ears. At a recent meeting of the chairmen of the Central and local price regulation committees, Mr Dalton expressed his determination to act. Urgent consideration is to be given to the revision of the Acts on the initiative of the Central Price Regulation Committee; there is to be closer liaison between the Central Committee and officials of the Board of Trade; machinery is to be introduced for expediting decisions on prosecutions. A tightening up of price control is necessary if it is to be effective. But there are a host of other problems to be tackled at the Board of Trade. There is the need for further cutting down supplies under the Limitation of Supplies (Miscellaneous) Orders. And there is the thorny, but very pressing, problem of concentrating the non-food section of retail trade.

The Health of the Women's Forces

A strong Committee is at present investigating conditions in the women's Services, primarily from the welfare standpoint. In the meantime, part of the ground has been covered by the Select Committee on National Expenditure in its sixth report of the session, which deals with the medical services of the WRNS, the ATS and the WAAF. Now that the recruitment of women to the Forces has passed from the stage of grudging acceptance to one of urgent national importance, their health and welfare have become a national responsibility. The fact that women are now doing men's jobs does not mean that they can put up with the same conditions as men, or stand the same strain; indeed, Service life is to most women a far greater upheaval than it is to men. The Select Committee considers that the existing medical examination is not adequate, and suggests that it

should be investigated by a body of gynaecologists. It further suggests that a psychiatrist should be appointed to the Medical Advisory Committee of the Ministry of Labour with the ultimate object of eliminating the temperamentally unfit who so often have to be discharged. The Committee realises that this question of temperament is a difficult problem—which is, in this case, not confined to women. The trouble is that many of these psychopathic cases are border-line ones—some break down under service conditions, others do not—and a country which may depend for its survival on the use it makes of every marginal man and woman can hardly afford to take the generous course of eliminating both sheep and goats. Nevertheless, the occurrence of anxiety neurosis, to which women in Service conditions are especially prone, should receive more attention than it does at present, and there seems no reason why there should not be a psychiatric centre for the women's Forces where such cases could be treated. But perhaps the most serious omission in the health services of the women's Forces is the shortage of real welfare officers such as exist in factories. Too often the officers are young and totally inexperienced in any sort of welfare work. Allegations of immorality in the women's services have been stupidly exaggerated. But it would be equally silly to deny that a sex problem exists, or to pretend that illegitimate babies are not born to members of the women's Forces. This subject is now being fully investigated by the welfare committee, but it is not necessary to wait until it reports for the Ministry of Labour to appoint experienced welfare officers to all large women's units, who could give the elementary guidance in such matters which is at present so often lacking.

The Future of Education

Easter conferences were not so thick on the ground this year. At one, of schoolmistresses, the future of education was canvassed, with two main themes, the parity of women teachers with men and the protection of young people against bad books and bad films. From the scanty reports, there is little evidence that the real issues involved in the next stage of democratic education came up at all—the overriding need to make schooling and leadership in all walks open to all talent, for the sake of society no less than the individual (stressed by the president of the National Union of Teachers); and the need to extend education into active and adult life. These two changes—the widening of the nation's field of choice and the broadening of its modes of training—must come before all purely professional and technical preoccupations. If the spirit of equal citizenship, national service and individual duty can be carried forward from war to peace by means of a practical, working programme of educational reform, the schoolmistresses will scarcely need to license their pupils' pastimes.

Shorter Notes

The restrictions on visits to the coast between the Wash and the Thames and between Hastings and Littlehampton, which were lifted during the close season for invasion, will be reimposed on April 15th.

A misprint occurred in a Shorter Note on page 462 of *The Economist* last week. Compulsory enrolment for the Home Guard, which formerly applied only in an area approximately south of a line from the Wash to the Severn, has been extended to the rest of the country, not, as stated, to the west of the country.

The quarterly return of the Registrar-General for the three months ended December 31st last shows a birth-rate per 1,000 of the population of 13.9, the highest in the fourth quarter of the year since 1936. On the other hand, over the whole of 1941, the rate was 14.2, compared with 14.6 in 1940 and 14.9 in 1939. Absolutely, the number of births last year—586,778—was the lowest since 1933.

An Extraordinary Advisory Council, composed of delegates from the Dutch Empire, Dutchmen who escaped from occupied territory and Dutchmen resident abroad, will be set up in London for the duration to help the Dutch Government. As a representative body, it is intended to fill the gap caused by the absence of a Parliament.

AMERICAN SURVEY

Manning the Farm Front

(From Our Washington Correspondent)

"I GAVE him a \$5 raise two months ago, and every time I see him he talks about another \$5." That is how the farm labour situation is currently reported by many a farm operator with one or more hired men.

Production goals for this year have been stepped up, in the case of all of the chief commodities except wheat. The percentages of increase run from five to ten per cent over last year's high totals on most crops. They strike highs of from 57 to 155 per cent on crops like soya beans and peanuts that can be used to replace former imports of oils. And in agriculture, particularly in such departments as livestock and dairying, rapid expansion is a far more difficult process than in the industrial world.

And the same war effort that is behind the farmer's attempt to make his output plentiful is making his help scarce.

For years, the country's farms have—without recompense—supplied the cities with a major resource—people. The majority of young people in the factories at any time are boys and girls from the country. (Before the social security legislation of recent years, the farms not only bore the agricultural share of depression, but served as a major refuge for displaced factory workers who came back home for the duration.)

These young people are to-day being drawn off the farms by a double drain. Many of the boys are of the right age for selective service. More of them, and many of their sisters, have left for war production jobs. (Chapter and verse on these movements is currently available in the first interim Report of the House of Representatives' Select Committee investigating National Defence Migration.)

Actual figures on the extent and nature of current shortages are difficult to assemble; one estimate forecasts as many as a million fewer workers for this harvest than for last year's. There are several distinguishable categories of farm labour.

There is the unpaid labour contributed to the farm by members of the operator's family. This is the category where readjustments due to the draft and the attraction of factory wages are most pronounced.

There is the "hired-man" group, workers who are steadily employed around—or nearly around—the calendar. In this group, there have been a number of measurable changes. By what appears to be an anomaly, the number of hired workers employed on February 1, 1942—close on to 2,000,000—was the highest since February 1, 1930. What this actually means is that the layoffs during what in many states are practically idle months did not take place, or rehiring took place at an earlier date than usual, because operators feared the men could not be had later on. (The Agricultural Marketing Service reports show that wages per month without board averaged \$36.61, \$40.44, \$44.95, and \$45.47 for the respective months of January, April, July and October, 1941, as contrasted with \$35.27, \$36.41, \$37.18 and \$36.84 for the same months of 1940.)

The men actually hired are also different from the usual group—there are more very young boys and more persons above draft age. This change has acutely affected the housing situation. Where the single man formerly got his keep at the farm where he was employed, or boarded with a neighbour, the older man is likely to have a family. And there is likely to be no place to put it. The difficult problem of finding a way to relate agriculture to the federal housing programme, on which some work had been done before the programme was turned to the war effort, currently becomes more pressing.

A special case in this connection is the sharecropper system of labour in the South. For almost a decade, stimulated in part by the AAA programmes which made owners eager to obtain sole right to the benefit payments, in part by mechanisation, and in part by the new availability of relief funds as a means of keeping workers going during periods when they would otherwise have to be "furnished" by the landlord, the trend has been away from sharecrop-

ping to day labour. At the peak seasons of work, the chopping and the picking of the cotton have been handled by hauling casual workers out in trucks from city centres.

This trend has now been reversed. The tyres on the trucks used for this purpose have always been frail; now they are irreplaceable. And the people, many of them, are not there to be hauled; they have found their way to a less precarious living.

So sharecropping is on its way back again—the landlord thinks he would feel better if he had quite a few people right there on the place. But it is sharecropping with a difference. Instances are cited of landlords leaving cheques with employment agencies to pay moving costs for a tenant willing to take the job. More instances are cited of landlords making improvements in the shacks where they have previously housed their croppers, to provide inducement to move in. Once there, the very considerable recent advance in farm commodity prices means that the tenant's cash return for his part of the crop will give him a better income than in past seasons.

Migratory Labour

The greatest uncertainty in the farm labour situation relates to the migratory workers, who, until now, have gathered the speciality crops that require enormous quantities of hand labour for short periods at ripening time. Before World War I, the wheat crop was the main crop thus handled; it was done by single men, bindlestiffs who rode the rails to the Great Plains and worked at such occupations as lumbering in the winter. But the post-war development of refrigerator cars, quick truck transportation, domestic refrigerators and frozen foods, plus ideas about vitamins that made people add many more fresh fruits and vegetables to their diet, induced an expansion of specialised truck crops adequate to supply nationally distributed demand. Most of these crops can be grown with relatively few workers up to the time of harvesting. Then the requirements rise into the thousands overnight. In California, about 200,000 seasonal workers are needed to harvest 200 different commercial products. In Texas, chiefly for cotton and winter vegetables like spinach and onions, nearly 350,000 are required. Florida's population of floating workers numbers from 40,000 to 60,000 each winter and spring. These states are the pivots of three north-south migrations, up and down the Pacific coast from the Imperial Valley to the Washington apple country and back, up and down the Mississippi from cotton to sugar beets, to cherries in Northern Michigan and back through onions, peaches, tomatoes to cotton again, up and down the Atlantic coast, berries in the Carolinas, truck in New Jersey, fruit in upstate New York, back to cranberry bogs and oyster packing. Where will the families that have done this work be this summer? And in what state are the jalopies—none of them better than the Joads' truck in "The Grapes of Wrath"—which are their sole means of getting about?

Mobilising the Labour Supply

Various attempts to rationalise the farm labour situation are now at some stage of organisation. They take two main forms—mechanisation, and the more efficient use of available labour.

During the last war, the development of the combine revolutionised the wheat harvest. Last fall, when the sugar cane was cut in Louisiana, a certain number of machines were used, each of which did the work of 450 men, with the additional advantage of cutting closer to the ground than is possible for a person swinging a knife, and thereby conserving valuable inches of the part of the cane with the highest sugar content. Work on the mechanical cotton pickers now in experimental production by the Rust Brothers and other firms will undoubtedly be pushed. Dairies are making increased use of milking machines. In the Great Plains, there is demand for a one-man outfit to

cut and bale alfalfa in a single operation. Production per worker is now about 30 per cent higher than during World War I, and more than 50 per cent higher than during the five years before that war. The only limiting factor on a further projection of this trend during World War II is the availability of materials—even before the industrial war programme got going, farm machinery consumed 19.5 per cent of the country's cast iron.

It has been estimated that the production goals for 1942 will require 102,819,000 more man-days of labour than was used in 1939. One approach to this total is to hold workers on the farm. Besides the incentives in cash and in kind—especially housing—that are being offered, a formula is being worked out with the selective service system to keep certain key skilled workers on the farms. (Until recently, selective service boards in many areas have accepted the assumption that farming is something any one can learn overnight and troubled very little about the effect of the draft on the production of individual farms in their areas; at the same time, few farmers asked for exemption for any of their help on the grounds of being irreplaceable.)

Numerically more important than these efforts are those being made to use available labour efficiently. Cases exist where members of producers' co-operatives have pooled their labour, so that hiring and assignment is now done by the co-op rather than by the individual farmer; the system has provided a steady flow of work and thereby attracted workers to the steady income afforded.

Where outright pooling is not resorted to, many areas are extending the old threshing ring idea to include a variety of other occupations.

Along the lines of the big migrations, the Farm Security Administration is extending its system of mobile camps. These camps were originally started to meet some of the worst of the health and housing situations of the depression-migration years. They are communities on wheels—many of their gadgets for quick, inexpensive overnight breaking of camp and setting up in a new area are borrowed from the circus. Each camp has an office, community tent, clinic trailer, laundry tent, trailer equipped with showers, and accommodations for some 200 families. To-day, they offer a better living to migrants than the hovels-by-the-side-of-ditches which are too often the alternative.

Most generally significant of the efforts to keep available man-hours from going to waste, is the collaboration just arranged between the Department of Agriculture and the US Employment Service, whereby nation-wide clearance of farm labour supply and demand is to be provided this season. In the 1,600 most important agricultural counties, the USES is to have a full-time office; in the other counties part-time representation is being arranged. This integrated approach to the problem of manpower—the USES has previously been chiefly concerned with urban placement and the workings of unemployment compensation laws from which agriculture is excepted—affords public recognition of the close relationship between city and county production problems at the present time.

These various devices have been set up to make use of labour already accustomed to work on farms. Urban sources of rural recruitment also being considered: community mobilisation, use of school and college students during the summer months; organisation of a woman's land army. The first has already occurred in Oregon in the interest of the strawberry crop. Under the Food-For-Freedom slogan, many persons may be willing to work in the fields who would otherwise refrain as a matter of social status. The effect of such mobilisation may be particularly interesting in the South, where the original identity between field worker and slavery has left its mark. The change may be approached from both sides of the racial barrier. Recently, a cotton-picking contest in Arkansas was won by a white man; a negro schoolteacher in Tennessee put his class to work in the fields and had them use their work as the basis for English themes, arithmetic problems, botany lessons. Both facts and attitudes on farm labour are currently on the move—and so is the labour itself!

American Notes

War Transport

Mr. Nelson has forecast that toward the end of 1942 war production will be so great that the problem will be how to provide for its transport. Other prophecies of a transport crisis have not been lacking; but up to the present, at least, the transport system has borne the additional strains imposed by the war effort with considerable

success. During 1941, the railways carried the largest amount of freight in history, in spite of having in use 600,000 fewer freight cars than in 1929, the next largest year. This has been achieved by the establishment of vigilance committees to assure the promptest possible loading and unloading and most efficient use of cars. The withdrawal of much coastal shipping and the U-boat attacks along the Atlantic coast have thrown a new burden on the railways; oil which was formerly sent by tanker from Gulf ports has now to be sent by rail. In this respect, the railways have exceeded all anticipations, and the Petroleum Co-ordinator has expressed his surprise and satisfaction that they have been able to move eastward daily more than 200,000 barrels. Financially, the railways are doing well, despite their disappointment at the rate increases granted by the ICC. Class I roads reported a combined net income in January more than 25 per cent above that of January, 1941. The railroads are now working at near-capacity. Their ability to handle the increasing volume of traffic depends upon further co-ordination of all forms of internal transport; the supply of freight cars; and the avoidance of a labour shortage. The production of new freight cars has been held up by material shortages, particularly of steel plates, but it is now thought that the necessary goal of 1,692,000 cars in service will be attained by October, 1942. The Office of Defence Transportation has begun a detailed survey of prospective manpower needs and shortages in transport, including pipe-line companies, bus and lorry services, Great Lakes carriers and air-transport lines. The greatest opportunity for improvement lies in increased co-ordination between the various forms of transport, which in peace-time were bitterly competitive. The Federal Government has recently assumed control over motor and inland water carriers equal to that which it exercises over the rails, in order to ensure that co-operation is carried as far as possible.

India

The British offer to India and the fact that the United States is no longer a spectator, but a supremely interested

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party, have brought about a striking change in opinion on the Indian problem. The British Government's proposals have been very favourably received in America; opinion seems unanimous that they are fair and should be accepted. Indian demands for control of Indian defence have not received much sympathy; the position is seen as similar to that in the Philippines, where defence was kept in American hands. *The New York Times*, long a supporter of the Congress position, points out that "The real choice for the Indian people is not on what terms they will settle for their independence. The real question is whether they will have a chance to achieve independence on any terms." There is a general feeling that "haggling over formulas" should not be allowed to imperil the security of the United Nations or increase the cost of the war in American lives. Whether the plan is accepted or rejected, it has at least succeeded in making it clear to the American people that the "Indian problem" is not entirely of Great Britain's making, and will have helped to remove one of the most fruitful sources of misunderstanding between the two countries.

Standard Oil Replies

The denial by the President of the Standard Oil Company of some of the accusations made by Mr Thurman Arnold do not affect the broad issue of control of international patent agreements, but the new information casts a somewhat kinder light on the activities of the company. The allegations that Standard assisted German interests by building a hydrogenation plant in occupied France, and that arrangements with Japanese interests were sought in view of possible hostilities between the two countries, have been flatly denied. The State Department has revealed that Standard's sale of aviation petrol to Lati, the Italian air-line to South America and Condor, a German-controlled line, was in accordance with the Department's policy of not paralysing Brazilian communications until substitute services could be provided. Sales were restricted, so that the Axis lines could not accumulate stocks, and, shortly after Pearl Harbour, both lines were forced to suspend operations and American planes made available to fly the routes. It seems a pity that the true picture only emerges from a series of charges and counter-charges and denials, and that the Senate Committee was not in complete possession of all the relevant facts, particularly those concerning the activities of the State Department, before its proceedings were made public. The main charge, however, appears to stand: the company's patents were withheld from the community—even after the entry of the US into the war—until a suit instituted by the Department of Justice was successful in forcing the company to disclose them. This is a state of affairs which no country at war can afford to tolerate, and legislation requiring the registration of all patent agreements, national or international, and empowering the Government to release for the duration all patents useful to the war effort, is now being drawn up. The conflict between private and public interests, which has been so strikingly revealed in this case, is, however, not confined to war-time.

Let it Roll

Encouraging news about the production drive has been made public by Mr Nelson. In a report on the steel industry published last week by the War Production Board, Mr Nelson declared that the record of American war production was "as remarkable as anything in our history"; that the aircraft industry had been ahead of the President's schedule in February, and had not fallen below it in March; that the production of tanks was ahead of schedule; and that the production of merchant ships was rising rapidly and would make possible the achievement of the 8,000,000 tons of shipping which the President demanded. March reports from the steel companies show record-breaking production, which in some cases exceeded the February figures by as much as 10 per cent. Labour management committees, to consider all means of increasing production, have been established in more than 300 companies already, at the Government's insistence, and are expected soon to cover most plants engaged in the war effort. Good as the record is, criticism has not been lacking, and Mr Nelson admitted the existence of bottlenecks, particularly in the smooth supply of materials to the aircraft industry. The scrap shortage continues to cause worry; the improvement in steel deliveries follows several months of bad feeling be-

tween the industry and the WPB, centring on the priorities system; and charges continue to be made that the WPB has delayed necessary conversions and allowed industries to continue manufacturing large quotas and even expand their spare parts departments. Small firms have complained that they cannot secure war contracts, but steps have been taken to assist them. There has been a shake-up in the Iron and Steel Branch of the WPB. The system of priorities, which has caused confusion and delay, is said to be being reconsidered. Regional Offices of the WPB are being established, to give local businessmen better advisory service on contracts and priorities than was possible when all information and authority was centralised in Washington. In the new War Powers Bill, which the President will sign shortly, the WPB is given further powers to allocate tools and machinery, and to requisition them from civilian industry. The conversion to a war footing could hardly have been expected to proceed without difficulties or delays; what is important is that they are being dealt with energetically and that American production of war materials is beginning to roll out of the plants.

Iron Rations

Substantial increases in the canning of meat, fish, vegetables, and milk are anticipated in 1942, to supply the Army and Navy, Lease-Lend requirements and school meals. It has been estimated that there will be a resulting increase of 16.5 per cent in tinplate consumption, in spite of conservation measures adopted in view of the loss of tin supplies in the Pacific. These include drastic reduction in the number of sizes of cans, the banning of the use of cans for dog-food, beer, coffee, and other luxury items (a "dog-food crisis" is said to be impending), and the reduction of the amount of tin used in each can. This has been fixed by the War Production Board at 1.25 lb per base box, from the prevailing figure of 1.35 lb. Quotas for tinplate, *terne* plate and long *terne* are being established by the Board, although the actual figures are not yet available. The glass container industry is being expanded to take the place of cans wherever possible. The greatest increase is to take place in canned meats, which in 1942 will be about 54 per cent greater than in 1941. The expansion of tinned fish will amount to 29 per cent and of milk to 27 per cent. The Department of Agriculture is conducting a vigorous drive for increased production and canning of seasonal vegetables such as tomatoes, peas, beans, and corn. Prices have been announced at which the Department will buy tinned vegetables; canners must pay minimum prices to growers in order to have their goods bought by the Department; and help is to be made available to growers in obtaining fair contracts with the canners, and to both producers and canners in obtaining necessary materials and facilities.

Shorter Notes

The registration of consumers for sugar rationing will take place from May 4th-7th. All sales of sugar will cease temporarily from April 27th.

The Supreme Court has held that strikes by seamen on board a ship away from its home port are mutinous and therefore not protected by the Labour Relations Act.

The WPB has ordered that production of electrical appliances such as toasters, percolators, and permanent wave equipment be halted on May 31st, preparatory to the conversion of the industry to war work.

Two rival AF of L and CIO unions in the electrical wiring industry have jointly begun negotiations for uniform contracts with nine employers in New York.

A 40,000,000 dollar reduction in the price of its ordnance and aircraft contracts has been accepted by a middle western manufacturing concern at the instigation of a price adjustment board established to review contracts awarded at the beginning of the war.

THE WORLD OVERSEAS

The Churches of Europe—I

(By a Correspondent)

ON Easter Day most of Norway's clergy announced the resignation of their State offices and emoluments. It was the latest protest of European churchmen against the degradation of society by totalitarian means.

This is only the latest case of resistance by religious men to the Nazification of European life. The position of the churches in German-dominated Europe presents a very complicated picture. It varies from country to country. In Germany itself, though the churches have tried hard to adapt themselves to the demands of the Third Reich, they have not been able to avoid an open conflict with the totalitarian state. In most of the occupied countries, the pulpit has become the last open platform of national resistance to the invader. Over the whole range of varying circumstances and problems, one overwhelming factor seems to dominate: the deep dramatic conflict between the churches, fighting for their independence and sometimes even for their very existence, and the conquering state, with its unlimited ambition to control all the spheres of European life, material as well as spiritual.

The policy of National Socialism in matters of religion has never been clearly defined. A certain measure of vagueness has been deliberately maintained for reasons of political expediency. There has been the famous experiment in paganism initiated and encouraged by Alfred Rosenberg. The mysticism of blood and soil has been pushed to its uttermost limits. Prehistoric symbols and ancient customs *aus dem teutschen Urwalde* have been revived and pieced together into a sort of an *ersatz* religion, which has had its influence upon German youth. It is the creed of the German Warrior, who finds in ruthlessness his perfect harmony with nature and whose mind is free from the humanising influence of Bible and Gospel. It has contributed towards shaping the mind of those youngsters of the German shock troops whose uninhibited ferocity has horrified liberal Europe in recent years. But neither state nor party has so far formally committed itself to proclaiming this as the German religion. The semi-official party creed is that of the so-called National Socialist God Believers, a strange mixture of crude pantheism, exaltation of physical force and worship of the Fuehrer; and, while encouraging all these novelties, the state has avoided any open and definite break with the Christian churches, whose age-long influence is too deeply rooted in the mind of the people. Nothing is more alien to the Nazi method than to start a theological struggle for which a heavy political price would have to be paid. The ancient Germanic gods may be put on new pedestals by the fanatical sectarians of paganism; the state still prefers to pose sometimes as the defender of Christianity. Catholic Bavaria and Protestant Prussia can better be rallied for various political purposes, such as the anti-Bolshevik crusade, by a state which has not cut off its last bonds with Christianity.

Even so, it is precisely for political reasons that the antagonism between the Third Reich and the churches has been growing apace. The totalitarian state cannot tolerate the existence of any independent organisation within its framework. The old political parties and institutions have been crushed, but the churches are still there as independent bodies, spectres of a past which did not bow to the supreme state. The sufferings of the war have caused an upsurge of religious feelings, and brought the people closer to the churches. The state has retorted by forbidding the sending of Christian literature to the troops at the front. Ecclesiastical publications have been banned. The most innocent papers of provincial churches have been refused any allocation of paper. Priests have frequently been prevented from caring for the wounded in military hospitals. Religious education has been restricted, and private Catholic schools suppressed. A number of convents and religious bodies have been closed down.

In some Nazi circles, there did arise the notion of unifying the Evangelical Church under the control of the state. To this, Martin Bormann, the successor to Hess, has given an interesting reply:

The idea of building up an Evangelical Church of the Reich should be rejected. Any strengthening of the Evangelical Church would work out badly for us. We are not going to repeat the historical blunder of the Hohenstaufens, who always aimed at uniting the Church instead of splitting it up.

Partly, at least, the policy of a state Evangelical Church has defeated its own end, for the political antagonism between Catholicism and Protestantism in Germany has now almost faded away. Never perhaps since before the Reformation has the political solidarity of all the confessions been so close as it has become in recent years.

The Churches' Attitude

In practice, the attitude of the German churches has on the whole been confined to passive resistance to the interference of the State in their internal life. Protests against interference have been the keynotes of the pastoral letters of Catholic bishops and the sermons of the Bishop of Münster, as well as of the preachings of the Protestant Bishop of Württemberg. But, as the struggle assumes a more violent character, the spokesmen of the churches leave their strictly confessional ground, and strike broader political notes. "In wartime (says Bishop Wurm of Württemberg) in other lands and among other peoples, they try to bridge over gaps on the home front. In Germany, it is the opposite that seems to be the goal." The demand for freedom of conscience and freedom of speech is being voiced from the pulpits, a demand that assumes a highly political eloquence under a totalitarian regime. The sermons of Bishop van Gallen, of Münster) marked a climax; they contained the most courageous challenge to the rule of the Gestapo that has been uttered in public in Germany since the Dimitrov trial. The Gestapo silenced the Bishop by placing him under "house arrest."

The significance of this opposition by the German churches has been questioned. The generally patriotic tenor of their sermons has been cited. Equally, on the other hand, the immediate political effect of the conflict between the party and the churches has been exaggerated. The German churches have naturally enough given their blessing to German arms, which merely reflects the fact that, for the time being, the German war effort has the support even of the nonconformist elements in the nation. But sermons, like those of Count von Gallen, which very distinctly limit the duty of national solidarity to the struggle against the "external enemy," and stigmatise the regime as the nation's "internal enemy," are an unmistakable crack in the totalitarian edifice. Hitler himself had no illusions when he hurled at the churches his menacing words—

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If there should be anyone that thinks he can break our front . . . I am watching him silently in accordance with my practice and when the moment comes I shall strike him like lightning; then he will have no chance even with the camouflage of religion.

The churches stand as the last spiritual link between the old and the new Germany, between the old Europe and the New Order. To the régime, they therefore present an asset as well as a liability—an asset because, willingly or unwillingly, they help to maintain a measure of unity between the régime and the nonconformist parts of the nation; a liability because they have become the refuge and the potential rallying ground for centrifugal forces in the Third Reich. It would perhaps be futile to hope that they could assume the leadership in the resistance to the régime. The issue will ultimately be decided by military and political factors. At some critical juncture, the dissension between state, party and churches may contribute towards weakening the moral coherence of the Reich. The struggle will have either to break out of the walls of the churches or to become stifled within them. The German pulpit may prove to be the last free platform of a bygone epoch, or it may become the first one of a new era; but it is on the battlefields of this war that the fate of the German churches will be determined.

Portugal's Fuel Problems

[FROM OUR LISBON CORRESPONDENT]

March 19th

THERE is some coal mined in Portugal, low in grade measured by its calorific value; there is also an abundance of wood for fuel. Industry, transport and central electric stations have, however, relied chiefly upon imported coal. The steady diminution in arrivals has, therefore, caused much inconvenience, which the restricted supplies of petroleum products accentuates. Private pleasure motoring has been stopped, and the use of cars for necessary purposes must be definitely established before their owners can obtain petrol. In Lisbon itself, the taxi owners have been reasonably dealt with—an important matter for urban transport, inasmuch as the only other means of public conveyance is by electric tram. Lisbon has one of the best services imaginable, carried on under conditions of unusual difficulty, owing to innumerable steep gradients and streets of a mediæval narrowness. The enforced reduction in the consumption of electrical energy will, therefore, mean fewer trams, while public lighting is to be cut by 50 per cent and the private use of electricity by 25 per cent—a reduction which also includes Government offices and commercial houses. Railway services have been cut considerably during the past six months, and though efforts are made to keep the various long-distance bus services running, both they and heavy lorries are to be turned over to gasogene-driven motors as soon as the individual owners can make the necessary arrangements. This does not, however, solve the problem of tyre covers and inner tubes, both of which are in short supply. Despite her determination to abide by an uncompromising neutrality, Portugal is becoming more and more directly affected by the consequences of the war.

Switzerland Keeps Going

[FROM OUR GENEVA CORRESPONDENT]

February 26th

ALTHOUGH Switzerland has up to now been spared the horrors of battle, her economic situation has been deeply influenced by war conditions. This is primarily due to the fact that Switzerland, the centre of a continent at war, has no outlet to the sea; secondly, the country lacks natural resources and is consequently greatly dependent on foreign trade. This means that for Switzerland the duration of the war will necessarily be a period of transition during which she must strive to keep going. From this point of view, last year was fairly satisfactory. The Swiss authorities had to exert strenuous efforts to maintain foreign trade, and the results were not so bad as had been feared. Imports totalled 2,026 million francs, compared with 1,853 millions in 1940 and 1,889 millions in 1939. Nevertheless, imports were not

maintained at the same level as in previous years, for allowing for the rise in prices—which is considerable for certain classes of goods—imports decreased by 25 per cent to 30 per cent in volume. Exports in 1941 aggregated 1,463 million francs, against 1,315 millions in 1940 and 1,297 millions in 1939. As prices of export goods rose only very slightly, last year's figures show an increase in value corresponding to a small rise in volume.

Because of the level of foreign trade and to the heavy demands of the home market, Swiss industry was active on the whole in 1941, though there were great differences between one branch of industry and another. The building industry was relatively busy, partly owing to the extension of public utility works, principally for national defence. The machine industry worked full time, and in certain branches there was a heavy demand for skilled labour. The watch-making industry also showed encouraging results, and there was a demand for its products in foreign markets. As regards textiles, the position of wool and cotton was moderately good owing to increasing import difficulties, but there is now little demand for embroidery. Silk and rayon, on the other hand, fared excellently, as these products are more and more used as substitutes for other textiles of which there is a shortage. The chemical industry had difficulty in maintaining its activity at a satisfactory level, but some good results have been achieved, especially by firms which have been able to make substitutes for products no longer obtainable abroad. Difficulties were particularly great in the aniline dye plants which require imported raw materials.

Switzerland's main economic concern was to find raw materials and transport. Export trade is being directed in order to obtain in return raw materials and food-stuffs. To help to solve the transport problem, a mercantile marine flying the Swiss flag was created in the spring of 1941, and despite its small tonnage it did valuable service in linking Switzerland with distant countries via Lisbon and New York. Another innovation was the transport of goods from Lisbon through Spain by means of a Swiss motor lorry service, which counteracted to a certain extent the shortage of shipping and rolling stock.

Although there are many shortages, it is surprising that after two and a half years of war and eighteen months of "siege" there is sufficient food and clothing, though at high prices, as the cost of living has risen by roughly 39 per cent since August, 1939. This sufficiency is due on the one hand to the foresight of the Government, which began making reserves as early as 1938, and, on the other hand, to rationing, which was imposed as early as September, 1939. The only real hardship endured by the Swiss at present is cold; owing to the scarcity of coal imports, heating had to be reduced, and there is hardly a house in which, during this long and severe winter, temperature was over 45 degrees Fahrenheit.

The rise in the cost of living has necessitated an increase in wages, while the Federal Government began last January to raise by about 15 per cent the salaries of Government officials and Federal services' employees. The Canton Governments, on the other hand, have not all followed that example or have only allowed an inadequate increase in salaries, and many industrial and commercial concerns—despite the Government's appeal—have not yet readjusted the salaries of their staffs.

Books Received

- Ideologies and American Labor.* By P. K. Crosser. (London) H. Milford. 221 pages. 14s. net.
- The Battle for Supplies.* By E. V. Francis. (London) Jonathan Cape. 184 pages. 8s. 6d. net.
- Post-War Worlds.* By P. E. Corbett. (London) Allen and Unwin. 211 pages. 10s. net.
- Democracy and Finance.* By W. O. Douglas. (London) H. Milford. 301 pages. 18s. 6d. net.
- New Liberties for Old.* By C. L. Becker. (London) H. Milford. 181 pages. 12s. net.
- The Irish Land League Crisis.* By N. D. Palmer. (London) H. Milford. 340 pages. 21s. 6d. net.

Official Publications

- Office of the Minister of Production.* Cmd. 6337. 1d. net.
- Hours of Work, Lost Time and Labour Wastage.* Medical Research Council, Industrial Health Research Board. Emergency Report No. 2. 6d. net.
- Additional Financial Provision for Members of H.M. Forces and their Families and Dependents.* Cmd. 6336. 1d. net.

German Europe

The Totalitarian Scene

GAULEITER SAUKEL, a leading member of the Nazi party, without either a distinguished career or any expert economic experience, was recently appointed Labour Dictator. He replaced Secretary of State Mansfeld, who a few weeks before had taken over from Dr Syrup. Gauleiter Saukel was apparently called in to solve difficulties in the supply of labour which were obviously beyond the ability and limited powers of Dr Mansfeld. There are a good many examples in the short history of Germany's planned economy where the peculiar failures of planning have forced the Nazi Government to create new offices with overriding powers.

These constant changes in the economic command and in economic organisation are frequently interpreted as evidence of the growing influence of divergent groups in Nazi Germany's political and economic life. The new price commissar, for example, was said to be the representative of big finance and industry, whose most influential members had raised objections to the more radical policy of the old and "idealistic" party member, Dr. Wagner. In the same way it is usually taken for granted that there is in the *Wehrmacht* a group of generals whose views are different from those of the Nazi party, and the Nazi party itself is usually said to be influenced, on the one hand, by moderate groups which represent industry, and, on the other, by radical groups which express Nazi doctrines pure and simple. The impression is given by these interpretations that various separate social groups have been able to retain a degree of independent cohesion not very different from the organised party connections in a democratic system.

This view is almost certainly a misunderstanding; and it has caused the economic and political power of the Nazi regime—which is probably as formidable now as it was at the beginning of the war, in spite of the reverses in the war against the Soviet Union—to be underestimated. If there really were any opportunity for different social groups to act as separate organised forces, the Nazi regime would have disappeared long ago. The old generals are still there as military experts, it is true; but their economic position as big land owners no longer gives them an independent economic influence. Industry and finance are no longer independently organised. The largest single social group, the workers, has been split up into small groups made up by the employees of single factories: the Labour Front has no more power in politics than the State Sickness Insurance, that is, it is nothing but an administrative organ for a special purpose. Politics as understood in democratic countries, that is, the movement and interaction of economic, social, religious, and ideological groups, are not possible in Nazi Germany. The only political party in being cuts right through all the different social groups. Economic policy has been resolved into planning on the basis of compulsory organisation and marketing. Bureaucratic administration has replaced economic initiative and competition. Individual initiative is still possible, but only as the soldier in an army is trained to use initiative within the compass of the order given to him. Politics, in the sense of the policy of the administration, are taken right into the factory by *Werk-schemata* or "political shock troops," with special departments for public health, vocational education, "strength through joy," housing and propaganda. The trade unions have thus been replaced by a great number of different organisations acting in one factory only. Employers' associations have not been abolished, but they have been changed into mere administrative bodies for the execution of production plans. Actual party members are still a very small minority, it is true, but children, the professions and civil servants are compulsorily organised. In each block of dwellings a great number of semi-party organisations have hold of almost every man and woman. The centralised power of the party, the police and the administration, is used to keep the population split up in small groups.

This rough outline of the organisation of the German people explains the hold the Nazi party is able to maintain over them. Theoretically, the regime could not collapse without some shock from outside, such as a war which ended in plain defeat. It has been proved before and during the war that the regime is able to exact from the people almost every sacrifice by organisation and centralised propaganda, because there is no organised opposition, and there cannot be any. The totalitarian unification

of state and party organisation, of which the regular and the secret police are an integral part, prevents any latent opposition from being formed into an organisation. Military and economic affairs are left to experts; but, in times of acute danger or great difficulties, such as the failure of the first onslaught against Russia or the labour shortage, Hitler himself or some leading party member takes over military or economic offices until the situation is restored. Grumbling under a one party regime is not necessarily a sign of positive political dissatisfaction; and difficulties have been frankly put before the people to encourage greater efforts and greater sacrifices.

* * *

Food and Agriculture.—The third winter of war has again been bad for the crops. German farmers and peasants are daily warned by wireless slogans to speed up delayed work in the fields. After the spring sowing is completed, damaged winter crops must be resown. The shortage of labour has grown to dangerous proportions. Goering has decreed compulsory work on the land; all persons who can be expected, because of their place of residence, age, health and occupation, to be able to do agricultural work, may be conscribed. Local agricultural leaders will distribute the conscripts over the farms.

The long-expected cut in food rations was decreed at the same time; the main reason is that stocks have been consumed because of two bad harvests and the possibility of a third poor harvest in 1942. The protracted war against the Soviet Union has depleted man power on the farms and at the same time increased food consumption because of the larger army. No surplus can be expected from the occupied provinces of the Soviet Union. The rations of certain foods have fallen as follows since the outbreak of war:—

(Ounces per week for normal consumers)

	Aug. 28, 1939	April 1942	Decrease in %
Bread	88.2	70.5	21
Total meat	24.7	10.6	57
Total fats	14.8	7.3	51

The optimistic rations of August 28, 1939, remained in force for only a short time; but the first serious cut in the meat ration was not decreed until the summer of 1941. The complicated differentiation in German rations is shown by the following table:—

(Ounces per week)

	Before April 6	After April 6	Decrease in %
Children up to the age of 6 yrs.	8.8	5.3	39.8
Aged 6 to 18 yrs.	14.1	12.3	12.8
Normal consumers	14.1	10.6	24.8
Overtime and nightworkers . .	21.2	15.9	25.0
"Heavy" workers	28.2	21.2	24.8
"Heaviest" workers	35.3	30.0	15.0

TOWARDS THE FUTURE

"When the war comes to an end there will be 8,000,000 or 9,000,000 people, the mainspring of whose existence will have snapped overnight, and it is essential that we should have an ordered scheme of what we mean to do."—Graham White, M.P., in the House of Commons, 10/3/42

What are the essentials of this 'ordered scheme' of the future?

READ

DEMOCRACY'S OTHER WAR

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[Contributors:]

Lord Northbourne, Richard Stokes, M.P., Lord Sempill, Edgar J. Saxon, Lord Lymington, Sir Reginald Rowe, Professor Frederick Soddy, A. Trystan Edwards, Edward Holloway

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Roughly 40 per cent of the population is classed as normal consumers. In percentages of the rations of 1917-18 normal consumers now receive 166 per cent of the then bread ration, 151 per cent meat and 159 per cent fats.

Big towns have been experiencing a shortage of potatoes, which is partly explained by the long winter and transport difficulties. The 1941 potato crop was 7 per cent smaller than in 1940. Human and industrial consumption of potatoes increased during the year. The food situation has thus deteriorated, but is still far better than in 1917-18.

Price Control.—The power of the regional price control boards has been extended as a result of the decentralisation of price control. Regional price control boards have been given power to close down firms for a maximum period of three years if offences against price regulations have been proved. The price commissar declared that prices have a key position on the home front; the policy of lowering prices for armaments must be enforced, but the mopping up of excessive purchasing power can only be successful if the Minister of Finance takes care of excessive profits and the public continues to save as much as possible.

Russia at War

Iron and Steel

THE war has pushed down the technique of the Soviet industries to a lower level than that reached as a result of the Five-Year Plans. The whole of industrial policy is now, by dint of necessity, concentrated on keeping, and where possible expanding, the actual volume of vital war production. The loss of the Ukrainian pig iron and steel has been the most important handicap. The Government has encouraged every possible effort to make good this loss; an energetic search for new iron ore resources has been going on in the Urals and in Siberia. But all the eastern territories accounted for no more than about 35 per cent of Russia's iron ore at the outbreak of the war. The main method used to overcome the shortage has been the economising of iron and steel; and the industrial rationing of metal has been pushed to a degree of strictness for which there has been no parallel in any belligerent country. This has most affected the evacuated industries. New factory buildings and sheds had to be constructed on a very wide scale; but the industrial commissariats have been compelled to refuse metal allocations for that purpose. Nearly all the new works had to be carried out almost exclusively with timber. New electro-stations, for instance, are being built as open-air stations. The lack of factory buildings has certainly caused some wastage of machinery.

Replacement of machinery has been cut down to the lowest possible minimum. The most striking illustration is in the oil industries, where the wear and tear of equipment has always been very high. A report of the Molotov Naphtha Trust says that, in the second half of 1941, the normal replacement of its metal equipment was cut down by about 65 per cent, and a further reduction for 1942 has been envisaged. In some oil establishments, the reduction in replacement has reached 70-75 per cent. The delivery of new pipes has been stopped almost entirely. The Asnept Combine has beaten a record by extracting 35,000 metres of pipes from old oil wells.

Steel rationing has even been applied with severity to the last stages of war production in the output of munitions. Press reports speak of the elimination of steel in the manufacture of some shells and bombs and its replacement by cast iron. Many iron works have switched over in great haste to steel production. A number of steel mills had to start production of special high grade steel for which they had not been fully supplied with technical equipment. Metallurgical plants in the Kusnetsk Basin started to produce armour-plate steel without making any substantial changes in their Martens furnaces. (The Kusnetsk works have become a very important source of steel supply for the production of tanks.) Some reports suggest that an intensive technical rationalisation has taken place in the output of armour-plate steel. It is claimed that the metallurgical plants of Gorki (another very important centre for tank-steel supplies) have achieved great success in improving the quality of armoured steel and speeding up its production by introducing a new semi-automatic plate-cutting machine.

Transport is the other limiting factor. The distances over which iron ore has to be carried from the Magnitogorsk region, now the main output centre, to Kusnetsk, Siberia, or to the Volga region and the Moscow Basin are enormous. In iron—perhaps more than in any other branch—the principle of exploiting to the utmost local resources has been insisted upon very categorically. This has meant not only the collection of scrap-iron (compulsory for factories, schools, etc.) and putting old machinery back to work, but also that managers who usually relied on iron

ore deliveries from outside have been asked to look for local iron ore resources themselves and to start exploiting them on the spot. Transport shortages have, generally speaking, imposed upon the Government a policy of industrial decentralisation, which aims at keeping separate regions as self-sufficient in industrial and agricultural production as possible, though any achievements in this direction can only partially make up for the losses inflicted by the war-time disruption of the national division of labour and of normal distribution.

One feature of this decentralisation, with the concomitant return to more primitive methods of production, is the wide use which is being made of small artisan workshops for war production. These are, in most cases, small co-operative workshops, and they work either independently or as sub-contractors for the great factories. The small artisan workshop, the Cinderella of Soviet industries, has recently earned much praise in the Press for its contribution towards exploiting local resources and increasing the output of munitions.

Aircraft Production.—Figures relating to a number of aircraft plants in the Volga region show the following increases in production. In August, 1941, most of these factories produced 130 per cent of their pre-war plans. In September new plans were worked out with a view to raising production up to 200-300 per cent above the previous programmes, and it is claimed that the new plans were carried out by the end of 1941. A part of the factories evacuated to the Volga region had not yet managed to reassemble all their departments by that time; but those that had been reassembled immediately started to produce spare parts without waiting for the other departments.

The search for bauxite has been very intensive. The bauxite ores of the Tikhvin region have had to be temporarily written off. Some 10 years ago this was the only centre for aluminium supplies, but in the meantime bauxite ore and aluminium output has been developed in the Urals.

Agricultural Evacuation.—Masses of Ukrainian collective farmers have been evacuated and transferred to the Soviet Far East. Compact settlements, consisting of Russian farmers from the regions of Kursk, Orel, Voronezh, Ryazan, etc., have also emerged to the east of the Baikal, in the Chita region. The evacuees obtained land and started farming; a *kolkhoz* (collective farm) consisting of about 90-100 families gets 10-11 thousand hectares. Whereas in the Kursk region the average land per one farming family was 10 hectares, in the Far East it is no fewer than 120 hectares. The main difficulty is in getting used to the climate. In the Chita region only a special kind of a frost-proof seed can be sown. The region is, however, rich in fodder, and is therefore suitable for evacuated cattle-breeding farms. The new farming settlements have every chance to become more than temporary arrangements. The war has speeded up those great internal migration movements that the Government had initiated and fostered.

War Lottery.—One of the channels of Soviet war financing is the State lottery organised by the People's Commissariat for Finance. The most recent lottery brought in one milliard roubles. The prizes amounted to 200 millions, thus the net profit was 800 million roubles. The prizes are in money or kind; money prizes range from 10 to 50,000 roubles. The prizes in kind are fur coats, watches, shoes, etc. The demand for lottery tickets (per 10 roubles) has never failed in Russia.

THE BUSINESS WORLD

Directors and Auditors

THE demand for reform, for new methods and, most of all, for a fresh outlook, are the order of the day, and while these are—or were—most urgently needed in the highest spheres, there are humbler fields where they are equally desirable. Of these, one is the whole matter of the presentation of the accounts of joint stock companies and the general attitude of company directors and auditors to their responsibilities. There is nothing new in the plea for reform in this matter. It has been pressed, with a very modest degree of success, ever since the habit of investment spread from the wealthy few to a considerable portion of the population. What is, perhaps, new is that, while in the past it was urged primarily as a duty to the shareholder, now it is apparent that the duty is no less due to the other partners in industry, both labour and the actual management, and indeed to the whole community. The last is entitled to ask at least this in return for the privilege of limited liability which it grants to business enterprise. The need for reform does not stop short at the presentation of intelligible and truthful accounts, but to secure a real improvement in this field would go some way both to facilitate other reforms and to remove many misconceptions.

The minimum information which must be given by any public joint stock company is governed by the Companies Acts. The methods of presentation and, to some extent, the actual amount of information given, are decided by the company's auditors in consultation with the directors. Substantial improvements in the Acts have been secured in the past twenty years, and in the same period the profession of accountancy has grown in stature. It remains the case, however, that legislative action has lagged behind the demands presented, while it is axiomatic that, even had these been fully incorporated in the new provisions, public opinion would have moved ahead so far as to leave them behind by the time the changes became law. In an attempt to overcome this disability of legislation, the New Issues Committee of the Stock Exchange has made its requirements for granting permission to deal in new issues much more stringent, but this excellent reform has been rendered temporarily nugatory by the decision of the Government itself to provide the financial backing necessary for wartime extensions of physical capital. Meanwhile, the ukase against the disclosure of EPT provisions and the necessary ban on the publication of the actual nature and extent of operations have often been used by directors still further to curtail the information given, either in the accounts or in their statements.

It is not necessary to postulate the increased secrecy of wartime accounting to find ample evidence that the normal company statement tells something which is far less than the whole truth even to those who understand it. To extract the maximum from accounts it is necessary for the figures to be interpreted in the light of some expert knowledge of the peculiar conventions of the profession and to make adjustments in the light of external evidence. Even the improvements in law and practice have for the most part been designed to ensure that the picture was not painted in too roseate hues rather than to secure an exact statement of the true position. The broad outlines of this convention have long ago filtered down to the workers. They are, perhaps, even less equipped than the shareholders to disentangle the truth, and it is small wonder if the worker tends to regard the necessary adjustments and explanations of the more instructed as "wangling" designed to deceive rather than as attempts to enlighten. Surprising or not, that is the case; and the misconception is so complete that many of those who are engaged in doing their share to earn the profits of industry believe that the absolute amount going to the owners of capital is proportionate to their labours, although all too often there is a tendency for the reverse to be the case. Such an attitude is good neither for morale at the present time nor for good relations between capital and

labour, either now or in the critical years of reconstruction.

Past experience shows that normal legislative machinery is too dilatory to provide a remedy. Here, as elsewhere, what is required is a change of attitude on the part of company directorates, assisted by an alteration of the status of the auditor. It is perhaps inevitable that "absentee" ownership—the normal accompaniment of joint-stock finance to-day—should mean an inability to exercise control over policy, and thus to encourage the belief among directors—in all but a few notable exceptions—that the business is theirs to do with as they will and that their duties are discharged by the payment of a reasonable dividend. It is quite clear that the Companies Acts envisaged neither such remoteness of control nor the apathy of investors as to the conduct of their affairs. It is a somewhat ironical position that it is quite likely to be the demands of labour which will persuade the director to give that accurate account of his stewardship which, in theory, the law has always guaranteed to those who risk their capital in the enterprise. The law never appears even to have contemplated that there was any such duty to the employee, though it is only fair to say that in some cases both management and directorate have realised the existence of this duty, and have fulfilled it—with highly gratifying results. It is also only fair to state that there are companies which give much more information than the prescribed minimum, just as there are others which adopt every legal expedient to withhold information which the law intended to be disclosed.

The few company directorates who publish full and reasonably truthful accounts and who explain them in some detail both to shareholders and to their workpeople, with a brief survey of the main conditions affecting the past and future operations of the company, set an example which should be universally followed. It is not proposed for the

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moment to set out in detail the reforms which are requisite, but leaving on one side balance sheets, the figures of profit should be given in such a form as to provide a test of the relative efficiency of the management, and the net amount available for the proprietors should be disclosed, without concealing adventitious aids or rucking away secret reserves against a rainy day. Further, the nature of the appropriations from this figure, and in particular the extent to which they are provisions for past liabilities or future possibilities, should be clearly stated. This would, of course, entail revealing information about the company which directorates have in the past considered it essential to conceal from their competitors. But the intelligent competitor can, if he thinks it worth while, secure, without much expense, more information than the most intransigent workman or shareholder is likely to demand.

In the execution of such reforms the auditor has a crucial part to play. Legally, he is the servant of the shareholders, who appoint him yearly. A famous judicial dictum defined his position as that of a watchdog, not that of a bloodhound. These canine metaphors are out of date. It is even rarer for auditors to be changed at the request of the shareholders than for directors to be unseated. The auditor does his duty as he sees it, but he tends to see it rather from the standpoint of the board, or at least, relying on the dictum, to leave with the directors responsibility for imperfections which offend neither the law nor the canons of accurate accounting.

If the duty of the directors is to render an account of their conduct of the company's business, that of the auditor is to make clear the financial results of operations. These should be stated in language which demands only the minimum of special training for its interpretation, and they should be neither so voluminous as to be difficult to assimilate nor so imperfect as to leave undisclosed matters of any considerable moment to those concerned. Finally, it would seem desirable to abandon the practice, usually considered sound hitherto, of understating the true profit

position. The published profit figure should be one which comes as near the truth as is possible, having regard for the fact that valuations of most assets and liabilities are matters of estimation rather than of mathematics.

As the law at present stands, the auditors are servants of the proprietors. It might be that if they were asked to put their duty to the public first, this would conflict with their legal obligation to the shareholder. There is in consequence a not unnatural desire on the part of some sections of the profession that accountants should be given *de jure* the status of public servants. That is, perhaps, a desirable objective. It is less clear that it is desirable to confer official standing upon a body of people who have still to show, in many cases, that they appreciate the nature and extent of duties, very different from those hitherto performed. It is, in fact, doubtful whether any change from without can do much to assist—it certainly cannot replace—a determination on the part of the profession to view their duties in a broader light.

It is, however, virtually certain that some directorates will see real damage to their shareholders' interests in the fuller publicity demanded, and it would be unfair to put the whole responsibility for enforcing reform on the shoulders of the auditor. He should see that the spirit, not the mere letter, of the law is fulfilled, but the law should insist on much fuller information. It is not too early to start planning what these reforms should be, and there would seem to be no reason why the relevant authority should not now enforce the publication of full profits, before "secret" reserves, as an earnest of its readiness to assist. This would, presumably, have to be subject to the existing ban on the publication of figures before EPT, although the utility of this provision in the national interest is open to doubt. Pending these reforms, the difference between the "best" accounts and the least informative is already so great that an insistence on a closing of the gap by improving the latter would, in itself, be something of a revolution. This is a matter for co-operation between directors and auditors.

Finance and Banking

Return to Abundance

With the turn of the financial year, and the passing of Warships Weeks climax, the position in the money market has again settled down to its accustomed ease and uneventfulness. This week the banks have had the benefit of substantial maturities of Treasury Deposit Receipts. New TDR payments amounted to £20,000,000, as against nominal maturities of £70,000,000. A substantial proportion of these maturities were previously encashed—mainly during the London Warships Week—but the balance remaining was sufficient to provide the banks with an appreciable excess of cash over and above the amount required from them in new TDR's. The Bank return reflects the abundance of credit in a rise of £18,823,000 in bankers' deposits. This is offset to the extent of £11,661,000 by the draining of public deposits, but an increase of £19,385,000 in Government securities provides additional explanation of the expansion in bank cash. The circulation has risen by £5,121,000 over the week, representing the final spurt in the Easter currency demand.

Bank of England Directorate

The election for Governor and Deputy Governor of the Bank of England will be held next Tuesday, and for Directors on the following day. It was announced as long ago as last September that Mr Montagu Norman and Mr B. G. Catterns would offer themselves for re-election as Governor and Deputy Governor respectively. The list of directors elect differs in one respect from the existing members of the Court. Mr Cecil Lubbock, who was elected to the Court in 1909 and was Deputy Governor for the years 1923, 1924, 1927 and 1928, is not offering himself for re-election. In his place the Court of Directors have recommended Mr Josiah Wedgwood, managing director of the old family business of Josiah Wedgwood and Sons, the Staffordshire potters. Mr Wedgwood is 42 years of age. His election to the Court in place of Mr Lubbock will further tilt the balance of representation on that body away from banking and in favour of industry. It is not generally realised how far the policy of extending the sphere of experience of the directorate, initiated by the present Governor,

has proceeded. With the departure of Mr Lubbock there will remain only seven directors out of a total of 26 drawn from the circle of bankers which up to the 1920's provided almost exclusively the candidates from whom the directors were chosen. Of the balance, six members of the Court, including the Governor and Deputy Governor, now give their time exclusively to the Bank. There remain twelve directors, who represent a wide variety of industrial, commercial and shipping interests, and Mr J. M. Keynes who, perhaps, is best left unclassified.

March Clearing Bank Returns

The clearing bank returns for March reveal the wide movements that were to be expected from the coincidence of the final period of the financial year with London's Warships Week. Deposits show little change, namely, a drop of

	(In £ millions)					
	Mar. 1941	Nov. 1941	Dec. 1941	Jan. 1942	Feb. 1942	Mar. 1942
Capital and reserves	140.1	140.2	140.3	140.3	140.3	140.3
Acceptances, etc.	100.5	108.6	111.1	106.9	101.5	102.0
Notes in circulation	1.4	1.5	1.5	1.5	1.5	1.5
Current, deposit and other accounts	2,764.3	3,208.2	3,329.1	3,221.8	3,084.6	3,071.9
Total liabilities	3,006.3	3,458.5	3,582.0	3,470.5	3,327.9	3,315.7
Cash	287.9	331.7	365.9	330.2	317.8	347.3
Cheques, balances, and items in transit	120.6	119.3	162.0	133.7	120.3	136.8
Money at call	131.8	126.5	141.3	117.6	122.0	126.6
Discounts	134.2	245.7	171.1	157.0	111.5	162.9
Treasury deposit receipts	374.0	651.0	758.0	738.5	645.5	475.6
Investments	821.0	998.7	998.6	1,007.7	1,016.6	1,049.8
Loans and Advances	908.1	809.3	806.7	811.8	825.6	837.7
Investments in affiliated banks	23.7	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	145.0	152.5	154.6	150.2	144.8	145.3
Total assets	3,006.4	3,458.5	3,582.0	3,470.5	3,327.9	3,315.7

£12,747,000, but this relative stability of the total credit structure veils exceptional changes in assets. TDR's have fallen by £170,000,000, this being by no means the full measure of the March changes since some of the banks

made up in the early part of the Warships Week. Some of these encashments were made to finance customers' subscriptions to Tax Reserve Certificates. Part of the banks' own participation in the Warships Week total is shown by the rise of £33,213,000 in investments. Advances are up by £12,078,000, this being the third successive rise in this item. The exceptional ease in credit conditions created during the latter part of the month is reflected in a rise of £29,468,000 in cash and in the steep increase of £51,481,000 in bills discounted.

The Blackout Spreads

The banks which subscribe to the weekly quota of Treasury deposit receipts have been requested by the authorities to divulge no information to the Press on the subject of TDR maturities. For some months past it has been possible to discover each Friday what were the true TDR maturities in the ensuing week compared with the nominal maturities of TDRs issued in the corresponding week six months previously. This information gave the required clue to pre-encashments of TDRs and was obviously valuable for the guidance of the money market and for any informed comment on public finances. It was information which could by no stretch of the imagination be deemed of the slightest value to the enemy. The only fault to be found with it was in the manner of its dissemination; it was a leakage in one particular quarter and not a formal announcement made to the Press as a whole. The abrupt discontinuance of this information is a matter for genuine regret. It represents a diminution in the already scanty statistical material available for the intelligent study of Government finances. The decision may acquire significance from its incidence on the morrow of London's Warships week when the information, previously imparted had made it possible to gauge with reasonable accuracy how far the huge subscriptions to Government loans had, in effect, been financed by the encashment of TDRs. This ill-advised ban on valuable information should be lifted.

The Egyptian Money Market

A combination of circumstances has for the first time brought to Egypt a short term money market of considerable size and elasticity. These factors are the influx of

British capital consequent on the Government's bulk purchases of Egyptian cotton, the widespread industrial and commercial prosperity, which has followed the local expenditure of Allied armed forces, and the exchange control which Egypt, as a member of the sterling area, has applied with considerable rigour and success. The volume of available liquid capital has thus been seeking employment in a market which is not only well insulated from external competition, but in which the demands for longer term capital have been kept down to abnormally small dimensions as a result of the war. So much for the supply of liquid capital seeking investment in the Egyptian money market. The demand for that capital, as was explained at the recent general meeting of the National Bank of Egypt, has, in large part, been provided by the Egyptian Government in connection with the finance of the cotton purchases. The 1941-42 crop is being purchased on a joint fifty-fifty basis by the British and Egyptian Governments. The previous year's crop had been purchased as to 75 per cent by the British Government (involving an outlay of £25,000,000) and the balance by local exporters and spinners. The Egyptian Government is financing its share of the current year's crop by issuing short-dated bills. These are offered in fortnightly tenders of £500,000 each, and the general rule has been for applications to amount to between two and three times this figure. The rate of discount has been falling progressively and is now down to 1.45 per cent. This, for Egypt, is an astonishingly low rate.

The note circulation in Egypt is rising at an appreciable pace. Over the year 1941 the notes of the National Bank expanded from £39,500,000 to £52,700,000. The National Bank is required by its statutes to keep a 50 per cent gold reserve, but by authority of the Egyptian Government, British Treasury Bills may be substituted for the gold. At the end of 1940 there were still £6,240,000 held in gold. The metallic cover had disappeared by the end of 1941, when the assets of the Issue Department consisted of £51,200,000 of British Government securities and £1,500,000 of Egyptian Government securities. The increase in the circulation is explained by the National Bank as due first to the presence in the country of a large Allied army, secondly to the increased activity of trade and industry, and thirdly to hoarding. As evidence of the strength of the last of these factors it may be noted that the rate of expansion in the circulation was greatest in the early months of 1941 when the military reverses in Libya caused understandable apprehension in Egypt.

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1858)

CAPITAL - £3,000,000
RESERVE FUND - £3,000,000

Head Office: 38 BISHOPSGATE, LONDON, E.C.2

London 117/122 LEADENHALL STREET, E.C.3
Branches 28 CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52 MOSLEY STREET

Over 40 Agencies and Branches throughout the Far East, &c.
Drafts granted on Agencies and Branches. Bills of Exchange bought and received for collection. Letters of Credit and Travellers' Cheques issued, and every description of banking business transacted.
The Bank also undertakes Trusteeships and Executorships.

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government)
Branches and Agencies throughout Australia.
Banking and Exchange Business of every description transacted.
Banks to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania.
Commonwealth Savings Bank of Australia, 3,894 Agencies at Post Offices in Australia.
As at 30th June, 1941:—
General Bank Balances ... £130,752,179
Savings Bank Balances ... 150,553,865
Note Issue Department ... 77,144,818
Rural Credits Department ... 2,339,454
Other Items ... 19,795,546
£380,685,862

London Office: 8 OLD JEWRY, E.C.2.
Also at AUSTRALIA HOUSE, STRAND, W.C.

A. H. LEWIS, Manager.

NATIONAL BANK OF INDIA LIMITED.

Bankers to the Government in Kenya Colony and Uganda.
Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES:

Aden and Aden Point	Delhi	Tuticorin	
Amritsar	Kandy	Zanzibar	
Bombay	Karachi	Kisumu	Kenya Colony
Calcutta	Lahore	Mombasa	British E.A.
Cawnpore	Madras	Nairobi	
Chittagong	Mandalay	Nakuru	
Cochin (S. India)	Nuwara	Entebbe	Uganda
Colombo	Rangoon	Jinja	
		Kampala	

Dar-es-salaam Mwanza Tanga ... Tanganyika Territory.

SUBSCRIBED CAPITAL ... £4,000,000
PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,200,000

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

LONDON AND MANCHESTER ASSURANCE CO., LTD.

Life, Annuity, Accident, Fire, Motor, Burglary

Chief Office: Finsbury Square, LONDON, E.C.2

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £77,000,000
CLAIMS PAID EXCEED - £140,000,000
(1941 Accounts)

Investment

Lower Equity Yields Once More

The outline of the movement in share values during March, given last week, and based on the figures of *The Financial News*, can now be filled in from *The Actuaries' Investment Index*. This, covering a somewhat longer period, the five weeks to March 31st, shows a fall of less than 1 per cent in 159 industrial equities, and against this has to be set a further improvement in bank shares and the recovery of the losses of the preceding quarter in insurance shares. Although the latter movement is due to satisfaction with the results disclosed, it is not, in the main, the result of higher dividends, for the yield has fallen by almost the same proportion as the price has risen. Among industrials the only heavy falls are in aircraft manufacturing and building material shares, the former on the rather lower payments and the latter on the further restriction of output and the definite ban on long distance transport of such heavy goods. There is one substantial rise, which goes some way to account for the relatively favourable showing, namely in brewery shares. The point of greatest interest is the tendency for the yield obtainable on any representative selection to remain low if not to fall. So far as this index is concerned,

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices				Average Yields		
	Mar. 26, 1941	Nov. 25, 1941	Feb. 24, 1942	Mar. 31, 1942	Mar. 26, 1941	Feb. 24, 1942	Mar. 31, 1942
2½% Consols (1).....	138.2	145.7	148.1	147.5	3.23	3.01	3.02
Home Corps. (4).....	130.4	138.7	140.5	141.3	3.57	3.32	3.30
Total Ind. Debs. (43)...	110.0	113.9	115.9	117.3	4.32	4.10	4.05
Total Ind. Prevs. (101)...	91.0	99.9	101.9	103.5	4.99	4.54	4.51
Banks & Disc. Cos. (10)	94.0	103.3	103.6	105.0	4.83	4.38	4.33
Insurance Cos. (10).....	86.1	99.3	95.0	99.5	4.69	4.23	4.09
Aircraft Mfg. (5).....	46.7	53.6	52.7	49.1	12.41	10.67	11.12
Building Mats. (6).....	56.8	70.9	67.3	63.0	4.99	4.02	4.30
Iron and Steel (18).....	46.6	56.3	53.4	52.1	7.12	6.31	5.99
Oil (4).....	44.6	63.0	45.2	42.8	5.15	5.50	5.80
Total Productive (90)...	52.1	62.9	61.6	60.6	6.64	5.26	5.26
Home Rails (4).....	33.2	41.4	44.7	43.1	8.95	8.12	7.99
Breweries (20).....	85.2	114.1	109.9	113.3	6.83	5.31	5.16
Miscellaneous (20).....	53.3	63.4	59.1	58.5	5.80	4.89	4.93
Industrials—							
All Classes (159).....	48.6	61.7	59.3	58.8	6.42	5.17	5.15

all fixed interest sub-groups have shown a decline in yield except Government stock, represented by 2½ per cent Consols. The long-standing tendency for the margin between yields on equities and fixed interest to narrow, interrupted by the inception of the Far Eastern conflict, was re-established last month, if only by a narrow margin. This is a rather better showing than one would have supposed from actual experience of the market during the month. It is possible that the "weight" given by the index to aircraft and building material shares is less than it should be, and that the inclusion of more companies in these sections would make the general showing rather less favourable. It is, however, evident that a widely cast net gives a result indicating that the fall in the total of industrial and financial equities is approaching exhaustion, and this may even be the case if specifically Pacific equities are included, for many of these have reached a point where no one is likely to sell except under the pressure of need for money.

Australasian Stocks Unfreezing

The improvement in fixed interest stocks over the past week or two has not been restricted to those of this country. Under the influence of the arrival of United States troops and materials in Australia, and of the initiative which these arrivals have made possible, there is gradually developing a demand for both Australian and New Zealand stocks. It is not easy to show this in terms of prices, since minima have been fixed for the securities of both countries, and quotations are still barely above these. A sale, however, now occasionally takes place without giving a *quid pro quo*, and some weeks back that was not possible. It is, of course, still far from certain what the future holds for Australasia,

but the moment is opportune to take stock of the effect, so far, of Japan's successes upon the shares of companies operating in the antipodes. It is reasonably certain that if Government stocks improve other securities will not be unaffected, but, in making any calculation it is necessary to bear in mind that, quite apart from the war risk, there is a considerable political risk. This is in all probability greater in the case of industrial and commercial enterprises, and according to some authorities, greatest of all in the case of banks, than it is in the Government's own bonds. Subject to this caution, the figures given in the accompanying table for a representative selection of Australasian undertakings, seem to suggest that a considerable period of severe inter-

Security	1941 High	1942 High	Mar. 9, 1942	April 8, 1942
Australian 5%, 1945/75.....	105½	101½	101	101
3½%, 1961/66.....	99½	98½	98	97
N.Z. 5%, 1956/71.....	115	109	107	106
3%, 1952/55.....	95½	92½	85	84½
Melbourne & Met. Trams 5%.....	101	98½	91	87
Sydney 5½% Deb. 1954.....	105½	101½	88	14½
Bank of N.S.W. £20.....	21½	18	15	21½
Comm. Bank of Aust. 10%.....	30½	27½	22½	8½
Dalgety £5.....	11½	9½	8½	47½
Austr. Merc. & Land £25 (£5 paid).....	106½	91½	66½	17½
N.Z. Loan & Merc. Agency.....	55½	36½	17½	19
Gt. Boulder Prop. 2½.....	32	21	2/9	7/9
Lake View & Star.....	4/10½	3/9	8/9	4½
Mount Morgan 2½.....	20½	15½	4/6	
	8/10½	6/4½		

ruption to trade has already been discounted. Should it prove possible to keep the Japanese out of the sub-continent, and to regain the initiative in the Eurasian theatre, there may be a rapid change in the trading outlook. If that occurs the political risk will be the principal new factor in the situation, and it is one which it is not easy to assess. The fall in value from the highest of last year is of the order of one-third to one-half for shares and some 15 per cent for stocks with no minima, and last year's high was by no means a peak, for the political risk was then already in being, while the possibility of an extension of war to the Pacific was not altogether neglected.

Nominee Holdings

Hand in hand with the concentration of the control of industry in fewer hands, which was a feature of the period 1920-39, there has gone a growth in the practice of hiding real ownership behind nominees. This practice, which has admitted advantages, has great demerits from more than one point of view. In the first place, it is desirable—if seldom admitted—that, as an offset to a great deal of rather irresponsible propaganda, important facts about public companies, and particularly large public companies, should be public property. In particular, it is expedient that dealings by directors and other officers in the shares of companies with which they are associated should be disclosed. Again, it is in the public interest that the company directorate itself should be informed if there is an attempt on foot to obtain voting control. In the particular case of directors dealing in shares, it might well do more harm than good if word immediately got about that such business was in progress. It is clearly undesirable that directors and other high company officials should "operate" in a technical sense, in shares of their own companies, and to avoid this but permit normal dealings the use of a nominee might be insisted upon, coupled with the obligation to publish any such transaction after a delay of, say, three months. There are possibly other cases in which secrecy, more or less protected, would be justified. It seems, however, highly desirable that in all cases where it is desired to conceal the real ownership of property, the onus of proof that such secrecy is in the public interest should be laid upon the buyer, and that, failing proof, the facts should be disclosed. A necessary corollary would be to ensure that the true ownership of private, as well as public, companies was disclosed and that companies made public the names of subsidiary and associated concerns, whether public or private, and the extent of their holdings.

THE PRUDENTIAL ASSURANCE CO. LTD.

Points from the Directors' Report and the Statement issued to the Shareholders by the Chairman, Sir George Lewis Barstow, K.C.B.

The 93rd Annual General Meeting was held on 2nd April, 1942, at Holborn Bars, London, E.C.1.

ASSETS AND INCOME The assets of the Company are now **£375,413,502**, of which **94** per cent. are invested in the United Kingdom and the Empire. The income during 1941 was **£56,643,498**.

ORDINARY BRANCH The net new sums assured were **£24,803,928**. On participating Policies a bonus of **£1** per cent. will be paid on claims arising by death or maturity of endowment during 1942 for each 31st December on which the policy was in force subsequent to 31st December 1939.

INDUSTRIAL BRANCH The revenue premiums were **£24,858,403**. On participating Policies a bonus of **16s.** per cent. will be paid on claims arising by death or maturity of endowment during 1942 for each 31st December subsequent to 31st December, 1939.

GENERAL BRANCH The revenue premiums were **£2,620,651** arising from Fire, Sickness and Accident, Employers' Liability, Marine, Motor Insurance, etc.

APPROVED SOCIETIES The total amount expended on benefits was nearly **£4,150,000**.

SECURITY and SERVICE

The First Quarter's Capital

As in the first quarter of 1941, Government borrowing during the first quarter of the current year relied exclusively on the proceeds of small savings and of "tap" issues. There was a very substantial increase in yield during the later period, from £327,344,300 to £493,120,000, for which the warships weeks must be held largely responsible. Of total Government borrowing, the largest sum was raised by 3 per cent Savings Bonds, whose sale yielded £193,194,506 and the lowest by 3 per cent Defence Bonds, which brought in no more than £52,195,825. The total of non-Government borrowing, calculated in both cases on the "new basis" which includes issues by permission to deal, was at £2,134,300 against £2,909,900, even lower than in the first quarter of 1941. The bulk of this is accounted for by the fact that Donaldson Line and Anchor Line made available for public dealings £1,181,800 of ordinary capital privately held. Small sums were issued by a number of miscellaneous manufacturing concerns by which group no capital was raised a year ago and, among stores and traders, OK Bazaars issued £178,300. The total raised by the coal, iron and steel group was lower at £197,900 against £255,000 and the single issues in the mining and oil categories, by Associated Manganese Mines and Ultramar, were insignificant in dimension. Certain important municipal conversions took place during the period, including those of Bradford and Portsmouth. From the standpoint of Government policy, the figures, which are analysed below, show more plainly than ever before the extent to which the resources of the new issue market have been reserved for official borrowing. The only question which they raise is whether the total subscribed in Government loans is yet on a scale adequate to the war effort.

TABLE I—TOTAL BORROWING (MILLION £)

First Quarter of Years	British				Empire	Foreign	Total Issues	Indices
	Government	Home Corporations	Others	Total Home				
	By Direct Public Offer (Old Basis)							1928=100
1928	85.8	1.0	47.6	134.4	21.6	13.0	169.0	100
1939	0.3	1.5	14.1	15.9	3.5	0.2	19.6	11
1940	371.8	Nil	0.7	372.5	0.1	Nil	372.6	220
1941	327.3	Nil	Nil	327.3	2.5	Nil	329.8	190
1942	493.1	Nil	Nil	493.1	Nil	Nil	493.1	292
	Including "Permission to Deal" (New Basis)							1935=100
1935	3.0	3.8	57.4	64.2	9.1	1.4	74.7	100
1939	0.3	1.5	21.6	23.4	8.2	0.2	31.8	43
1940	371.8	Nil	4.6	376.4	0.4	Nil	376.8	505
1941	327.3	Nil	Nil	327.3	2.9	Nil	330.2	442
1942	493.1	Nil	1.8	494.9	0.2	0.1	495.2	663

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

First Quarter of Years	Old Basis				New Basis			
	1939	1940	1941	1942	1939	1940	1941	1942
Debentures	3.1	Nil	Nil	Nil	6.3	1.0	0.2	0.1
Preference	0.9	0.1	Nil	Nil	1.6	0.3	Nil	0.2
Ordinary	5.2	0.6	2.5	Nil	13.5	3.7	2.7	1.8
Total	9.2	0.7	2.5	Nil	21.4	5.0	2.9	2.1

TABLE III—ANALYSIS OF NEW CAPITAL APPLICATIONS (EXCLUDING CONVERSIONS)

	Old Basis		New Basis	
	First Quarter, 1941	First Quarter, 1942	First Quarter, 1941	First Quarter, 1942
British Government Loans	327,344,300	493,120,000	327,344,300	493,120,000
Mines	2,500,000	Nil	2,530,100	21,000
Estate and Land	Nil	Nil	19,000	Nil
Oil	Nil	Nil	Nil	27,000
Coal, Iron and Steel	Nil	Nil	255,000	197,900
Stores and Traders	Nil	Nil	Nil	178,300
Gas and Water	Nil	Nil	105,800	Nil
Shipping	Nil	Nil	Nil	1,181,800
Manufacturing and Miscel.	Nil	Nil	Nil	528,500
Total	329,844,300	493,120,000	330,254,200	495,254,300

Company Notes

General Accident Shares

The General Accident Fire and Life Assurance Corporation, Ltd., announces a proposal to add 5s. to the paid-up value of the ordinary shares by transfer for this purpose from the balance of profit and loss account. The present capitalisation of the company takes the form of 250,000 5 per cent accumulative preference shares of £1 each, fully paid, and 2,000,000 ordinary shares of £1 each, 5s. paid, so that the total authorised and subscribed capital is £2,250,000 and the paid-up capital £750,000; with the addition of 5s. to the amount paid on the ordinary shares the latter figure will become £1,250,000. Profit and loss account, which provides the required sum of £500,000, stood at £888,758 at the end of 1940, after provision for the dividend for that year; besides this free reserve, the balance sheet included a general reserve of £2,000,000, and an additional reserve of £575,000 in the fire and accident funds, over and above the technical reserve. The company's position is thus very strong. The principal effect of the proposal under consideration should be to increase the marketability of the ordinary shares by reducing the amount of callable capital. They have in fact risen during the past week from 84s. 6d. to 87s. 6d. Accompanying the announcement, the directors also publish preliminary figures of profits for the year 1941, and the dividend, which is unchanged at 3s. 6d. per share.

"Chartered" Earnings

The full accounts of the British South Africa Company for the year to September 30th last show that, behind the maintenance of dividend at 1s. 3d. per share, less tax, there were a number of changes of importance. The principal source of income, dividends and interest, rose from £391,909 to £443,205, but mining revenue fell from £283,121 to £261,884, while, owing to inability to export, there was a loss of £11,907 on estates, mainly devoted to citrus crops, against a profit of £17,107. This leaves a very small net increase, against which income-tax and NDC called for £275,288, compared with £181,399. After minor adjustments the amount available for dividend is £326,768, against £403,307, and the carry forward receives an addition of £17,641, compared with £42,195, earnings being at the rate of 8.81 per cent on the ordinary capital, against 9.30 per cent for 1939-40, and the rates of tax 8s. 8½d. and 6s. 9.7135d. respectively. This calculation takes no account of the fact that during the year £143,565 was lost on the sale of investments, of which £142,412 was charged against reserves. These investments were mostly foreign bonds, and doubtless the loss had accrued over a period of years. Actually, investments stand in the balance-sheet at £7,943,235, compared with £7,885,831 a year before, while the depreciation against market value was only £475,509, against £1,792,996 at that time. Apart from the sale mentioned above, the only important movement is an increase of some £237,000 in the holding of gilt-edged stocks. Other changes in the balance-sheet, apart from the fall in the reserve, are of little moment. In his statement the chairman, Sir Dougal Malcolm, points out that legislation is being passed to amend the regulations governing the distribution of the profits of Rhodesia Railways. The statutory reserve having reached its prescribed limit, the company was in the position where it could increase its payment to "Chartered" from £125,000 to £150,000, but must use any surplus in reducing rates. It has been decided to maintain the "Chartered" payment at the lower figure, and to place the surplus to reserve for rates stabilisation. This arrangement is to run until September 30th following the end of the war, or that date in 1943, whichever is earlier. It means that shareholders forgo a possible slight increase in dividend now in return for greater security against a later decline. The 15s. shares stand at 19s. 9d. ex dividend, yielding some £6 6s. 6d., subject to tax, at 8s. 8½d.

Selfridge Profits

Preliminary statements of earnings of *Selfridge, Limited*, and *Selfridge (Holdings)* for the year to January 31st last, appear to indicate a material expansion in trading profit, before debenture service and income-tax. It will be recalled that the old company was split in two, the new operating

company, *Selfridge, Limited*, taking over the trading assets and the main building, and the *Holdings* company, which owns the whole capital of the former, taking the remaining assets, and liabilities which exceeded them by some £1,700,000. Owing to the fact that the reconstruction was not completed until after the end of the company year 1940-41, the accounts presented a year ago are not comparable with the figures now given. All that appears at all clear at this stage is that, whereas a year ago there remained £25,417, after meeting debenture charges and taxation, on this occasion the operating company has been able to create a carry forward of £24,970, and the *Holdings* company to realise a net surplus of £11,339. The latter figure is what remains out of the total income of the *Holdings* company, most of which was derived from a dividend of 6 per cent on its investment in *Selfridges, Limited*. It is also possible

to deduce that taxation, excluding tax on debenture interest in each case, has absorbed about £140,000, as compared with £89,032 in the earlier year. The trading profit of the operating company for 1941-42 is given as £296,758, while that of the joint concern in the previous accounting period was £173,333. It is clear that these figures are not strictly comparable, but the rise in the tax provision suggests a material expansion in real earnings before tax. It is to be hoped that the full accounts and chairman's statement will help to clear up the position, which is at present extremely tangled. No class of capital in the *Holdings* company is within sight of a dividend of any sort, and it is, of course, evident that, after meeting prior charges, only the 6 per cent cumulative preference stock, now valued by the market at around 6s. 9d. for a share of £1, is likely to survive the inevitable reconstruction of capital without a severe cut.

Industry and Trade

Nazi Oil Supplies

The question whether Germany has sufficient oil for large-scale and sustained military operations this year is exercising many minds. In an article in the current issue of *Petroleum Press Service*, an attempt has been made to assess the supply position. The effort to expand the production of synthetic oil and to improve the quality of the products can be assumed to have been intensified, but the measure of success achieved cannot be estimated with precision. There can be little doubt that progress has been made in both directions, and the *Petroleum Press Service's* conclusion that Germany's coal-oil capacity may now be of the order of 5,000,000 tons per annum does not seem unreasonable. There are indications of a further shrinkage in Roumania's crude oil output, but, taking into account all the factors capable of assessment, the supplies of Continental Europe as a whole may be at the rate of 12-13 million tons per annum. Moreover, non-military consumption of oil products has been drastically reduced and further headway appears to have been made with the use of producer-gas and other substitute fuels. The proportion of the total output of oil products available for military purposes may therefore be quite appreciable, though there is no basis for calculating its size. But while information concerning supplies, and especially the supplies of individual products, such as lubricating oil, is meagre, there is no basis for calculating military demand. If it had been at the rate of one to two million tons per month in Russia alone during the offensive last summer and autumn, as was estimated by some at the time, a breakdown would have been inevitable. But while these estimates were probably a good deal off the mark, military requirements for a large-scale and sustained offensive this year must be very large; the bombing of Germany's coal-oil plants may still be one of the most effective methods of disorganising her military machine.

Retail Trade in February

The retail trade returns for February, published in last week's *Board of Trade Journal*, reflects the smoothing that is taking place in the fluctuations of sales from month to month. Normally, there is a marked fall in non-food turnover after the January clearance sales, but this year the decline in the average daily value of sales between January and February was only 8 per cent. Food sales, as usual, showed a slight increase during this period. Compared with the corresponding month a year ago, the average daily value of food sales shows little change, but turnover in other goods was 11.3 per cent higher. The increase in non-food sales is due mainly to the rise in prices and to the fact that a year ago trade was restricted by air raids. It was most marked in the furnishing departments, in footwear, men's and boys' wear, and household piece-goods. Apart from an increase of 26.9 per cent in central London,

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

there was no outstanding regional change in the value of total sales between February, 1941, and February, 1942. The value (at cost) of food stocks held by retailers at the end of February was 4.1 per cent, and that of other goods

PERCENTAGE CHANGE IN VALUE OF RETAIL SALES
FROM CORRESPONDING MONTH A YEAR AGO

	Food and Perishables	Other Merchandise
1941 February	+ 3.5	+ 1.8
March	- 2.1	- 2.1
April	+ 0.9	+ 2.9
May	- 4.3	- 2.4
June	- 3.1	+ 6.8
July	- 6.7	- 15.9
August	- 1.9	- 10.8
September	- 0.8	- 8.2
October	+ 0.2	- 23.5
November	- 0.4	- 2.3
December	- 1.9	- 7.4
1942 January	- 1.1	+ 12.0
February	+ 1.8	+ 11.3

3.7 per cent, higher than a year ago. There has been no further news concerning the concentration of the non-food section of retail trade, a problem whose solution becomes daily more urgent.

Milk Prices

When the new prices for farm products, based on the higher minimum wages, were announced on February 20th, negotiations on milk prices had not been completed. Producers' prices for the forthcoming twelve months were announced on April 1st. They will be at the rate of 2d. per gallon above the prices originally announced for the year ended March 31, 1942. The schedule of prices is complicated, since the increase of 2d. is to be spread unevenly over the year to encourage winter milk production. Thus, for the six summer months as a whole, for England and Wales, the increase will be at the rate of 1.37d. per gallon, which brings the average price to 17.35d. During the winter months the price will be 29.21d. per gallon, an increase of 2.78d. The actual prices vary month by month and region by region, but the maximum regional price differential has been reduced, according to the wishes of producers, from 1d. to ½d. Last year an assurance was given that prices would be reviewed and retrospective adjustments made if costs justified an increase. As a result, farmers were granted an additional ½d. per gallon for six summer months, and an extra 1½d. per gallon for January, February and March, 1942. The increase of 2d. now includes these extra payments, so that the increase over what farmers have recently been receiving is smaller than might appear. It has been recognised that the system of extra retrospective payments, which might be compared to the "cost plus" contract system, may leave room for misuse. No provision has, therefore, been made in the new schedule for retrospective review of costs, but, nevertheless, an assurance has been given, that if costs change as a result of events entirely outside the control of producers, claims for an increase in price will be sympathetically considered; or the allocation of the increase between summer and winter prices may be changed. It is probable that the increase of 2d. per gallon is reasonably in line with the other new farm prices. The County War Agricultural Committees are to watch over the production of milk and there is every hope that output will be larger this year than in the earlier war years.

Tea Rationing

The Ministry of Food has issued a Press communiqué under the somewhat equivocal title of "Stricter Rationing of Tea." The method of obtaining tea has been by the cancellation of coupons at any shop, and without registering for supplies. Tea rationing has fallen between the two stools of goods for which registration is required (e.g., bacon and sugar), and goods for which points coupons have to be surrendered. There has been no registration and no check on the retailer on the amount of tea sold. The number of his customers registered for other goods can only be the roughest guide to sales of tea. Unlike most other groceries, there are firms which specialise in the sale of tea, and it is impossible to calculate the number of ration books which pass through their hands. In fact, the rationing scheme for tea has been capable of misuse with impunity. Appreciably more tea has been consumed than the public was entitled to according to its rations. The news that the scheme has been revised is, therefore,

welcome, particularly now that anxiety exists on the question of future supplies. Since last Monday, retailers have been required to cut out tea coupons from the ration book. Four coupons must be surrendered together for any four-weekly period, and purchases of tea on each ration book must be made only once in each period. It is to be hoped that the next step will be that retailers will be allocated supplies on the basis of the number of coupons they produce, on the model of the points rationing scheme.

Co-operative Dividend Increase

The Co-operative Wholesale Society turnover for the year ended January 10th totalled £144,307,408, £47,098,301 of which came from the society's own productive works. These amounts represent increases of 0.8 per cent and 4½ per cent respectively, over the returns for the previous year. After meeting all expenses, and making provision for taxation, interest, and depreciation, the net profit for 1941 was £3,823,533. From this the usual dividend of 4d in the £ on purchases is recommended by the directors, who are adding a special bonus of 2½d in the £ as well as an extra dividend of 3d in the £ on purchases of CWS products. These dividends and bonuses will distribute £3,723,533 of the surplus to the retail societies, leaving £100,000 for the reserve fund. The share and loan capital of the federation is now £92,208,874; the investments in British Government and municipal stocks stand at £115,916,935. Deposits and withdrawals from the CWS Bank during the past year totalled £925,107,241, an increase of £3,798,565. Of the total sales, £104,637,509 were of groceries and provisions which rose 2½ per cent above the turnover of 1940. Drapery turnover (£5,507,200) decreased 16 per cent; men's wear (£3,078,280) 17 per cent, and furnishings and hardware (£4,146,720) 27 per cent. Sales to the Ministry of Food rose to £3,938,502. The value of flour from the society's mills advanced 5 per cent to £8,424,670 but the weight receded by 1½ per cent to 824,214 tons. There was a surplus of £493,528. The product of the creameries practically doubled to £7,206,344; so, too, did the turnover of the milk department which rose to £10,882,273. The farms owned and cultivated by the CWS covered 18,613 acres and produced wheat, barley, potatoes, root crops, fruit and live stock to the amount of £591,559, making a surplus of £167,040. Turnover in the agricultural department was £3,276,745. Most of the society's textile, footwear, cabinet and dry goods factories decreased their output. The decrease ranged from 12 per cent in the tanneries to 56 per cent in the CWS potteries. The Health Insurance Section of the CWS reached a membership of 600,000 and is admitting new members at an average rate of 1,120 per week. Continuing its policy of local federations for special services, the CWS is admitting into membership the newly formed West Wales Co-operative Funeral Furnishing Society, which comprises societies in and around Glamorganshire. This idea of local federations is being encouraged in several parts of the country in connection with laundries, boot and shoe repairs, and funeral furnishing—with the trading assistance of the CWS.

Aluminium Costs and Prices

On April 1st the prices of a number of semi-finished aluminium products (rods and sections, strip, tube and wire made of aluminium and aluminium alloys) are reduced by 5 per cent, but the price of crude aluminium (ingots and bars) remained unchanged at £110 per ton delivered at consumer's premises, against £94 before the war. As a substantial proportion of Great Britain's requirements are imported, the reduction in the price of semi-finished materials is presumably due to lower import costs. The reduction in prices focuses attention on the steady fall in costs of production resulting from the expansion in output in North America and in Germany. In the United States the price of the metal was reduced by stages from an average of 20 cents per lb in 1939 to 15 cents in October, 1941. In Germany, its price fell from 160 marks for 100 kilos in 1933 to 144 marks in November, 1934, 133 marks in July, 1937 and 127 marks in June, 1941. Both in North America and in Germany the downward trend in costs and prices is likely to continue as a result of the prospective further increase in production. Owing to the heavy war demand for aluminium, the rate of world production of the metal, which has already passed the 1,000,000 ton mark, against an output of less than 500,000 tons in 1937, may reach 1,500,000 tons this year if production schedules are fulfilled. The downward trend in prices should assist producers in expanding the use of aluminium for civilian purposes after the war.

COMPANY MEETINGS

BANK OF SCOTLAND

SATISFACTORY RESULTS

STRONG LIQUID POSITION

LORD ELPHINSTONE'S ADDRESS

The annual general meeting of the proprietors of the Bank of Scotland was held within the head office, Edinburgh, on the 7th instant. The Right Honourable Lord Elphinstone, KT, Governor of the Bank, presided.

In submitting the directors' report, the chairman said: My Lord, Ladies and Gentlemen,—I assume that, as usual, we may hold as read the report by the court of directors of the affairs of the bank as at February 28th last, a copy of which you have all no doubt received.

The conditions during the past year have been difficult and strenuous for everyone, and as a bank we have taken our full share of the common burdens imposed by war and in contributing to the national effort by the essential banking services we have rendered to the community. It is probable we may meet even more difficult days ahead but like everyone else in the country I would like to emphasise that in our personal as well as in our business affairs we are ready with cheerfulness and courage to accept and carry out whatever tasks, services and sacrifices may be necessary to bring us through to victory.

THE BANK'S BALANCE SHEET

The balance-sheet figures continue to reflect the changes due to war conditions which are familiar to those who keep closely in touch with banking trends in these days. Our deposits at £50,593,844 again show an expansion over last year's figures, this time to the extent of £2,997,738. The expansion is largely due, as you are aware, to the increasing Government expenditure for war purposes and to the contraction and restriction of commodity stocks and supplies in many trades which war conditions have brought about. For the greater part of the bank's year the expansion was a growing one and our deposit figures reached a total considerably higher than that of February 28th. But in the last month or two of our year in addition to the usual seasonal withdrawals by our customers for payment of taxes—an increased amount no doubt under present conditions—there were further considerable withdrawals to take up the new Treasury issue of tax reserve certificates. Both factors combined to make us share in the substantial drain upon deposits—for the time being—at any rate—common to all the banks.

The note circulation shows an increase of £1,104,646 due doubtless in the main to the reason which has led to larger bank deposits, viz., the increasing Government war disbursements. Possibly, however, to some extent the increase is the result of a wartime habit acquired by many people of carrying about with them or holding in their homes a greater quantity of notes than they would normally do. The practice is an unwise one in every way and such holders of bank notes of whatever sort are urged to return them to their bank accounts so that they may be available there as deposits for lending to the Government for the war effort.

The fluctuations in the items drafts issued and acceptances represent day-to-day changes in customers' requirements.

LIQUID ASSETS

A strong liquid position is very necessary in present times and our liquid assets are consequently well maintained. Cash, bank balances, cheques in transit, money at call and short notice, and bills discounted (including £525,000 of Treasury bills) amount to £14,870,053, as against our liabilities to the public of £61,942,452. There is in addition the further liquid asset of £5,500,000 Treasury deposit receipts available for discount at any time to cover any emergency needs, and there are as well our investments of £32,431,738 which show a surplus of over £2,000,000, giving

a total of £52,801,792 in liquid assets against our liabilities to the public.

ADVANCES

Our advances show a decrease of £555,115 at £9,062,132. A decrease was to be expected on account of wartime conditions. While accommodation is being given by us liberally in directions where this is required for the production of war supplies and food, the extent to which the Government itself finances war production and has restricted the supply of goods of all sorts for home consumption limits the needs of many of our customers for advances. That the decrease should be in the circumstances a comparatively small one is satisfactory. All bad and doubtful debts have been fully provided for. Looking to the increase in our deposits and the decrease in our advances, an increase in our investments is a natural result. The value of our investments is considerably more than the figure of £32,431,738 at which they stand in our books.

BANK'S PREMISES AND HERITABLE PROPERTY

The bank's property all over the country has been maintained in good condition. The damage sustained by our properties from air raids as a whole has not been great. The properties stand in our books at £483,900 which we regard as much below the actual value.

RESULTS FOR THE YEAR

The net profits are £21,260 down at £232,645. A decrease in profits was to be expected from the fact that our expenses have increased considerably, particularly in staff remuneration and taxation. A contributing factor, too, is the small rate of interest earned on our more liquid assets.

The net profits are	£232,645
Add the balance from last year	155,572
	388,217

Deduct:—	
Applied to reserve for contingencies	£70,000
Transferred to trustees for officers' pension fund	30,000
Dividend at 11 per cent. per annum, less income-tax	132,000
	232,000

Leaving to be carried forward	£156,217
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BANK STAFF

Of the men on the staff of the bank 546 have left for military service and at the moment a further call upon us is being made under which we shall be left with 45 per cent. only of the number of men on our pre-war staff. As time goes on still further calls are likely to be made upon us. It is with regret that we record that of the men who have gone on service eleven have made the supreme sacrifice and we pay a tribute of honour to their memory. Ten are prisoners of war. Fourteen have been discharged from the Forces as unfit for further service on account of wounds and other causes. They have been reinstated in the bank's service. One member who, as I mentioned last year, had received the Military Cross for bravery in action has since been appointed to a spell of duty as personal aide-de-camp to his commander-in-chief. We offer him our further congratulations upon this additional honour.

To all of our staff, both men and women on national service, we send greetings from this meeting.

Our remaining permanent staff and our temporary staff have continued to respond in an admirable manner to the task of carrying on the essential services the bank affords to the public under difficult conditions and to them we express our thanks and appreciation. Most of these in addition to their bank duties are engaged in their spare time in voluntary work with one or other of the branches of national service, and we appreciate with gratitude their devotion to duty and their service to the country.

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

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

Mr James Gourlay, BSc, Colonel Norman Kennedy, CBE, DSO, TD, and Mr Archibald Gray Robertson Brown, FFA, FRSE, were re-elected ordinary directors.

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

WESLEYAN AND GENERAL ASSURANCE SOCIETY

The one hundred and first annual general meeting of this Society was held, on the 7th instant, in Birmingham.

Mr Arthur L. Hunt, FSS, FCII (chairman and managing director), said that the Government rightly insisted that every man and woman in the country should save as much as possible and lend for the war effort. It was also true that every premium for any of the usual types of life policy was to a large extent an indirect loan to the Government for the simple reason that the insurance offices were giving the maximum support to Government new issues.

He was able to report greatly improved new business figures. In the ordinary department 6,828 policies had been issued for a total sum of £1,041,594, compared with 3,480 policies in 1940 for £528,482. In the industrial department 117,354 policies had been issued for a total sum assured of £2,826,894, compared with 132,575 policies in 1940 for £2,796,927. A feature of the year, however, was the relatively small number of policies given up. In consequence the total of premiums collectable had increased by £54,260 per annum, a greater increase than had been recorded in any year since 1920. In the Fire and General Department the premium income increased by £4,901 to £51,406. The total premium income for all departments amounted to £2,330,066.

The total assets stood at £17,987,542. They had increased in market value during the year.

The report was unanimously adopted.

JOHN BARKER AND COMPANY, LIMITED

The forty-ninth ordinary general meeting of John Barker & Company, Limited, was held, on the 9th instant, in London.

Mr Trevor A. Bowen, DL, JP (chairman and joint managing director), said that the net profit of £253,748 compared with £196,897 for the previous year, an increase of £56,850, a result which the directors considered a satisfactory conclusion to a most difficult trading year.

The problems confronting them at the beginning of the financial year had been rationing, registration and quotas, Limitation of Supplies Order, and the Purchase Tax. To those there had since been added further obligations such as clothes rationing by the coupon system, followed by points rationing for foods, and more recently the complicated classification of utility goods with prices fixed at a level which barely covered expenses. If one added to those the constant flow of control orders from the various Ministries, the difficulty of obtaining supplies even up to their quota, drastic packing and now transport restrictions and the increasing shortage of staff, he thought shareholders would agree that trading to-day was no easy matter. They were not in any way daunted by the threatening prospect, but it would be folly on his part to express undue optimism in view of present conditions.

The report was unanimously adopted and a final dividend of 10 per cent. on the ordinary shares, making 10 per cent. for the year, was approved.

NATIONAL PROVIDENT INSTITUTION

INTERIM BONUS RATES MAINTAINED

The following is a summary of the address submitted by the chairman, Mr Robert E. Dickinson, at the annual meeting of the National Provident Institution held, on the 7th instant, in London.

The report now before you shows a further falling off in our new business activities, and this is due chiefly to the fact that our new business organisation consisted of a comparatively young staff, and it has suffered unduly by the demands of national service.

Perhaps the chief point in which you will be interested is the valuation of our assets, and here I can report a very healthy position. In the case of our Stock Exchange securities, at the end of the year there was a substantial margin in our favour between the book values and the market values. Our other assets cannot be valued so readily, but you will remember that we have a contingency reserve of £200,000 to meet any losses or depreciation due to the war or other causes, and this we believe is at present sufficient for the purpose.

Our total holding of British Government securities stands in the books at nearly £2,500,000, and since the outbreak of the war our total investments in war loans have exceeded £800,000.

The investment of such large sums at comparatively low rates of interest, often in place of money previously earning a higher rate of interest, must, apart from other causes, result in a reduction in our interest yield. For 1941 the gross rate earned on our funds was £4 18s. 7d. per cent., as compared with £5 1s. 6d. per cent. for 1940, and our net rate of interest after deduction of income-tax fell similarly from £3 11s. 5d. per cent. in 1940 to £3 9s. 2d. per cent. in 1941.

We have decided to continue to allow interim bonuses for the present on full profit policies becoming claims by death or on maturity by survival at the same rates as last year. In the case of whole life policies the rate of interim bonus is £2 per cent. per annum in respect of premiums paid for the years 1937-39, and £1 10s. per cent. per annum in respect of subsequent premiums. In the case of endowment assurances the rates vary with the maturity age of the policy.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS, LIMITED

MR H. ERIC MILLER'S STATEMENT

The thirty-fourth ordinary general meeting of this company will be held in London on the 16th instant.

The following is an extract from the statement by the chairman, Mr H. Eric Miller, which was circulated with the report and accounts for the year ended August 31, 1941:—

The rubber crop accounted for, over 14,500,000 lbs., is easily the largest in the company's history, and is evidence that we pulled our full weight in the endeavours made by the rubber-producing industry to place at the disposal of this country and its Allies the largest possible quantity of one of the primary war requirements.

The credit balance on profit and loss account brought in from 1939-40 is £97,587, to which has to be added the profit for the year 1940-41 of £147,233, making a total of £244,820 which, subject to provision for British income tax, the directors recommend should be carried forward.

The United Serdang Company, in its 35th year, from the point of view both of its agricultural condition and its earning capacity, was just in its prime. It is sad to think of its orderly progress being so ruthlessly disturbed by the Japanese invasion.

We have no knowledge as to what has actually happened in NEI since communication with the outside world ceased.

Cash on deposit and in hand in London now amount in round figures to £550,000. Although the directors might perhaps have recommended the distribution of a dividend, they were reluctantly forced to the conclusion that the interests of the stockholders would best be served by retaining the company's funds till better times.

The establishment of capacity for large-scale production of synthetic substitutes for natural rubber will have to be reckoned with when steps are being taken after the war to rehabilitate the rubber producing industry, but if the spirit underlying the Atlantic Charter prevails in those discussions, as it certainly should, there will be no difficulty in evolving a *modus vivendi* which should be acceptable to all interests.

THE NATIONAL BANK OF EGYPT

DIVIDEND AGAIN 14 PER CENT

EGYPT'S EVER-GROWING EFFORT

ALY SHAMSY PASHA'S REVIEW

The forty-second ordinary general meeting of the National Bank of Egypt was held at the head office of the bank in Cairo, on the 18th ultimo, Aly Shamsy Pasha (the president) was in the chair.

DIRECTORS' REPORT AND ACCOUNTS

The gross profit for the year, after providing for depreciation on the bank's buildings and furniture, for rebate of discount and for doubtful debts, amounts to L.E.905,060. After deducting from this sum L.E.19,676 for directors' fees and L.E.448,154 for current expenses there remains L.E.437,228. In conformity with Article 49 of the bank's Statutes a dividend of 4 per cent. is payable on the share capital, L.E.117,000, and after this distribution there remains L.E.320,228. Adding to this the balance brought forward from last year of L.E.210,229 the amount available is L.E.530,458. From this amount the directors recommend the payment of an additional dividend of 10 per cent. on the share capital, which will absorb L.E.292,500, and to carry forward the balance of L.E.237,958. The total dividend for the year will thus be at the rate of 14 per cent., equivalent to £1 8s. per share. An interim dividend of 8s. having been paid on September 1, 1941, there remains to be distributed the balance of £1 per share, which will be paid less taxation in accordance with existing laws.

BALANCE SHEET, 31ST DECEMBER, 1941

	L.E.	MM.	£ST.	s.	d.
LIABILITIES					
Share Capital:—					
300,000 fully paid Shares of £10 each	2,925,000	000	3,000,000	0	0
Statutory Reserve Fund	1,462,500	000	1,500,000	0	0
Special Reserve	1,462,500	000	1,500,000	0	0
Current, Deposit and other Accounts	33,408,552	678	34,265,182	4	8
Egyptian Government	13,514,413	217	13,860,936	12	8
Sudan Government	2,896,463	220	2,970,731	10	2
Mixed Tribunals	1,867,688	311	1,915,577	15	1
Public Debt Special Account	3,018,694	248	3,096,096	13	3
Bankers' Accounts	4,835,225	346	4,959,205	9	8
Cheques and Bills payable	219,356	109	224,980	12	6
Rebate of Discount on Bills not yet due	82,394	313	84,506	19	9
Dividends Unclaimed	225,857	294	231,648	10	2
Acceptances, &c.	2,277,563	945	2,335,963	0	5
Provision for Payment of Final Dividend at the rate of 10% p.a.	292,500	000	300,000	0	0
Profit and Loss Account Balance	237,958	781	244,060	5	9
	68,726,667	462	70,488,889	14	1
	L.E.	MM.	£ST.	s.	d.
ASSETS					
Government Securities and Securities guaranteed by the Egyptian Government	48,671,889	087	49,919,886	4	10
Sundry Securities	1,796,658	625	1,842,726	15	11
Advances on Merchandise	3,241,252	962	3,324,362	0	3
Advances on Securities	1,241,098	913	1,272,921	19	3
Advances Otherwise Secured	711,652	017	729,899	10	1
Sundry Other Advances	1,411,863	261	1,448,064	17	8
Bills of Exchange	248,487	073	254,858	10	9
Local Bills Discounted	26,735	103	27,420	12	4
Buildings, Furniture, &c.	178,857	567	183,443	13	2
Money at Call and at Short Notice	5,928,975	000	6,081,000	0	0
Bankers' Accounts	735,353	756	754,208	19	7
Clients' Liability for Acceptances, &c., as per contra	2,277,563	945	2,335,963	0	5
Cash:—					
Notes:—					
L.E. 2,040,453 : 000					
Gold and Silver Coin, &c.	215,827	153	2,314,133	9	10
	2,256,280	153	2,314,133	9	10
	68,726,667	462	70,488,889	14	1

G. M. ALLEMANN.
RAGHEB HANNA.

Directors.

C. N. NIXON.
Governor.

ISSUE DEPARTMENT

	L.E.	MM.	L.E.	MM.
Notes Issued	52,700,000	000	52,700,000	000
Gold	6,240,583	308		
British Government Treasury Bills*	20,109,416	692	26,350,000	000
Securities:—				
Egyptian Govt. Securities and Securities guaranteed by the Egyptian Govt.	1,500,000	000		
British Govt. Treasury Bills and War Loan	24,850,000	000	26,350,000	000
			52,700,000	000

* By authority of the Egyptian Government these Treasury Bills are deposited in lieu of gold.

THE PRESIDENT'S STATEMENT

Once again it is pleasing to record that the State finances have been maintained in a very satisfactory condition. Revenue from direct taxes, Customs and Excise have shown a marked increase, and State railway receipts are also considerably higher than last year. Expenditure, on the other hand, has been subject to close control and in many cases reduced.

It may be that the coming Budget will see a higher level of expenditure owing to the many new calls on the Treasury, but, with every indication of a continued expansion in revenue, the additional expenditure should be met without difficulty.

Evidence of the country's growing independence in financial affairs is to be found in the ready response to the Government's offer of Treasury bills.

The Government decided to issue short-dated bills as part of their borrowing programme in connection with the cotton purchase scheme, in order to meet the needs of banks and other financial institutions and provide an outlet for the large accumulated funds which, owing to wartime conditions, these institutions are compelled to hold in liquid form.

The influx of capital into Egypt as a result of the British Government's purchases of cotton during the past two seasons and the local expenditure of the Allied Armed Forces have created a considerable degree of prosperity in various branches of industry and commerce.

Turning to our own accounts, the balance-sheet gives impressive evidence of the bank's strength and ability to play its part in the war-time economic life of the country. Our resources have increased considerably during the year and, although this is most manifest in the Government balances, the increase of over L.E.7 million in the deposits of the general public affords striking testimony of the continued esteem and confidence which we enjoy.

Current deposit and other accounts have reached the record figure of L.E.33,408,552, compared with L.E.26,366,772 a year ago, while the various accounts of the Governments of Egypt and the Sudan together aggregated L.E.21,297,258 at the end of the year, against L.E.4,766,311 last year.

The reduction in our gross profit figure is somewhat misleading, as the fall is not due to a decline in earnings but to a change in the accounting procedure of the note issue department.

The profit and loss figures show a fall of L.E.16,442 in gross earnings and of L.E.52,061 in current expenses; there is thus an improvement of over L.E.35,000 in the final result of the year. Last year it was necessary to make a draft of L.E.7,913 on the carry-forward in order to maintain the dividend, and on this occasion we propose to add to the carry-forward the sum of L.E.27,729 and to make a distribution at the same rate as for the past two years—viz., 14 per cent.

The report and accounts were adopted.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

STRONG POSITION OF ORE RESERVES

MR. J. H. BATTY'S STATEMENT

At the annual meeting of the Ashanti Goldfields Corporation, Limited, held in London on the 9th instant, Mr J. H. Batty (chairman), presiding, stated that for the convenience of the shareholders (who had already received copies of the chairman's statement) the business of the meeting would be of a purely formal character.

The chairman's statement, which was taken as read, was as follows:—

In referring first to the balance sheet and profit and loss account, I should mention that although, at the urgent request of the Government, we have had to exercise the strictest economy in the use of paper, I think the figures in the condensed form are sufficient to give you a full review of the financial position of the Corporation. If there are any additional figures shareholders would like to have, the secretary will be only too pleased to supply them.

It will be seen from the balance sheet that there is no change in either the issued capital at £1,248,557 or the share premium at £677,464. The general reserve remains at £25,000 and the reserve for taxation, after appropriating £300,000 out of this year's profits, stands at £482,835.

I have nothing to add to the remarks I made last year in respect of the excess profits tax, except to say that negotiations are still pending with the income tax authorities, and it is still hoped that it may be possible to obtain some relief.

DIVIDEND

After making provision of £111,727 for depreciation, £300,000 for taxation, placing £10,000 to the pension fund, and the payment of the first and second interim dividends of £561,850, there is available to the credit of the profit and loss account (including £304,652 brought forward from last year) the sum of £759,497. It is recommended that a final dividend of 35 per cent., less income tax, be paid to the shareholders on April 10th, which will absorb the sum of £436,995, leaving a balance of £322,502 to be carried forward to next year's account.

Sundry creditors, exploring account and investments reserve at £327,219 is somewhat larger than for the previous year. Plant, machinery, works and buildings stand at £1,021,737, including expenditure during the year amounting to £137,189. Of this sum, £56,195 was in connection with new treatment plant and £30,139 was spent on the new aerial ropeway which is being erected to connect the new treatment plant, by way of the present mill and main shaft, with the south shaft. Expenditure on the main shafts amounted to £11,083.

The investments in British Government securities at £233,838 show a reduction of £149,000 due to the repayment during the year of Treasury bonds. The share investments in other companies stand at £639,227. The market value of both these investments is considerably higher than the figure at which they stand in the balance sheet. Cash and bullion total £727,480, being £31,480 higher than last year.

The royalty and export duty on gold premium payable to the Gold Coast Government amount to £110,982 and £247,634 respectively. These sums do not take into account the amount payable by the Corporation in this country in respect of income tax and excess profits tax.

MAIN FEATURES OF YEAR'S WORK

For reasons of economy already mentioned, the annual report of the general mines manager is not being circulated to the shareholders this year. This report can be seen at the Corporation's offices at St. Hilda's, Bushey, Herts, on application to the manager and secretary.

The main features of the year's work can be summarised as follows:—

Tons treated	228,300
Gold content per ton dwts.	23.86
Yield in fine ounces	264,079.20
Extraction per cent.	96.93
Working costs (less development)	32s.
Development footage	21,882
" cost per ton	5s. 3d.

ORE RESERVE:

Ashanti Mine	1,834,735 tons at 23.3 dwts.
Ayeinm	241,781 " 8.4 dwts.
Totals	2,076,516 " 21.6 dwts.

I trust the following comments on the work, though brief, will prove sufficient to enable shareholders to keep in touch with what is being done.

BUDGETED MONTHLY OUTPUT MAINTAINED

The monthly output programme budgeted for in last year's report was, on the whole, maintained, and the total for the year of 228,300 tons and 264,079 ounces was a satisfactory accomplishment under the circumstances. Working costs, as anticipated, were affected by the rising cost of supplies and services, and were some 1s. 11d. per ton higher than in the previous year.

There was a further curtailment of development, owing to some uncertainty as to the supply of explosives and other essential stores and spare parts; consequently the monthly footage was reduced and the total of 21,882 feet driven was some 5,500 feet less than in the year before.

Thanks, however, to the strong ore reserve position which was built up prior to the war, this curtailment of development need cause us no concern. In point of fact, the reduced footage last year exposed sufficient ore to add some 140,700 tons to the reserve, after deducting 228,300 tons, which were mined and treated. It so happens that the greater portion of the work done was on the less rich Obuasi south shoot, but some higher grade ore was also developed on the lower levels, so that the net result on the value of the whole reserve was to lower it only a fraction below the average value for the previous year.

During the current year we hope at least to open up sufficient ore to replace the current output. It is possible, however, that it will be more convenient for the management to again do most of the work on the lower grade Obuasi shoot, though the reef at the bottom of the mine will also receive attention.

REPORT ON LOWER LEVELS OF MINE

It may be of interest to record here the position on the lower levels of the mine. In his report the manager writes as follows:—

"No. 28 LEVEL: Advanced 210 feet to crosscut 8 south and 293 feet to crosscut 6 north. Development incomplete, but to date net length is 665 feet, 30.8 feet wide and 19.8 dwts. The total net

"No. 29 LEVEL: Advanced north to crosscut 3. Development incomplete. length to date of ore is 740 feet, 20.9 feet wide and 37.2 dwts.

"No. 30 LEVEL: Advanced 71 feet north to No. 7 crosscut and 249 feet south to crosscut 9 south. The net length of ore shoot exposed to date is 790 feet, 19.2 feet wide and 35.6 dwts. Development incomplete.

"No. 31 LEVEL: The total net length of the ore shoot is 500 feet, width 17.3 feet and 33.2 dwts. Development north and south incomplete.

"On all four levels further development is required before the final dimensions of the ore shoot will be known. To date, the average of the ore exposed on these four levels is:—

Length	674.0 feet.
Width	22.2 feet.
Value	30.25 dwts."

Since the above was written, additional crosscuts have already been reported on Nos. 28 and 29 levels, as follows:—

No. 28 LEVEL: No. 9 crosscut S., 16 ft. wide, value 39.8 dwts. No. 29 " No. 4 crosscut N., 24 ft. wide, value 45.7 dwts.

The ore reserves at September 30th stood at 2,076,516 tons of a value of 21.6 dwts. per ton, as compared with 1,935,808 tons of 21.8 dwts. per ton in the previous year.

The present ore reserves are about double in quantity and nearly 2 dwts. per ton higher in value than they were six years ago, which gives you a fair idea of the satisfactory progress which has been made during that period, in spite of the fact that we have progressively, year by year, increased tonnage and output. The present ore reserve is sufficient for about 9 years, at the present monthly throughput, and it would therefore be uneconomical to continue to develop new ore to any great extent and so increase our standing charges for maintenance of the workings.

During the year the south shaft was carried down 167 feet to No. 20 level at a total depth from the surface of 1,948 feet, whilst

the west shaft was sunk 225 feet to a total of 751 feet. All sinking has now been suspended. Stopping operations have been normal, and the manager reports that the plant and workings are all in good working order and that the ventilation system has been further improved.

The metallurgical department shows further improvement. The central treatment plant, reinforced by the retreatment plant, obtained a very satisfactory over-all recovery of 96.93 per cent., which is slightly better than in the previous year. The pilot flotation plant, having served its immediate purpose, was shut down towards the end of the year to economise in power and the use of stores, etc. It remains as a standby plant or for further bulk trials as may be required.

PROGRESS OF CONSTRUCTION WORK

The construction work on the surface was hampered by difficulties in obtaining delivery of material. Some progress was made with the new wet treatment plant, but no date can be given for its completion, as this work is being carried on spasmodically, depending on the arrival of the material at the mine.

Among other improvements, a new domestic water supply system was completed, with sand filters and large tank storage.

We have made substantial progress in the reforestation programme, and during the year we have cleared and planted some 726 acres.

You will naturally understand that our operations in the ensuing year will be governed largely by our ability to secure essential stores. You may be sure, however, that the directors are watching the position very closely, and every effort will be made to maintain the monthly returns somewhere near the present figures, although it may be necessary from time to time to make some modifications, depending on the progress of the war and the facilities for shipping.

In conclusion, it gives me pleasure to refer to the excellent work done by the management and staff, both at home and abroad, during a difficult year, and to especially record our appreciation of their services, which I am sure the shareholders will wish to endorse.

Lord Luke seconded the resolution adopting the report and accounts, which was carried.

BIBIANI (1927), LIMITED

RESULTS OF YEAR'S WORK

MR. J. H. BATTY'S STATEMENT

Presiding at the fifteenth annual general meeting of Bibiani (1927), Limited, held in London, on the 9th instant, Mr J. H. Batty (chairman) stated that with the shareholders' permission, and for their convenience, his usual statement would be taken as read, copies of it already being in the shareholders' hands. The business of the meeting was accordingly of a purely formal character.

The following is the text of the chairman's statement:— As already mentioned in the directors' report, in order to economise in the use of paper, the accounts on this occasion have been issued in a more condensed form, but it is thought that the information furnished will enable shareholders to compare the figures with the previous year.

Dealing with the balance sheet, it will be noted that the issued capital remains at £500,000, and there is no change in the share premium account, which stands at £436,318.

Reserve for taxes, after appropriating £180,000 out of this year's profits, amounts to £296,255. I shall be referring to this matter again later on.

RESTRICTED PROGRAMME OF DEVELOPMENT

No shaft sinking was undertaken during the year, and the figure of £25,265 is arrived at after making the usual provision for depreciation.

The expenditure on plant and machinery during the year amounted to £41,234. The chief items making up this sum were:—The provision of a new drill sharpening shop; the installation of 100,000 cubic feet per minute ventilating fan at No. 1 shaft north; and the completion of the African Hospital and its equipment.

Owing to the restricted programme of mine development, expenditure on this account only amounted to £9,786.

Stores and plant in stock amounted to £196,579, and every endeavour has again been made to maintain adequate supplies, both of stores and spares, in face of the increasing difficulties in placing orders and obtaining delivery.

Cash and bullion in transit amount to £291,698, which is about £40,000 more than last year.

PROFITS AND EPT

The profit for the year amounts to £305,544 after writing off £73,424 for depreciation on plant, machinery and buildings and main shafts. Out of this sum, £180,000 has been appropriated, principally to meet our estimated liabilities in respect of excess profits tax. As you will remember, I dealt at length with this matter in my speech last year, and I have only to add that it is hoped that our continued efforts to obtain relief from this inequitable taxation will meet with some success.

For reasons already stated, we have decided not to publish the report of the general manager on the year's work. We will, of course, be pleased to show this to any shareholder who wishes to see it, at the company's offices, St. Hilda's, Bushey, Herts, if he will write to the secretary.

I trust, however, that the following general account of operations will be found sufficiently informative.

A table showing the results of the year's work was included in the manager's report, and is given below:—

Tons milled	293,900
Head value (dwt.)	6.91
Yield—fine ounces	89,011
Actual extraction per cent.	87.67
Working costs (including development)	19s. 9d.
Development footage	5,747
Ore reserves—tons	2,548,204
Ore reserves value—dwt.	7.17

It will be seen that during the past year throughput reached 293,900 tons, with a yield of 89,011 ounces. The plant is, of course, capable of an output of 30,000 tons per month, as was demonstrated in the months of March, April and May in 1940, but with the declaration of war by Italy it became necessary to modify our programme, in order to ease the strain upon our European staff and the maintenance of supplies.

The manager reports that the development he has been able to accomplish has had to be devoted, for the most part, to furthering the ventilation and sand filling schemes, but that some 1,200 feet of exploration on No. 10 level has resulted in opening up some good grade ore north of the central shaft on that level, and some low grade ore south of the south shaft. Details of this work, as given in the manager's report, are:—

NO. 10 LEVEL NORTH OF CENTRAL SHAFT:

No. 18 crosscut east ...	Width 10 ft. Average assay value 10.1 dwt. per ton.
No. 20 crosscut east ...	Width 10 ft. Average assay value 14.7 dwt. per ton.
No. 21 crosscut west ...	Width 10 ft. Average assay value 5.5 dwt. per ton.
No. 22 crosscut west ...	Width 15 ft. Average assay value 40.2 dwt. per ton.

No. 10 LEVEL SOUTH OF SOUTH SHAFT: The ore body cut between Nos. 24 and 25 crosscuts east was of low grade, averaging 4.1 dwt. over a width of 5 feet.

On the surface a certain amount of useful construction work was carried out, though here, too, owing to war conditions, the programme was limited. A new and efficient drill sharpening shop, designed to serve the mine when working at full capacity, has been completed, and the capacity of the foundry, which becomes of increasing importance in view of the scarcity of spare parts for renewals, was enlarged. The new African Hospital, for which elaborate and full equipment has been sent out, was practically completed, and it has since been opened for general use. It is unfortunate that the proposed extension to our new African township has had to be slowed down, but it is encouraging to record that the late Governor, on his farewell visit to Bibiani, expressed the opinion that our village, and arrangements for our African employees generally, reflected great credit on the company.

TEN YEARS RESERVE OF ORE

ORE RESERVES.—These have been recalculated, and the ore reserve is now estimated to contain 2,548,204 tons, of an average

value of 7.17 dwt. per ton. The total is about 200,000 tons less than last year's estimate, and fractionally lower in value, but the position, which was built up prior to the war, is so strong—representing over ten years' output at our present rate of working—that no concern need be felt about the temporary curtailment of productive development, due to present world conditions. With the considerable widths which characterise the Bibiani ore body, we can look forward, with confidence, to making speedy and important additions to the reserve when the resumption of development becomes possible and desirable.

The problem of maintenance of supply of essential stores will continue to give us some anxiety, and, though we had built up our stocks even before war was declared, certain commodities are

now more difficult to replace. The entry of Japan into the war has increased these difficulties, and, as a necessary precaution, from the beginning of the present financial year the monthly output aimed at has been about 21,000 tons, to yield some 6,400 ounces. We are hoping there may be no occasion to make any further modification on these figures.

In conclusion, I should like to take this opportunity of recording the keen appreciation of my colleagues and myself, which I am sure will be endorsed by the shareholders, of the excellent results achieved by the manager and staff, both at home and abroad, under trying conditions.

Lord Luke seconded the resolution adopting the report and accounts, which was carried.

RECORDS and STATISTICS

STOCK EXCHANGES London

Note: all dealings are for cash

DESPITE the general uncertainty regarding the future course of events in the various theatres of war, interest at present is mainly centred on the coming Budget. In addition, the Easter holiday and the disappointing developments in India all contributed to the prevailing general uncertainty in the markets. The actual volume of business has in consequence been restricted, but the undertone, despite small irregular price movements, has been distinctly firm throughout. Few changes were witnessed in the *gilt-edged* market, although lack of demand before the holiday occasioned several small declines, prices later remaining steady. Interest in the *foreign bond* market was reduced to quiet support for South American issues, business generally failing to affect quotations. As elsewhere, the *home rail* market suffered a decline in turnover, but although *GW* ordinary weakened on some selling, losses were in general slight. Senior issues, in particular *LMS* 4 per cent 1923 and *LNE* 4 per cent First preference issues, received quiet support, but prices were barely affected. A slightly weaker tendency developed in the *foreign rail* market in the absence of buyers, but declines were few and did not exceed $\frac{1}{2}$ point. Later there were slight improvements in the *Funds*, while South American bonds were firm, but there was weakness in the *home rail* market.

Although interest was well spread throughout the various sections, actual activity in the *industrial* market had no marked effect on prices, which moved narrowly and without trend. Despite doubts regarding the Budget, brewery shares continued firm and numerous small improvements were registered before the holiday. Tobacco issues were more subdued, but prices in general remained steady. Some enquiry for leading issues occasioned a slight improvement in the motor and aircraft group, with *Raleigh Cycle Holdings* and *Austin* in particular request. Changes among heavy industrial shares were few, but prices were changed were generally better. *Colvilles* jumped rs. 7 $\frac{1}{2}$ d. on Good Friday on the maintenance of the dividend, while *Vickers* and *Ruston & Hornsby* both improved. Modest buying of textile issues occasioned some small advances, although the largest movement was a fall of $\frac{1}{8}$ for *Patons & Baldwins* on Tuesday. After remaining unchanged before the holiday, shipping issues weakened on Tuesday, although *Indo-China* deferred gained $\frac{1}{8}$ against the trend. The miscellaneous section reflected the general tone of the market and changes were generally small, with *Murex*, *Turner & Newall*, *Spillers* and *Ranks* all showing improvement. Building material shares were dull, and the repetition of last year's payments by *Pinchin*, *Johnson* and *Indestructible Paint* left prices unchanged.

The general tendency to await events was

particularly marked in the *kaffir* market, where, with little business coming from the Cape, interest remained at a low ebb. Although the returns for *Grootvlei* and *East Geduld* occasioned gains of $\frac{1}{8}$ and $\frac{1}{16}$ respectively on Good Friday, small losses predominated. While the actual turnover in the rubber market was slight, numerous small improvements reflected the persistent enquiry for low-priced shares. The tin market, however, was without interest. Activity in the oil market was restricted to the few leading issues, and in view of the events in *Burma*, *Anglo-Iranian*, *Burmah* and *Shell* all displayed weakness. Although *Anglo-Iranian* lost $\frac{3}{8}$ in the previous week, changes were generally slight. *Ultramar*, however, advanced 2s. 6d. over the same period, after the completion of the sale of a large holding.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	30 Ord. shares*	20 Fixed Int.†
Mar. 25	3,024	2,495	75.5	134.5	
" 27	2,990	2,501	75.6	134.5	
" 30	2,847	2,501	75.6	134.7	
" 31	2,495	3,352	75.8	134.7	
April 1	2,629	2,699	75.6	134.8	
" 2	2,276	2,736	75.7	135.0	
" 3	1,874	2,763	75.8	135.0	
" 7	2,314	3,072	76.0	135.0	
" 8	2,345	2,422	76.0	135.0	

* July 1, 1935=100. † 1928=100. ‡ Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 25). 20 Fixed Int., 1942; highest 135.0 (Apr. 8); lowest, 132.2 (Jan. 5).

New York

THROUGHOUT the past week conditions on Wall Street have been quiet. With traders holding off pending decisive military developments and a clarification of the tax position, turnover failed to expand. Apart from a slight rally immediately before the Easter recess, prices fluctuated narrowly without trend. Later, some light selective buying occasioned a firmer tendency.

New York Prices

STANDARD STATISTICS INDICES (1935-36=100)

WEEKLY AVERAGES

	1942	Mar. 18, 1942	Mar. 25, 1942	Apr. 1, 1942
	Low	High		
347 Industrials	65.40	75.0	66.9	65.9
32 Rails	61.7	71.06	64.7	61.7
40 Utilities	57.7	67.44	59.7	57.7
419 Stocks	64.4	73.3	65.7	64.4
Av. yield*	8.02%	7.65%	7.91%	8.02%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4. (c) Mar. 11.

DAILY AVERAGE OF 50 COMMON STOCKS

Mar. 19	Mar. 20	Mar. 21	Mar. 23	Mar. 24
82.2	81.9	82.8	82.2	82.1

Mar. 25	Mar. 26	Mar. 27	Mar. 28	Mar. 30
81.2	81.1	81.3	80.9	81.3

1942 High: 91.2, Jan. 5. Low: 79.8, Mar. 11.

Total share dealings: Mar. 26, 310,000; Mar. 27, 313,000; Mar. 28, 131,000; Mar. 30, 228,000; Mar. 31, 280,000; Apr. 1, 281,000; Apr. 2, 372,000; Apr. 3, Good Friday; Apr. 4, 176,000; Apr. 6, 350,000; Apr. 7, 308,000; Apr. 8, 295,000.

* Two-hour session.

Capital Issues

Week ending April 11, 1942	Nominal Capital £	Conversions	New Money £
Particulars of Government issues appear on page 522.			
Year†	Including Conversions	Excluding Conversions	
1942	586,051,545	582,049,486	
1941	380,099,328	380,099,328	

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1942	581,812,690	199,308	7,488
1941	357,550,223	2,549,103	Nil

Year†	Deb.	Prof.	Ord.
1942	580,071,139	156,279	1,622,064
1941	357,437,812	34,460	2,627,064

† Includes Government issues to Mar. 31, 1942, only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS
Lisbon Electric Tramways.—The £263,600 outstanding 5 per cent Mortgage Debentures will be repaid at 110 per cent on September 30, 1942.

London Passenger Transport Board.—The Treasury has agreed to the replacement on January 1, 1943, of £12,583,000 of 4½ per cent Trade Facilities Acts Stock with a security bearing a lower rate of interest having the same ranking and similar guarantee as to principal and interest by the Government. This approval is subject to the necessary Parliamentary Powers being granted to the Board.

Madeira-Mamore Railway.—The Trustees of this Railway propose to make an immediate further repayment of £8 ros. per cent on the 6 per cent and 5½ per cent First Mortgage Cumulative Income Bonds.

Yardley and Company, Limited.—This company will redeem its £168,630 6 per cent Second Cumulative Preference shares at 24s. per £1 share on July 1, 1942. A full half-year's dividend is to be paid on July 1st for the half-year ending June 30, 1942.

Pretoria (City of).—The City of Pretoria is to redeem at par on July 1, 1942, the £504,118 outstanding 4½ per cent inscribed stock.

COMMODITY AND INDUSTRY NEWS

AMERICAN WHOLESALE PRICES

	Mar. 30, 1942	Mar. 30, 1942
	Cents	Cents
GRAINS (per lb.)—		
Wheat, Chicago, May	126½	126½
Maize, Chicago, May	87½	88½
Oats, Chicago, May	55½	56
Rye, Chicago, May	78½	80½
Barley, Winnipeg, May	64½	64½

	Mar. 30, 1942	Mar. 30, 1942
	Cents	Cents
MISCELLANEOUS (per lb.)—		
Cotton, N.Y., Am. mid., spot	20.64	21.24
" Am. mid., April	18.99	19.55
Cotton Oil, N.Y., May	13.95	13.98
Lard, Chicago, May	12.55	12.84
Petroleum, Mid-cont. crude, per barrel	117	117
Moody's Index of staple commodities, Dec. 31, 1931=100	230.1	231.4*
	Mar. 27th.	

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937	Mar. 30, 1939	Mar. 31, 1941	Mar. 17, 1942	Mar. 30, 1942
Cereals and Meat	93.0	66.9	96.1	109.5	110.0
Other food	70.4	61.1	92.7	99.5	99.5
Textiles	74.2	54.3	89.8	93.3	93.3
Minerals	113.2	95.4	130.0	130.7	130.7
Miscellaneous	87.0	77.6	111.9	118.3	118.3
Complete Index	87.2	70.3	104.3	110.3	110.3
1913=100	119.9	96.8	143.5	151.8	151.8

* Highest level reached during 1932-37 recovery.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE.

	Daily Average Sales	Stks. (at cost) end Feb.
	1941	1942
Dec. Jan. Feb.		

(a) By Commodities

Non-food Merchandise:—	+16.7	+10.3	+15.8	+0.8
Piece-goods	-17.5	+9.3	+5.0	+10.8
Women's Wear	-16.0	+20.1	+22.6	+9.9
Men's and Boys' Wear	-5.2	+32.6	+27.5	+9.1
Boots and Shoes	+28.7	+32.4	+38.5	+10.2
Furnishing Departments	-1.8	-9.8	-3.2	-3.1
Hardware	-0.2	-3.2	+0.6	+4.3
Fancy Departments	-25.4	-2.4	-6.6	-16.2
Sports and Travel	+3.4	+3.3	+3.6	-26.0
Miscellaneous				
Total	-7.4	+12.0	+11.3	+3.7
Non-food Merchandise	-1.9	+1.1	+1.8	+4.1
Food and Perishables				
Total	-4.6	+4.1	+5.4	+3.8

(b) By Districts

Scotland	-0.8	+5.3	+4.9	+0.4
North-East	+1.4	+5.1	+5.8	+3.4
North-West	-0.1	+4.9	+6.1	+2.6
Midland and S. Wales	-1.9	+1.0	+1.6	+3.1
South England	-3.9	-2.3	Nil	+2.7
Central and West-End				
London	+10.3	+12.0	+26.9	+4.8
Suburban London	Nil	+6.1	+7.0	+9.9

Source: Board of Trade Journal.

Food Control.—The Ministry of Food will allow consumers to buy one lb. of sugar for jam making, instead of the preserves ration of one lb. for any or all of the three four-weekly periods from April 6th to June 28th. Condensed milk and cereal breakfast foods were included in the points rationing scheme from April 6th. The pointing for condensed milk varies according to the type, but is roughly 4 points for just under the equivalent of a pint of milk. For the cereal breakfast foods, containers of 8 oz. and under require 2 points; 8 oz. to 12 oz., 3 points, and over 12 oz., 4 points. For the current period, April 6th to May 3rd, the number of points on each ration book has been raised from 29 to 24.

Export Control.—Under the Export of Goods (Control) (No. 15) Order (S.R. & O. 1942, No. 578), made by the Board of Trade, collapsible containers of lead or tin, manufactures of cork, clock movements for recording instruments, woollen woven tissues cut to a width of 18 inches or less, and a number of additional chemicals, including butyric acid, diethanolamine, gas detector paint, iron oxides, monoethanolamine, tin oxides and triethanolamine will be subject to export control. The existing licence requirements in respect of woollen woven tissues, chromium compounds and various lead compounds are superseded by new provisions. Exports of all kinds of hosiery and hose made wholly or mainly of wool will be subject to licence under the Export of Goods (Control) (No. 16) Order (S.R. & O. 1942, No. 602). This Order has been made to safeguard essential supplies for the home market and, for the present, applications to export these goods will not normally be entertained. Both Orders come into force on April 21st.

"Utility."—The Board of Trade has restricted the use to which the word "utility" may be put when applied to clothing. By the Order (S.R. & O. 1942, No. 556), the word "utility," or any word resembling it, must not be employed in trade descriptions or advertisements relating to cloth and apparel which is not utility cloth and apparel as defined in Orders made by the Board of Trade—unless it is made clear that the cloth or apparel in question is not a Board of Trade utility article. The purpose of the Order is to protect customers who wish to buy official utility marked cloth and clothing from being misled.

Fewer Boots and Shoes.—Boot and shoe supply licences for the period April to May, 1942, have been reduced from those of the previous period of December, 1941, to March, 1942. The following cuts have been made in boot and shoe production: men's, ordinary, 20 per cent (no cut is made in men's heavy boots and shoes or in boys' and youths' boots and shoes); women's, 11.5 per cent; girls' and maids', 10 per cent; fabric and slippers and house shoes, 27 per cent; infants' supplementary licences are to be cut by one half.

Civilian Hosiery Directorate.—The Board of Trade has appointed Mr. L. Foyster Director of Civilian Hosiery. He will have the task of guiding production in the hosiery industry to obtain from the reduced resources the maximum output of garments most essential to the civil population, especially utility garments. Mr. Foyster was formerly with Marks and Spencer, Ltd.

Fertiliser Control.—The Minister of Supply has made the Control of Fertilisers (No. 20) Order, 1942, which until June 15th, 1942, limits forward sales of triple or other superphosphates, potash or basic slag or a compound fertiliser containing these materials. Retail distributors may only sell for application to the land by the buyer before June 30th, while manufacturers and wholesale distributors may not sell for delivery after that date. The object of the Order is to encourage the use this season of all available stocks of the fertilisers in question.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended	From Apr. 1 to
	Mar. 21, 1942	Mar. 28, 1942
	1942	1941
Argentina	5	7,454
Atlantic America	8	2,942

Source: The Corn Trade News.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week Ended	From Aug. 1 to
	Mar. 21, 1942	Mar. 28, 1942
	1942	1941
N. America	634	520
Argentina, Uruguay	147	271
	14,266	16,962
	6,382	5,920

Source: The Corn Trade News.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	Mar. 31, 1937	Aug. 31, 1939	Apr. 8, 1941	Mar. 9, 1942	Mar. 25, 1942
Crops	147.9	92.2	110.1	116.2	115.9
Raw materials	207.3	122.9	173.5	172.7	172.7
Complete Index	176.1	106.4	138.1	141.7	141.5
Crops	115.9	115.0	115.0	115.0	115.0
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	141.5	140.9	140.9	140.9	140.9
Crops	115.0	115.0	115.0	115.0	115.0
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	140.9	140.9	140.9	140.9	140.9

* Highest level reached during 1932-37 recovery. † Easter Monday, Markets Closed.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1926 of the Colony.)

AUTHORISED CAPITAL - - - \$50,000,000
ISSUED AND FULLY PAID-UP - - \$20,000,000
RESERVE FUNDS (STERLING) - - £6,500,000
RESERVE FUNDS (HONGKONG CURRENCY) - \$10,000,000
RESERVE LIABILITY OF PROPRIETORS \$20,000,000

Head Office, HONGKONG.
temporarily transferred to
LONDON OFFICE, 9, Gracechurch Street, E.C.3.
Acting Chief Manager: A. MORSE.
BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.
HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9 Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.
Full particulars may be had on application.

THE CUNARD STEAM SHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books for Ordinary Stock and Preference Stocks will be closed from the 15th April until the 28th April, 1942, both days inclusive.

By Order of the Board,
H. J. FLEWITT, Secretary.
Offices: Cunard Building, Liverpool. 9th April, 1942.

WANTED

Copies of The Economist dated January 17, 24 and 31 and February 28, 1942

Readers having Copies of the above dates for disposal please write to Box 84.

APRIL 8, 1942
UE DEPARTMENT

ISSUE DEPARTMENT	
Notes Issued:	Govt. Debt...
In Circul. 763,926,370	Other Govt. 11,075,100
In Bankg. De-	Securities 767,155,978
partment... 16,515,205	Other Secs. 1,818,981
	Silver Coin 11,751
	Amt. of Fid. 780,000,000
	Issue
	Gold Coin &
	Bullion (at
	168s. per oz. 241,575
	line)
	780,241,575

BANKING DEPARTMENT

Govt. Secs.	172,462,500
Other Secs.	
Discounts & Advances	6,148,546
Securities	22,040,000
Notes	26,186,579
Gold & Silver Coin	15,315,205
	327,157
	217,291,779
Savings Banks, Com. & Dividend Accounts.	

* Including Exchequer.

APRIL 1, 1942
ISSUE DEPARTMENT

Notes Issued:	£		Govt. Debt...	£	11,015,100
In Circul. ...	758,805,109		Other Govt.		
In Bank, De-			Securities ...	767,121,641	
partment...	21,436,466		Other Sers. ...	1,854,805	
			Silver Coin ...	8,454	
			Amt. of Fid.		
			Issued ...	780,000,000	
			Gold Coin &		
			Bullion (at		
			168s. per oz.		
			fine)	241,575	
	780,241,575			780,241,575	

BANKING DEPARTMENT	
Props.' Capital	14,553,000
Res.	5,520,844
Public Deps.*	20,655,381
Other Deps.:	
<i>Bankers</i>	116,272,703
<i>Other Atcts.</i>	51,180,413
	167,453,116
	206,182,341
Govt. Secs.	153,977,638
Other Secs.:	
<i>Discounts &</i>	
<i>Advances</i>	8,073,805
<i>Securities</i>	23,271,959
	31,345,764
Notes.....	21,436,466
Gold & Silver	
Coin.....	322,273
	206,182,341

Egypt. Piastres (97½) 97½-\$. **India.** Rupee (18d. per
rupee) 17½-18½d. **Belgian Congo.** Francs 176½-2

China. National \$ 2½-3½d.

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—**United States.** $\frac{1}{2}$ cent pm.-par. **Canada.** $\frac{1}{4}$ cent pm.-par. **Switzerland.** 3 cents pm.-par. **Sweden.** 3 ore pm.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Apr. 1st and Apr. 10th :—
Bank rate, 2% (changed from 3% October 26, 1939).
Discount rates : Bank Bills, 60 days. 1½% : 3 months,

**AUSTRALIAN COMMONWEALTH
BANK—Million £A's**

12 U.S.F.R. BANKS	April 1941	Mar. 1942	Mar. 1943	Apr. 1944
RESOURCES				
Gold certificates on hand and due from Treasury	19,441	19,442	19,442	19,444
Total reserves	20,101	20,494	20,483	20,480
Total cash reserves	324	339	340	340
Total U.S. Govt. securities	2,184	2,249	2,248	2,247
Total bills and secs.	2,184	2,249	2,259	2,247
Total resources	23,551	24,721	24,261	24,341
LIABILITIES				
F.R. notes in circ.	6,159	8,557	8,548	8,548
Excess ur. bank res.	5,940	1,360	2,856	3,101
Mr. bank res. dep.	13,506	12,959	12,857	12,857
Govt. deposits	1,045			
Total deposits	16,951	14,345	14,351	14,341
Total liabilities	23,551	24,721	24,261	24,261
Total liabilities	91.2%	90.9%	91.0%	91.0%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	72,364	72,686	72,684	72,684
Treasury & bank currency	3,110	3,473	3,274	3,300
LIABILITIES				
Money in circulation	8,944	11,274	11,462	11,462
Treasury cash and dep.	3,236	2,236	2,547	2,547

	Feb. 3, 1941	Jan. 19, 1942	Jan. 26, 1942	Feb. 3, 1942
ASSETS				
Gold and English ster.....	17-71	21-95	21-95	21-95
Other coin, billion, etc.....	6-64	7-15	8-32	8-31
Call money, London.....	59-41	29-42	30-33	31-31
Secrts. and Treas. bills.....	90-93	63-83	68-94	95-95
Discounts and advances.....	27-06	26-69	23-03	31-31
LIABILITIES				
Notes issued.....	62-37	81-36	81-36	81-36
Deposits, etc.....	122-89	134-18	143-50	155-55

CENTRAL BANK OF ARGENTINA
Million paper pesos

The Bank of England's official buying price for gold remained at 188s. 0d. per fine ounce throughout the war. In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.
April 2.....	23 ⁷ / ₁₆	23 ⁷ / ₁₆
" 3.....	23 ⁷ / ₁₆	23 ⁷ / ₁₆
" 7.....	23 ⁷ / ₁₆	23 ⁷ / ₁₆
" 8.....	23 ⁷ / ₁₆	23 ⁷ / ₁₆

	Feb. 15, 1941	Jan. 15, 1942	Jan. 31, 1942	Feb. 15, 1943
ASSETS				
Gold at home	1,071	1,075	1,075	1,075
Other gold and for exch.	271	467	479	479
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	350	394	394	394
LIABILITIES				
Notes in circulation	1,215	1,376	1,390	1,390
Deposits: Government	163	83	84	84
Banks	478	549	553	553
Certs. of participation	67	30	30	30
Reserve ratio	75.3%	75.4%	75.4%	75.4%

CENTRAL BANK OF TURKEY
Million Turkish pounds

RESERVE BANK OF INDIA						
Million rupees						
	Mar. 28, 1941	Mar. 6, 1942	Mar. 13, 1942	Mar. 20, 1942	Mar. 27, 1942	Mar. 24, 1943
ASSETS						
Gold coin & bullion	444	444	444	444	444	444
Rupee coin	348	290	280	280	278	278
Balances abroad	423	547	384	359	359	359
Sterling securities	1,022	1,939	2,093	2,093	2,093	2,093
Ind. Govt. rup. securities	879	1,313	1,313	1,313	1,313	1,313
Investments	72	114	113	119	119	119
LIABILITIES						
Notes in circ. : India	2,406	3,646	3,747	3,789	3,789	3,789
Burnam	171	258	264	274	274	274
Deposits : Govt.	224	195	173	236	236	236
Banks	355	432	417	417	417	417
Reserve ratio	54.5%	59.8%	61.5%	62.1%	62.1%	62.1%

	Dec. 14	Nov. 8	Nov. 29
ASSETS			
Gold	108-9	113-4	115-4
Cleaning and other exch.	31-07	51-4	55-8
Treasury bonds	138-8	137-0	137-0
Commercial bills	258-5	287-8	297-5
Securities	55-9	56-8	56-6
Advances	110-9	174-8	177-0
LIABILITIES			
Notes in circulation	408-8	511-5	511-5
Deposits	182-1	182-7	182-1
Cleaning and other exch.	35-9	28-1	27-0

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

	Barclays Bank Ltd.	Coutts & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	Provincial Bank Ltd.	Westminster Bank Ltd.	Williams Deacon's Bank Ltd.	Aggregate
DATE	31st	30th	25th	17th	24th	25th	25th	24th	25th	26th	23rd	
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, Bank Notes and Balances with the Bank of England.....	64,569	3,004	12,965	5,446	65,501	16,420	72,389	4,320	48,931	49,038	6,674	347,257
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland.....	26,916	880	3,609	2,121	19,158	4,044	21,859	215	17,504	21,598	3,840	121,754
Items in Transit.....	20,448	1,260	4,629	10,022	23,140	5,290	21,550	4,671	19,772	19,981	6,032	136,575
Money at Call and Short Notice.....	4,139	1,299	3,202	1,155	34,801	4,647	39,569	1,050	27,853	15,232	701	162,948
Bills Discounted.....	96,000	3,000	24,000	4,000	84,500	23,000	107,500	500	59,500	62,000	11,500	475,500
Treasury Deposit Receipts.....	178,593	15,048	50,623	20,464	177,702	67,535	218,760	16,479	142,513	153,150	21,168	1,049,835
Investments.....	179,515	8,984	25,264	9,098	143,420	35,818	170,394	15,896	113,406	125,610	12,314	837,719
Advances to Customers and other A/cs.....	13,033	1,190	2,657	3,998	21,522	9,135	14,242	174	11,236	23,097	1,784	102,068
Liabilities of Customers for Acceptances, Endorsements, etc.....	7,938	405	1,483	740	7,004	2,868	9,090	547	7,101	5,087	957	43,220
Bank Premises Account.....	6,215	---	---	---	3,780	---	8,502	---	2,514	2,992	---	23,803
Investments in Affiliated Banks and Subsidiary Companies.....	636,366	33,070	128,432	57,044	590,023	162,131	673,735	43,852	450,350	475,785	64,970	3,315,738
Ratio of Cash to Current, Deposit and other Accounts.....	10.83	10.05	10.82	10.65	11.70	11.31	11.46	10.92	11.62	11.50	11.07	11.30
LIABILITIES												
Capital Paid up.....	15,858	1,000	2,977	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,198
Reserve Fund.....	11,250	1,000	2,976	850	19,000	3,600	12,410	1,160	8,500	9,320	1,000	62,066
Current, Deposit and other Accounts.....	596,225	29,880	119,822	51,156	542,881	145,214	631,924	39,546	421,115	434,031	60,311	3,071,885
Acceptances, Endorsements, etc.....	13,033	1,190	2,657	3,998	21,522	9,135	14,242	174	11,236	23,097	1,784	102,068
Notes in Circulation.....	---	---	---	---	10	22	---	1,472	---	17	---	1,521
	636,366	33,070	128,432	57,044	590,023	162,131	673,735	43,852	450,350	475,785	64,970	3,315,738

Shorter Comments

Celanese Corporation of America (\$000s).
 -Net sales during year ended December 31st \$62,277 (\$44,511), net income \$7,106 (\$6,377). Taxation \$8,394 (\$5,425), dividends \$5,013 (\$3,901), equivalent to \$2.75 per share. A stock distribution of 1 share in 30 was made last year.

Bell Telephone of Canada (\$000s).—Total operating revenue year ended December 31, 1941, \$50,715 (\$45,775), maintenance \$13,997 (\$13,125), depreciation \$8,304 (\$7,897), taxation \$8,076 (\$5,445), net operating income \$10,292 (\$9,979), with other income totalling \$10,949 (\$10,588). Fixed charges \$3,646 (\$3,898), dividends \$6,622 (\$6,525), surplus \$681 (\$166).

Shell Union Oil Corpn. (\$000s).—Net operating income year ended Dec. 31st \$21,334 (\$15,655) after writing off drilling costs totalling \$14,647 (\$12,282), but before creating special reserve \$4,000 (nil). Net income equal to \$1.63 (\$1.05) per common share, dividends declared \$1 (75 cents), consd. earned surplus \$22,612 (\$20,861).

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.														
Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Mar. 31, 1942	Price, Apr. 7, 1942	Yield, Apr. 1942	Prices, Year 1942		Last two Dividends	Name of Security	Price, Mar. 31, 1942	Price, Apr. 7, 1942	Yield, Apr. 1942
High	Low	High	Low					High	Low					
82½	76½	83½	82½	British Funds	83½	83½	3 s. d.	45/9	43/-	% a	Iron, Coal and Steel	44/3	44/6	4 18 9
113½	110	113½	111½	Consols 2½% (after 1957)	112½	112½	3 10 9	50/-	46/6	7 b	Babcock & Wilcox £1	50/-	49/4½	6 1 9
100	98	100	99	Conv. 2% 1943-45	100	99½	2 0 1	28/4½	27/-	3½ a	Bolover Colliery Ord. £1	27/3	27/3	8 6 0
100	98	100	99	Conv. 2½% 1944-49	99½	99½	2 13 0	22/9	18/3	17½ b	Brown (John) Ord. 10/-	18/7½	18/7½	Nil
103½	101	103½	101½	Conv. 3% 1948-53	101½	101½	2 14 0	20/8½	14/-	7 c	Colvilles Ord. £1	15/4½	15/4½	8 6 0
106½	103½	106½	104½	Conv. 3½% (after 1961)	106½	106½	3 5 10½	22/6	20/-	12½ b	Dorman Long Ord. £1	21/7½	21/7½	8 11 9
108½	105½	108½	106½	Conv. 5% 1944-54	103½	103½	3 3 6	27/9	25/7½	7½ a	Guest Keen & Co. Ord. £1	26/3	26/3	3 11 0
100	97½	100	98½	Funding 2½% 1952-57	99½	99½	2 19 0	45/6	42/1½	14 b	Hadfields Ord. 10/-	43/6	43/6	3 11 0
101½	98½	101½	99½	Funding 3% 1959-69	100	99½	2 16 0	47/-	45/3	12½ c	Staveley Coal Ord. £1	47/-	47/-	3 11 0
101½	98½	101½	99½	Funding 4% 1960-90	100	99½	2 19 0	35/0	33/-	4 a	Swan, Hunter & Co. £1	31/9	31/9	6 18 0
102	100	102	100	Nat. Def. 2½% 1944-48	100½	100½	2 9 0½	17/6	15/5½	5½ b	United Steel Ord. £1	23/-	23/-	6 3 0
100½	99½	100½	99½	Nat. Def. 3% 1954-58	101	101	2 18 0	10/10½	7/-	4 a	Vickers Ord. 10/-	16/3	16/3	Nil
100½	99½	100½	99½	War Bonds 2½% 1945-47	99½	99½	2 10 0	8/-	6/4½	Nil c	Bradford Dyers Ord. £1	7/3	7/3	Nil
100½	100	100½	99½	War Bonds 2½% 1946-48	99½	99½	2 10 0	39/1½	34/1½	Nil c	British Celanese Ord. 10/-	35/-	35/3	5 13 3
101	100	101	100	Savings Bds. 3% 1955-65	100	100	3 0 0	36/3	31/-	6½ b	Coats, J. & P. Ord. £1	32/6	32/6	4 12 9
114½	110½	114½	112½	Victory Bonds 4%	113½	113½	3 0 0½	26/3	22/9	7½ c	Courtaulds Ord. £1	25/3	25/3	4 16 0
101½	100½	101½	100½	War Loan 3% 1955-59	100	100	2 19 9	73/9	72/-	10 b	Lancs. Cotton Corp. £1	72/6	72/6	4 10 9
106½	103½	106½	104½	War Loan 3½% aft. 1952	105½	105½	3 6 6½	22/9	20/9	7½ a	Crompton Park 'A' 5/-	39/6	39/6	4 4 3
96½	93½	96½	94½	Local Loans 3%	96½	96½	3 2 3	40/6	37/6	10 c	English Electric Ord. £1	82/-	82/3	4 5 3
99½	95½	99½	98½	Redemption 3% 1986-96	98½	98½	3 1 0	38/7½	34/6	3 a	County of London £1	28/6	28/-	4 5 3
102	100	102	101	Austria 3% 1933-53	101	101	2 17 10	29/-	27/1½	2½ a	Edmundsons Ord. £1	13/-	13/1½	4 8 0
101½	96	101½	100½	India 3½%	101½	101½	3 9 0	31/6	29/4½	4½ b	Gas Light & Coke Ord. £1	31/-	31/6	4 2 0
105½	101	105½	103½	Dom. & Col. Govts.	101	102	4 5 6	38/7½	34/6	3 a	North-East Electric £1	39/-	39/-	4 2 0
106	100	106	100	Australia 5% 1945-75	101½	101½	4 11 6	29/-	28/-	2½ a	Scottish Power Ord. £1	16/-	16/-	3 2 9
111	107½	109	107½	New Zealand 5% 1946	108	108	3 15 0	14/7½	12/7½	4½ b	Yorkshire Electric £1	22/9	22/9	4 10 9
108½	106	108½	105½	Nigeria 5% 1950-60	106	106	3 7 4	31/6	29/4½	4½ b	Edmundsons Ord. £1	13/-	13/1½	4 8 0
93½	84½	97	93½	Corporation Stocks	96½	96½	3 2 2	39/9	38/1½	5½ b	Gas Light & Coke Ord. £1	31/-	31/6	4 2 0
99	93	99	98	Birmingham 5% 1946-56	99	98½	3 2 7	40/3	39/-	3 a	North-East Electric £1	39/-	39/-	4 2 0
106	100½	106½	105	L.C.C. 3%	99	98½	3 1 6	17/3	15/-	10 c	Scottish Power Ord. £1	16/-	16/-	3 2 9
99½	77	99	97½	Liverpool 3% 1954-64	99	99	4 10 11	20/1½	19/6	7½ c	Yorkshire Electric £1	22/9	22/9	4 10 9
48½	31	49	31	Middlesbrough 3½% 1957-62	105	105	3 1 6	14/9	12/7½	10 c	Edmundsons Ord. £1	13/-	13/1½	4 8 0
27½	21½	27½	21½	Foreign Governments	99	99	4 10 11	11/4	9/6	6 b	Gas Light & Coke Ord. £1	31/-	31/6	4 2 0
84	71½	84	71½	Argentina 4½% Stg. Hds.	54	54	4 12 7½	14/9	12/4½	10 c	North-East Electric £1	39/-	39/-	4 2 0
42	38	42	38	Brazil 5% Funding 1914	24	24	6 14 2	26/4½	24/-	6 c	Scottish Power Ord. £1	16/-	16/-	3 2 9
75	58	75	58	Chile 6% (1929)	85	85	4 14 2	13/1½	11/4½	15 a	Yorkshire Electric £1	22/9	22/9	4 10 9
43	27	43	27	Egypt Unified 4%	76	76	4 12 0	33/3	30/-	17½ b	Hawker Siddley 5/-	67/6	66/6	2 18 0
45	28	45	28	Japan 5½% 1930	6	6	...	69/6	65/-	2½ a	Lucas (Joseph) Ord. £1	30/6	30/3	4 7
				Portuguese 3%	76	76	4 0 0	33/3	30/-	17½ b	Morris Motors 5/- Ord.	91/3	91/3	Nil
				Spanish 4%	34	33	12 2 6	91/3	82/6	20 c	Rolls-Royce Ord. £1	14/10½	14/9	5 19 0
											Shipping	22/9	22/9	5 19 0
											Cunard Ord. £1	27/4½	27/9	5 19 0
											Furness, Withy Ord. £1	22/6	22/6	5 19 0
											P. & O. Def. £1	19/1½	19/1½	5 19 0
											Royal Mail Lines Ord. £1	19/1½	19/1½	5 19 0
											United Castle Ord. £1	19/1½	19/1½	5 19 0
											Tea and Rubber	4/9	5/3	15 6 6
											Allied Sumatra Rbr. £1	9/-	9/-	15 6 6
											Anglo-Dutch of Java £1	21/3	21/3	9 9 0
											Jokai (Assam) Tea £1	1/-	1/-	0 0 0
											London Asiatic Rbr. 2/-	12/-	12/-	Nil
											Rubber Ptns. Trust £1	11/9	11/9	Nil
											United Serdang Rbr. 2/-	1/-	1/-	Nil
											Oil	36/3	36/3	2 15 0
											Anglo-Iranian Ord. £1	30/7½	30/-	10 0 0
											Burmah Oil Ord. £1	38/9	38/9	2 11 0
											Shell Transport Ord. £1	67/6	67/6	4 8
											Trinidad Leaseholds £1	45/-	45/-	3 6
											Miscellaneous	37/6	37/6	5 12
											Assoc. P. Cement Ord. £1	33/1½	33/1½	4 12
											Barker (John) Ord. £1	32/9	32/9	4 18
											Boots Pure Drug Ord. 5/-	43/6	43/6	4 18
											British Aluminium £1	97/9	97/9	66/10½
											Brit.-Amer. Tobacco £1	66/10½	66/10½	4 14
											British Oxygen Ord. £1	20/7½	21/3	7 15
											British Plaster Board 5/-	52/6	51½	5 4
											Cable & Wir. Hdg. Stk.	102/6	105/-	7 18
											Carerras 'A' Ord. £1	25/3	25/3	4
											Consolidated Rubber £1	14/-	14/-	5 0 0
											Eleo. & Mus. Ind. 10/-	23/9	23/9	11 17
											Gestetner (D.) 5/-	35/-	35/-	4 26
											Harrissons & Cos. Def. £1	32/6	32/6	6 8
											Imperial Chemical Ord. £1	40	40	4 17
											Imperial Tobacco Ord. £1	40	40	4 17
											International Nickel n.p.	41/3	41/3	5 2 9
											Lever & Unilever Ord. £1	34/9	34/9	4 7 0
											London Brick Ord. £1	31/9	31/9	0 0 0
											Marks & Spencer 'A' 5/-	21/3	21/3	5 0 3
											Murex £1 Ord.	66/10½	66/10½	4 14
											Pinch-John Ord. 10/-	21/3	21/3	5 0 3
											Spillers Ord. £1	66/10½	66/10½	4 14
											Tate and Lyle Ord. £1	66/10½	66/10½	4 14
											Triplex Safety Glass 10/-	32/6	32/6	4 16
											Tube Investments Ord. £1	82/-	82/-	5 16 6
											Turner & Newall Ord. £1	64/6	64/6	5 10
											United Molasses Ord. 6/8	28/9½	28/9½	5 0
											Woolworth Ord. 5/-	50/-	50/-	0 0 0
											Mines	39/4½	40/-	6 3 0
											Ashtanti Goldfields Ord. 4/-	3/6	3/6	6 13 0
											Burns Corp. Ord. Rs. 9	33/9	32/6	6 13 0
											Cons. Gl. of S. Afr. £1	7½	7½	12 17 9
											De Beers (Def.) £2½	35/-	35/-	4 8 4
											Randfontein Ord. £1	6½	6½	10 12 0
											Rhokana Corp. Ord. £1	12/3	12/-	6 5 3
											Roan Antelope Corp. 5/-	6	6	6 5 3
											Sab Nigel Ord. 10/-	6	6	6 5 3
											Union Cp. 12/6 fy. pd.	4½	4½	6 5 3
											W. Witwatersrand 10/-	4½	4½	6 5 3

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Allowance for exchange. (e) Yield worked on a 2½ per cent. basis. (f) Flat yield. (g) Annas per share. (h) Free of Income Tax. (i) Based on redemption at par in 1946. (j) Yield on 1.55% basis. (k) Yield worked on a 2½ per cent. basis. (l) Free of Income Tax. (m) Average redemption—end 1960. (n) Based on redemption at par in 1946. (o) Yield on 1.55% basis. (p) Yield worked on a 2½ per cent. basis. (q) Free of Income Tax. (r) Based on redemption at par in 1946. (s) Yield on 1.55% basis. (t) Yield worked on a 2½ per cent. basis. (u) Free of Income Tax. (v) Based on redemption at par in 1946. (w) Yield on 1.55% basis. (x) Yield worked on a 2½ per cent. basis. (y) Free of Income Tax. (z) Based on redemption at par in 1946. (aa) Yield on 1.55% basis. (ab) Yield worked on a 2½ per cent. basis. (ac) Free of Income Tax. (ad) Based on redemption at par in 1946. (ae) Yield on 1.55% basis. 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friendly words which reveal this lack of confidence—in addition to some uneasiness about the part they themselves have played.

There is no need to regard this failure as final or disastrous. On the British side, there will be no going back in the future upon the offer which has just been turned down: this country and its people will have neither the will nor the means to act vengefully. Expediency requires that no step should now be neglected to dissolve the distrust of British institutions and personalities which continues to clog Indian thinking. The suggestion that, at an appropriate moment, the India Office might be brought within the ambit of the Dominions Office, and that the next Viceroy should be chosen with a special view to Indian confidence, comes from sober and fair-minded British observers. On the Indian side, their leaders must come to an agreement in the task which is theirs, and theirs alone, or split their peoples from within. Meanwhile, the task, for all parties, is to see that India is not slain from without. Pandit Nehru has proclaimed in unmeasured terms that India will fight and spare no expedient to repel the invader. Mr Gandhi has counselled his followers to resist the Japanese, non-violently; and there has never been any doubt about the readiness of India's Moslems to catch at their martial past in a new resistance. Sir Stafford Cripps is hopeful, both about the long-term chance of the Indians taking up their political burden with due responsibility and about the short-term certainty that no appreciable section of the Indians will wish to seek peace with the aggressor.

In short, the will to defend India will not be lacking simply because this bid for fuller co-operation has not succeeded. Success in the negotiations would undoubtedly have aided the cause of India and the Allies by rallying the fearful and winning over the doubtful; but failure need not be a fatal hindrance. Now, as before, it is the means of defence, and not the readiness to fight, that counts most. Are the resources available to drive off the Japanese? India is an enormous sub-continent with many riches; but, per head of the population, it is outstandingly poor. There is only a small margin of labour and materials and equipment to spare for the needs of war from the bare task of subsistence. India's strength cannot be measured by its manpower. The great justification for the refusal of the British Government—and Allied opinion—to hand over the direction of Indian defence, is that the means of defending India, the weapons, the aircraft and the fighting ships, must mainly come, not from India, but from India's friends across the oceans. There

is no lack of recruits in India itself for the fighting forces. The lack is of means to equip them; and, as in every other theatre of Eastern war, the issue will turn upon the ability of the United Nations to marshal and deploy forces of the right size and the right composition in the right place at the right time. In this sense, it is true to say that India will be saved, not in Delhi, but in London and Washington.

To say this is not to minimise the great part that the Indian people themselves can play, and must play, in their self-defence. If they were actively hostile to Britain and the United Nations, it would open up the gravest of perils. But there is every sign that the exact contrary will be the case. The individual Indian peasant can do very little indeed to turn the tide of war. But what he can do, he will do: and it would be as hard for Japan to arm and make effective scattered quislings as it will be for Britain to equip the vast loyal majority—loyal not so much to Britain as to their own country, their own countryside, their own homes and their own families. The British Government did not make its offer in the belief that the peoples of India could meet and throw back the Japanese by their own resources. The hope was that responsible Indians would be prepared to take on the duty and privilege of sharing in the conduct of this great battle for the world's and India's future; primarily, the offer sprang from the conscience of the British people—and the whole free world.

Mr Gandhi called the offer a post-dated cheque. If it was post-dated, it was also blank. It imposed no forms of government upon the Indians which they would not work out and accept for themselves. It was honest, generous, and backed by the whole British people. In time, if Indian Nationalism is built on more than sand, they will discover the chance they are spurning. The cheque will be cashed: and it may be that, when they come to spend their new political assets in their own way, the leaders of India will find that the model of the American constitution, with its federated states, its elected executive and its checks and balances, is more appropriate to the peculiar problems of their country than the parliamentary models which, too often perhaps, have been exhibited as exemplars by well-wishers in this country. It will be for them to choose. Meanwhile, as they think again after the departure of Sir Stafford Cripps, they will discover, and no doubt take up, the heavy burden of guiding, calming and aiding the vast millions who look to them for leadership in the harsh ordeal which lies ahead of them all.

Crisis in the Coal Industry—II

Plan for Coal

AN article last week discussed the reasons for the present sorry state of affairs, in which, for the first time in modern history, Great Britain is unable to supply its own requirements of coal. The basic reason for the shortage was found to lie in the shrinkage and deterioration of the industry's labour force. But it was also shown that neither the mine owners nor the Mines Department had taken sufficiently effective steps to mobilise the industry for its wartime responsibilities. This second article is concerned with the form that the mobilisation should take.

Since the main cause of the shortage is the reduced number of miners and their lower output per man-shift, it is obvious that an increase in numbers and in output per head must take a central place in the remedy. An increase of no more than one hundredweight per person per shift (the present figure ranges from about 20 cwt to nearly 30 cwt per man shift) would add between 9 and 10 million tons per annum to output. The addition to the labour force of between 30,000 and 40,000 men would have the same effect. Either measure separately would

probably—and the two together would certainly—solve the difficulty, at least for the time being. But it would be futile to ask the men for the extra effort (probably involving longer hours) and equally futile to ask the Army for the release of so many men, until every reasonable proof had been given that the industry was operating at maximum efficiency. Proposals are therefore required under three heads. First, there must be such an organisation of the producing side as will make the most of existing resources. Secondly, there must be such an organisation of the distributing side as will ensure that demand is not wastefully inflated, and that the most important needs are met first. And only when these two requirements have been achieved can proposals properly be made affecting the labour force. As is obvious, no more than the barest outline can be given here; the details would be manifold and obstinate.

On the production side, it is difficult to resist the conclusion that the main line of action should be towards the integration of production in each district or sub-district. The amalgamation of mines has been a part of Govern-

ment policy, at least since the Act of 1930, even though it has been successively deferred hitherto; and it seems probable that, at least in the circumstances of wartime, something even more drastic than the merging of individual undertakings is required. If, in each district, the Coal Supplies Officer were given full executive powers and instructed to regard the labour force, the collieries, the managers, the equipment, the transport and the supplies of the whole district as being pooled and at his disposal, to be used for the sole purpose of raising production to the maximum, it is almost certain that an increased output could be obtained. Before this could be done, it would, of course, be necessary to remove the connection between any one owner's income and the output of his colliery. Some sort of financial pooling—at the least—would have to be set up, so that it would become a matter of indifference to each owner whether or not his mine was prejudiced in the interests of the whole district. This, however, should not be an impossible condition to achieve, once the obstacle of the owners' resistance were overcome. If the district were regarded as a technical unit, it would be possible to concentrate production in the mines where output is highest, to distribute the available labour where it can be used most economically (bearing in mind the necessity of providing transport if miners are put to work away from their homes) and to promote the most competent managers. It goes almost without saying that an organisation of this type could not be entrusted to a representative board or committee, such as the Mineworkers' Federation has just once more proposed. Disinterested efficiency would require administration by a single responsible and competent officer, and one of the few pieces of good fortune that the industry enjoys is the existence of a substantial number of highly qualified professional mining engineers from whom a satisfactory selection could be made.

On the distribution side also, there would seem to be a necessity of a substantial degree of pooling of operations. The prescription is the same as has been applied in many other industries with success—standardisation of grades; fixing of margins; strict apportionment of supplies; equalisation of transport costs. There is no reason to believe that the task is any more difficult than the organisation of, say, the meat trade. But only when the whole trade is thus brought under control will it be possible to ensure that the proper priorities are observed with the maximum economy of transport.

When these two tasks have been put in hand, there will be an overwhelming case for returning to the charge in respect of the labour force. If there were still difficulty in meeting the demand, the Army could then be required to release a few thousand skilled coal-getters. With the removal of any suspicion that increased effort on the miners' part merely accrued to the owners' profit, the

unions and their members could be asked to assume real responsibility for reducing absenteeism. If all else failed, the taboo might be lifted from the question of longer hours. In short, the often repeated assertion that labour would work far more efficiently if the profit motive were removed could be put to the test.

Would this policy amount to nationalisation of the industry? If nationalisation is to be interpreted literally, it would not; the policy here sketched would bear little resemblance to the plans for consolidation of the whole industry under a single political or syndicalist control which have so often been put forward by the Labour Party. But if "nationalisation" is interpreted in the wider sense as meaning merely "public ownership," then it must be answered that the policy outlined above comes very close to temporary socialisation of the industry by districts for the duration of the war. There is no reason whatever to be frightened of such words. It is over twenty years since nationalisation of the industry was recommended by the chairman of a Royal Commission, and everyone who has ever committed himself to the belief that some extension of public ownership and control was either desirable or inevitable must have placed the mining industry near the top of his mental list. Indeed, the more appropriate question is not whether it is necessary to shy away from the temporary assumption by the Government of technical and financial responsibility for the conduct of the industry, but whether it would not be better to finish the job now and carry through a permanent socialisation. If the mineowners are to be bought out at any time in the next decade or two, it would be an economy of effort to have to tackle the fear-some problems of valuation only once, instead of twice, once for determining wartime income, and the second time for assessing permanent compensation. On the other hand, to attempt nationalisation now would assuredly raise accusations of a breach of the political truce, not all of which could be stilled by parading the technical arguments. The matter must probably turn on an estimate of the views that the public is likely to hold towards the industry after the war. To most observers it would seem almost certain that the coming years will see an extension of public control over industry in general, and equally certain that, not merely coal, but the whole complex of fuel and power, will be one of the first of the problems that the state will feel impelled to tackle. But, in the nature of the case, these cannot be matters of certainty.

On balance, the conclusion would seem to be that there is a very substantial case for the permanent socialisation of the industry in the near future. But far more important and urgent is the present necessity of losing no more time in giving the whole industry a wartime organisation in which every other consideration can be subordinated to that of producing enough coal for the nation's war industries.



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WAR FINANCE

Sir Kingsley Wood's Budget speech, and the documents issued with it, provide the opportunity for a detailed review of an area far larger than is usually comprehended within the Budget. The following pages present an attempt to cover this wide field. Four articles deal—with the speech as a whole; with the Budget accounts; with the national income; and with the sources of war finance. The tables of the White Paper and figures of revenue and expenditure are reprinted on pages 531 and 532. It has not been possible, in the time, to include a review of the additional White Paper entitled "The Taxation of Wage Earners."

I.—An "Orthodox" Budget

THE review of Sir Kingsley Wood's first war Budget in these columns a year ago concluded with the judgment that it was "one which, in its qualitative aspects, can be greeted with almost unqualified enthusiasm... even if scepticism about its quantitative details still obstinately lingers." A year later, the judgment on Sir Kingsley's second Budget must be substantially the same—though with some modification of the emphasis. The "enthusiasm" of a year ago was engendered by the spectacle of a Chancellor fitting his budgetary proposals into a coherent framework of the war economy as a whole, and backing up his opinions with an unexampled wealth of statistical detail. This year, it no longer seems quite so miraculous that Chancellors of the Exchequer should follow commonsense procedures, and the gratitude that is felt for the second (enlarged and improved) edition of the White Paper is very much less than the disappointment that would have been created if Sir Kingsley had failed to follow his own admirable precedent. Doubtless this is unjust to the Chancellor, but it is only natural. Among those who had never known anything but jerry-building, the appearance of architect-designed houses would, in the first year, excite a certain amount of gratitude and enthusiasm. But in the second year, it might become apparent that even architects can design houses that are less than perfect.

The criticisms of the Budget will fall under three main heads. First, there are signs in its make-up of the old and familiar sin of under-estimation. Some reasons are given in the fourth article of this group for suspecting the existence of a substantial inflationary "gap" in the year just ended. For the forthcoming year, the Chancellor has built his proposals on the assumption that supply service expenditure will be a few millions below the annual rate actually achieved in the quarter January

to March, 1942. Moreover, he has assumed that domestic disinvestment will be as large in 1942 as in 1941, in spite of the heavy depletion of private stocks already accomplished and the small amount still remaining. Both assumptions err on the side of optimism, and if either of them proves to be unjustified, the "gap" will be widened. Secondly, the Chancellor's omission to undertake any far-reaching reform of the income tax is already attracting criticism, although it remains to be seen whether the critics will modify their position when they have had an opportunity of studying the Inland Revenue's case, as presented in a special White Paper. Thirdly, there will be those who regret that the Chancellor did not announce some sweeping and dramatic plan for placing finance at the service of production. But, as was suggested in *The Economist* last week, it would be easier to pronounce a judgment on this view if it were made clearer precisely what, other than the remission of taxation, is involved in it.

These criticisms do not deal with unimportant matters. But neither do they substantially detract from the favourable verdict that must be pronounced on the conduct of the nation's finances. Basically, the position is as sound as can reasonably be expected in the middle of such an upheaval. It is far sounder, with far more excuse for failure, than at this period of the last war. There are, moreover, detailed grounds for satisfaction in the Budget proposals—in the careful and deliberate distinction between the subsidised necessities and the very heavily taxed luxuries, in the formalisation of the post-war rebate on and EPT, in the concession to married women's earnings.

This has been an orthodox and unexciting Budget. And if Sir Kingsley Wood finds that judgment disappointing, he must console himself that the new orthodoxy is only twelve months old and is of his own creating.

2.—The Budget Accounts

THE shortage of space and the wealth of more important information contained in the official documents issued with the Budget combine to prevent the usual detailed summary of the Budget accounts. The following notes, however, record the salient details:

Lend-Lease Supplies.—The assistance given to all countries up to the end of February amounted to not far short of £650 millions. More recent returns indicate that Lend-Lease is now running at £100 millions per month and that assistance to the United Kingdom up to March 31st was likely to reach £600 millions.

Subsidies cost the Exchequer £125 millions in 1941. The cost must be expected to be higher in 1942 owing to higher agricultural prices and a rising tendency in overseas markets.

Income Tax.—Several minor changes were announced. (1) The concession given to wage-earners in last year's Finance Act allowing up to £10 for travelling expenses "where it could be established that, owing to the war, their place of residence had changed and their travelling expenses increased" is to be extended to all earned

incomes. (2) The method of charging farmers' profits on Schedule D (i.e., on the actual profits) is to be extended from those occupying land of an annual value of over £300 to those over £100. For those under £100 the assessment under Schedule B is to be three times the annual value unless it can be proved that actual profits are lower. This will bring in £3 millions this year and £7 millions in a full year. (3) The minimum amounts of weekly income which are exempt from collection of tax at the source are to be raised to £2 for the single taxpayer, £3 for a married man, £4 with one child and £5 with two or more children. (4) In seasonal industries the five summer months are to rank as one-half of the year for tax purposes and the seven winter months as the other half (or vice versa). (5) The interval between the end of the period of assessment and the beginning of the period of payment is to be extended from three months to four, causing a non-recurring "tax holiday" in July, 1942. (6) The maximum figure of the additional allowance for married women's earnings (nine-tenths of the earnings) is raised from £45 to £80. This will cost £5 millions this year and £25 millions in a full year. (7) There is to be a simpler form for wage-earners' returns. (8) Certificates will be issued for post-war credits.

EPT.—The post-war credit is to be made statutory "subject only to its not being used for dividends or for the issue of bonus shares." It will presumably still be subject to income tax at the rate then prevailing.

1942-43 Prospects.—Expenditure is estimated at £5,286 millions. Votes of credit are put at £4,500 millions. The assistance being given by Canada will be brought in as a cash receipt. The grand aggregate of resources at our disposal (including Lend-Lease supplies) will probably exceed £6,500 millions, compared with £4,000 millions in 1940-41 and not less than £5,500 millions in 1941-42. The amount requiring domestic financing will be £4,500 millions, of which £2,400 millions should be provided from domestic revenue and £2,100 millions from other sources.

Prospective Deficit.—On the existing basis of taxation, the yield of Customs and Excise would be £59 millions down. Total revenue would be £2,244 millions, leaving a deficit of £156 millions below the target. Utility clothing and boots and shoes would, at a later date, be exempted from Purchase Tax, costing another £10 millions this year and £15 millions in a full year. No further increases in direct taxation were practicable this year; to take the whole of the excess of incomes over £2,000 would yield only £30 millions.

Increased Duties.—On beer (expenditure on which is £330 millions a year) the duty is increased by an amount equivalent to 2d. per pint of average gravity. On spirits, the increase is £2 per proof gallon, equivalent to 4s. 8d.

per bottle of whisky. The basic duties on wine of 8s. per gallon on foreign and 6s. per gallon on Empire light wines are both increased by 6s.; on heavy or sweet wines the corresponding figures are 16s., 12s. and 12s. respectively. On tobacco, the increase is 10s. per lb., equivalent to 6½d.-7½d. per ounce and to 3d. per packet of 10 standard cigarettes. Expenditure on tobacco is now £340 millions a year. The increase will not apply to tobacco supplied through Service canteens up to the present quantity. The rates of entertainments duty are doubled except those on seats selling for not more than 7d. On a wide range of "luxury" goods, the rate of Purchase Tax is to be doubled to 66½ per cent of the wholesale value. The yield of these increases will be:—

	(£ millions)	This Year	Full Year
Beer	42.0	48.0	
Spirits	14.0	15.0	
Wine	2.0	2.2	
Tobacco	90.0	90.0	
Entertainments	12.0	14.0	
Purchase tax	10.0	10.0	
Total	170.0	179.2	

These changes, together with the changes in income tax and the exemption of utility clothing from Purchase Tax, bring the total domestic revenue to £2,402 millions.

3.—The National Income

THE starting point for any discussion of the economics of war must necessarily be the national income. The proposition could almost be generalised to cover peacetime economics, too, but there is not then the same overriding concern with the limits of productivity as there is when the nation is deliberately straining its resources to the furthest attainable degree. The national income, the measure of the total production of the community, is the dividend that has to be split between the essential civil requirements of the population and the needs of war.

Unfortunately, the words "national income" may mean very different things in different countries. There is, to begin with, the controversy whether a deduction should be made from the apparent total of all individual incomes for indirect taxes. For example, Sir Kingsley Wood has this week increased customs and excise duties by £160 millions a year; this sum will be added to prices, and, if no adjustment were made, would increase the national income by an equivalent amount, without any real change in the output of the community having occurred. National income, including indirect taxes, is said to be "at market price"; excluding indirect taxes, it is said to be "at factor cost." Secondly, there is the question whether payments to depreciation funds should be included or not. The resources represented by these funds form part of the annual output of the community, but since they are required to maintain the existing stock of capital, they are not properly income. This distinction is marked by the terms "gross" and "net." Thirdly, difficulties arise out of the so-called "transfer payments"—that is, payments made, generally by the Government to individuals, without any current return of economic output. Unemployment pay, debt interest and pensions are examples; all of these could be increased or reduced without there being any difference in the real output of the community. These transfer payments are properly excluded from estimates of national income. But to their individual recipients, they are incomes like any others, and they are subject to income and other taxes. They must therefore be included in totalling up the corpus of incomes on which tax can be levied. Finally, there is the fact that the community, like an individual, can, for a time and within limits, consume more than its income by drawing on capital accumulations and by incurring debt. "Available resources" is a convenient phrase to include both income and drafts on capital; a distinction can be made between "available domestic resources" and "total available resources" according as overseas disinvestment is excluded or not.

The following table gives figures, almost all drawn from the White Paper, of these different magnitudes, and of the ways in which they can be combined.

	£ million		
	1938	1940	1941
1. Net national income at factor cost	4,595	5,585	6,338
2. Indirect taxes, rates, etc., less subsidies	630	850	1,103
3. Transfer incomes	277	263	264
4. Depreciation, allowances, etc.	(475)	(475)	(475)
5. Domestic investment or disinvestment	406	286	498
6. Overseas investment or disinvestment	55	759	788
Ia. Net national income at factor cost (1)	4,595	5,585	6,338
Ib. Net national income at market price (1+2)	5,225	6,435	7,441
IIa. Gross national income at factor cost (1+3)	5,070	6,060	6,813
IIb. Gross national income at market price (1+2+3)	5,700	6,910	7,916
III. Taxable income (1+3)	4,872	5,848	6,602
IVa. Available domestic resources at factor cost (1+5)	...	5,871	6,831
IVb. Available domestic resources at market price (1+2+5)	...	6,721	7,934
Va. Total available resources at factor cost (1+5+6)	...	6,630	7,629
Vb. Total available resources at market price (1+2+5+6)	...	7,480	8,732

* No closer estimate available.

These differences are not merely an exercise in academic precision; they are beginning to play their part in current public discussion and in international comparisons of different countries' war effort. Two magnitudes are frequently expressed as percentages of "the national income"—the amount of the Government's expenditure and the amount of money raised in taxation. If such statements are to have any real meaning, it is important to ensure that like is being compared with like. And if international comparisons are not to be misleading, the definitions must be the same in each case.

The comparison of expenditure with national income has been dignified, in particular, by President Roosevelt, who held out a figure of 50 per cent as a rough measure of a satisfactory degree of mobilisation. The simplest way of making the comparison is to take the crude total of expenditure and compare it with the most frequently quoted figure of the national income—that is, net national income at factor cost. Total Government expenditure in 1941, including local government expenditure, was about £4,810 millions, giving a comparison of 76 per cent. But except as the simple arithmetical relationship between two figures, this percentage has no meaning. There is no sense in which £4,810 millions "came out of" a national income of £6,338 millions. The expenditure figure is inflated by the effect of indirect taxes, by the inclusion of foreign expenditure and of expenditure financed by drafts

of capital, no one of which has a counterpart in the income figure. There is no reason why this particular proportion should not rise above 100 per cent; it should, therefore, be used only for the purpose of being laid alongside similarly unscientific comparisons in other countries. Table B in the White Paper, reproduced on page 531, gives one legitimate way of making the comparison, giving a figure of 52 per cent. A further selection of percentages, each of which possesses some justification, is given below (the figures refer to 1941):—

	£m.	As % of National Income on definition		
		16.	1V%	V%
A.—Total expenditure (central, local and extra-budgetary funds).....	5,107 798	58½	...	58½
Less overseas disinvestment.....	4,309	58	54	...
B.—Total expenditure requiring domestic finance.....	1,155	...	...	...
Less non-war expenditure.....	3,174	12½	40	...
C.—War expenditure requiring domestic finance.....	...	...	...	...

* Assuming, as is not strictly correct, that all local and extra-budgetary expenditure is non-war.

It will be seen that the range of possible figures is so great that these percentage comparisons had better be avoided unless the definitions both of income and expenditure can be made quite precise. All the figures will, in all probability, be higher in 1942.

The comparison of taxation with national income can be done with rather more certainty, as taxes can only properly be levied on net national income—that is, they are

4.—Sources

THE two questions that are most frequently asked about the Government's finances, both in informed and uninformed circles, are "Where does the money come from?" and "Is there any inflation?" The materials for the answer to the first question are to be found in the White Paper in Tables A (page 531) and III (page 532). In 1941, the expenditure requiring domestic financing was £3,822 millions, of which £1,832 millions was found by revenue. Of the remaining "domestic deficit" of £1,990 millions, £469 millions was financed by extra-budgetary funds, local authority surpluses, and compensation payments; £1,028 millions came from savings and undistributed profits, leaving a residue of £493 millions, representing domestic disinvestment. Since the "domestic deficit" in 1942-43 is, on the Chancellor's estimate, only £119 millions larger than in 1941, it is being left to be met in substantially the same way.

Table III sets out the answer in two different ways—the first showing the economic origin of the funds from which finance is available, the second showing the financial means by which they have reached the Exchequer. The results for 1941 can be summarised as follows, the figures in each case expressed as a percentage of the total expenditure of £4,663 millions:—

	%		%
Revenue.....	40.1	Revenue.....	40.1
Net personal savings.....	17.5	Government finance outside the Budget.....	5.3
Undistributed profits.....	4.6	"Small" savings.....	12.9
Surpluses on extra-budgetary funds, local authorities and compensation payments.....	10.1	Other long-term debt.....	21.9
Domestic disinvestment.....	10.6	Floating debt.....	19.8
Overseas disinvestment.....	17.1		
	100.0		100.0

At first glance, these figures appear to dispose of the question of inflation as neatly as they do that of the sources of finance. Everything adds up perfectly, and there is no entry labelled "inflation." But this may be deceptive; there never would be such an entry, in any case. Let us suppose that there were, in fact, an inflationary "gap" of, say, £500 millions a year—that is, expenditure of that amount against which there was no equivalent abstraction of resources from the public. How would such an inflation show itself? There would be several stages: (i) the inflation may be supposed to come into existence by the

a burden on net national income, though they are assessed on the rather larger figure of taxable incomes. The proportions for 1938, 1940, and 1941 are given in Table E. In 1942-3, if the national income exceeds that of 1941 by as much as 1941 exceeded 1940, the proportion will work out at about 46 per cent.

There is one further aspect of the national income on which the White Paper throws a great deal of light—namely, its distribution. The figures of rents, profits and interest, salaries and wages, are given in Table I (page 532). If 1941 is compared with 1938, the money sums, before taxation, have increased as follows:—

Rent of land and buildings.....	1.6%
Profits and interest.....	27.4%
Salaries (inc. pay and allowances of officers).....	12.5%
Wages (inc. pay and allowances, in cash and kind, of other ranks).....	69.0%

Table F is, if anything, still more interesting; it shows the total incomes, before and after tax, of certain income groups. The figures can be aggregated as follows:—

Range of Gross Income	of Total Gross Income	% of Total Net Income, after Tax		
		1938-39 rates	1940-41 rates	1941-42 rates
Under 500.....	75.0	80.6	82.9	84.2
500-2,000.....	13.9	12.9	12.1	11.4
Over 2,000.....	9.5	6.5	5.0	4.4

The proportionate share of "the rich," it will be noticed, is reduced by taxation to less than half of the gross figure. The rich (on this same very wide definition) now have only about 39 per cent of their gross incomes left after paying income-tax and surtax.

of Finance

creation of bank credit and its loan to the Government on the almost costless terms of deposit receipts or Treasury bills. The money would be paid out to wage-earners and industrial firms, and, no corresponding amounts having been abstracted, it would (ii) increase the national income and cause increases in (iii) consumption, (iv) taxation, (v) savings, and (vi) undistributed profits. Now all but one of these things were in fact happening in 1941. (i) The floating debt, almost all of which is held, directly or indirectly, by the banks, increased by £902 millions. (ii) The national income (net, at factor cost) in 1941, was £753 millions, or 13½ per cent, higher than in 1940, this ratio of increase being fairly steadily maintained from quarter to quarter. (iii) Personal expenditure on consumption was £126 millions higher. (iv) Tax revenue increased by £606 millions (in the financial year), only the smaller part of the increase being due to increased rates of tax. (v) Net personal savings increased from £555 millions to £815 millions. (vi) Only undistributed profits fell.

It is possible that all these phenomena can be explained by something other than inflation. But in some cases it would be very difficult to do so. The increase of 13½ per cent in the national income, for example, is far larger than can be explained on the basis of an increase in physical output; there must have been a swelling of money values. It is very difficult to resist the conclusion that there must have been some inflationary element in the finance of 1941, amounting perhaps to a few hundreds of millions of pounds. It is perfectly true, of course, that the cost of living—that is the cost of essentials for a working-class family—has not increased. But that is merely to say that the effect of the inflation has been diverted to the relatively unimportant sections of the economy. Some small element of inflation is probably unavoidable in conditions such as those of today, and so long as it is kept away from the centre of the national economy, it does little harm. But with a further large increase in the prospective expenditure, it becomes more important than ever both to prevent any widening of the "gap," and also to exercise the most complete control over the production, consumption and prices of all necessary goods.

White Paper Statistics

The following tables have been extracted from the White Papers issued with the Budget. The first pair, Revenue and Expenditure, come from the "Financial Statement (1942-43)" (4d. net), the remainder from "An Analysis of the Sources of War Finance and an Estimate of the National Income and Expenditure in 1938, 1940 and 1941" (Cmd. 6347, 4d. net). In some cases, definitions have been abbreviated and footnotes omitted. The textual comment is, in each case, by The Economist.

	REVENUE (£'000)		EXPENDITURE (£'000)	
	Budget Estimate 1941-42	Actual Receipts 1941-42	Budget Estimate 1941-42	Actual Receipts 1941-42
Inland Revenue:—				
Income tax.....	756,000	769,657	915,000	913,000
Surtax.....	80,000	74,937	78,000	78,000
Estate duties.....	82,000	90,870	90,000	90,000
Stamps.....	14,000	14,133	15,000	15,000
Nat. Defence contribution.....	210,000	21,883	425,000	425,000
Excess profits tax.....	1,000	247,160	1,000	1,000
Other Inland revenue.....	1,143,000	1,219,542	1,524,000	1,522,000
Customs and Excise:—				
Customs.....	310,700	378,361	340,400	438,295
Excise.....	266,660	325,650	304,600	366,705
	577,360	704,011	645,000	805,000
Motor vehicle duties.....	39,000	38,422	34,000	34,000
Total Tax Receipts.....	1,759,360	1,961,975	2,203,000	2,361,000
Canadian Govt. contribution.....	...	...	225,000	225,000
Post Office net receipt.....	3,300	13,668	10,000	10,000
Wireless licences.....	...	...	4,300	4,300
Crown lands.....	1,100	950	800	800
Sundry loans.....	2,600	5,234	5,000	5,000
Miscellaneous.....	20,000	92,230	21,000	21,000
Total Ordinary Revenue.....	1,786,360	2,074,057	2,468,100	2,627,100

	EXPENDITURE (£'000)		EXPENDITURE (£'000)	
	Budget Estimate 1941-42	Actual Receipts 1941-42	Budget Estimate 1941-42	Actual Receipts 1941-42
Consolidated Fund Services:—				
Interest and Management of National Debt.....	255,000	257,207	325,000	325,000
Payments to N. Ireland.....	9,200	9,121	9,500	9,500
Other Consolidated Fund Services.....	7,800	7,728	7,800	7,800
	272,000	274,056	342,300	342,300
Supply Services (excluding P.O. and Broadcasting):—				
Defence Token Votes.....	5	4	4	4
Civil Votes.....	421,959	400,584	425,656	425,656
Revenue Departments.....	16,221	16,050	18,519	18,519
Votes of Credit.....	4,250,000	4,085,000	4,500,000	4,500,000
Total Ordinary Expenditure.....	4,688,185	4,775,694	5,286,479	5,286,479
Self-balancing Revenue & Expenditure:—				
Post Office.....	93,746	93,746	102,523	102,523
Broadcasting.....	6,900	6,836	...	...

* Including Supplementaries.

A.—THE SOURCES OF WAR FINANCE			
	(£ million)		
	Calendar Year 1940	Calendar Year 1941	Budget Forecast 1942-43
Central government expenditure.....	3,333	4,620	5,286
Less Overseas disinvestment.....	759	798	775*
Expenditure requiring domestic finance.....	2,574	3,822	4,511
Less Central government revenue.....	1,253	1,832	2,402
	1,321	1,990	2,109
Less Extra budgetary funds and local authority surpluses.....	176	220	...
	1,145	1,770	...
Less Compensation received in respect of war damage claims.....	36	249	...
	1,109	1,521	...
Less Savings and undistributed profits.....	823	1,028	...
Residue (domestic disinvestment).....	286	493	...

* Including Canadian Government contribution.

The residue has been provided from (a) sales to public authorities of fixed capital assets, (b) sinking funds and depreciation funds, (c) net depletion of stocks and working capital carried by private finance, less (d) new investment privately financed, (e) replacements and renewals charged on depreciation funds and (f) replacements of war losses. Since sinking funds and depreciation funds are usually reckoned as being of the order of £475,000,000 annually, the other items must have approximately balanced out in 1941.

B.—PROPORTION OF RESOURCES ABSORBED BY GOVERNMENT EXPENDITURE

The following figures are presented as "one method of answering the question":—

	1941 (£ million)
(1) Total government expenditure (central and local) at market prices.....	5,107
Less:—	
(2) Government expenditure otherwise than on goods and services (items 24-28 of Table IV).....	925
(3) Government expenditure on goods and services at market prices.....	4,182
(4) Personal expenditure on consumption at market prices.....	4,550
Plus:—	
(5) Subsidies.....	139
Less:—	
(6) Indirect taxes on consumption.....	826
(7) Adjusted personal expenditure on consumption.....	3,863
(8) Sum of (3) + (7).....	8,045
(9) Proportion of (3) to (8).....	52%

C.—PERSONAL EXPENDITURE

	(£ million)		
	1938	1940	1941
Personal expenditure on consumption at market prices.....	4,041	4,424	4,550
Add Subsidies.....	15	70	139
	4,056	4,494	4,689
Debit Indirect taxes on consumption.....	472	623	826
Personal consumption thus adjusted.....	3,584	3,871	3,863

The reduction in the volume of consumption in 1941, compared with 1938, "probably lies within the limits of 15 and 20 per cent."

D.—PERSONAL SAVINGS

	(£ million)		
	1938	1940	1941
Gross personal savings, including provision for accrued taxation.....	233	640	909
Death duties, etc.....	90	85	94
Net personal savings after provision for death duties, etc.....	143	555	815
Accrued taxation.....	18	82	150
Net personal savings after provision for accrued taxation.....	125	473	665

E.—PROPORTION OF THE NATIONAL INCOME DEVOTED TO TAXATION

	(£ million)		
	1938	1940	1941
(1) National income (item 5 of Table I).....	4,595	5,585	6,338
(2) Direct taxes, War Damage Act contributions and premiums, etc.....	534	768	1,215
(3) Indirect taxes, rates, war risks insurance premiums, etc., less subsidies.....	630	850	1,103
(4) Excess of tax liabilities over payments.....	30	213	239
(5) Total tax liabilities, i.e., sum of (2) + (3) + (4).....	1,194	1,831	2,557
(6) Total tax liabilities as a percentage of national income.....	26%	33%	40%

F.—DISTRIBUTION OF PERSONAL INCOMES IN THE FINANCIAL YEAR 1940-41 BY RANGES OF GROSS INCOME SHOWING THE EFFECTS OF CHANGES IN INCOME TAX AND SURTAX, 1938-41

All the calculations have been done on the 1940-41 incomes. Thus the columns for 1938-39 and 1941-42 rates show what would have been left out of the 1940-41 incomes if the rates of tax prevailing in 1938-39 and 1941-42, respectively, had been

applied. The income of a husband and wife are reckoned as one income.

Range of Gross Income	Aggregate Gross Income 1940-41	Aggregate Net Income with Income Tax and Surtax at—			Proportion of Gross Income retained with Income Tax and Surtax at—		
		1938-39 rates	1940-41 rates	1941-42 rates	1938-39 rates	1940-41 rates	1941-42 rates
£	£m.	£m.	£m.	£m.	%	%	%
Under 250	3,344	3,329	3,301	3,242	99.6	98.7	96.9
250-500	1,038	1,000	946	883	96.3	91.1	85.1
500-1,000	477	428	391	358	89.7	82.0	75.1
1,000-2,000	320	266	230	203	83.1	71.9	63.4
2,000-10,000	367	259	206	174	70.6	56.1	47.4
10,000 and over	176	88	50	39	50.0	28.4	22.2
Total of above	5,722	5,370	5,124	4,899	93.8	89.5	85.6

TABLE I.—ESTIMATES OF NET NATIONAL INCOME AND EXPENDITURE IN 1938, 1940 AND 1941

Year ending—	£ million					
	Dec. 31st, 1938	Dec. 31st, 1940	March 31st, 1941	June 30th, 1941	Sept. 30th, 1941	Dec. 31st, 1941
1. Rent of land and buildings, profits and interest	373	383	381	379	379	379
2. Salaries, and the pay and allowances (in cash and kind) of officers in H.M. Forces and Auxiliary Services	1,081	1,176	1,188	1,200	1,210	1,216
3. Wages, and the pay and allowances (in cash and kind) of other ranks in H.M. Forces and Auxiliary Services	1,790	2,484	2,643	2,773	2,893	3,021
4. Net national income	4,595	5,585	5,803	5,984	6,159	6,338
5. Personal expenditure on consumption at market prices	4,041	4,424	4,440	4,485	4,520	4,550
6. Expenditure at home and abroad, by public authorities, on goods and services at market prices	833	3,056	3,506	3,830	4,031	4,182
7. Private net investment at home and war losses made good	406	(-286)	(-380)	(-443)	(-497)	(-493)
8. Private and government net investment abroad	-55	-759	-846	-931	-844	-798
9. Subsidies	15	70	98	124	128	139
10. Indirect taxes and rates specifically on consumption	-472	-623	-682	-714	-785	-826
11. Other indirect taxes, rates, etc.	-173	-173	-176	-177	-179	-178
12. War risks insurance premiums	...	-124	-157	-199	-215	-238
13. Net national expenditure	4,595	5,585	5,803	5,984	6,159	6,338

TABLE II.—ESTIMATES OF PERSONAL INCOMES, EXPENDITURE AND SAVINGS IN 1938, 1940 AND 1941

Year ending—	£ million					
	Dec. 31st, 1938	Dec. 31st, 1940	March 31st, 1941	June 30th, 1941	Sept. 30th, 1941	Dec. 31st, 1941
1. Rent of land and buildings, profits and interest (including National Debt interest and interest accrued on Nat. Savings Certificates) received by persons	1,500	1,673	1,692	1,702	1,702	1,706
2. Salaries, and the pay and allowances (in cash and kind), of officers in H.M. Forces and Auxiliary Services	1,081	1,176	1,188	1,200	1,210	1,216
3. Wages, and the pay and allowances (in cash and kind), of other ranks in H.M. Forces and Auxiliary Services	1,790	2,484	2,643	2,773	2,893	3,021
4. Pension payments	132	150	160	170	176	177
5. Payments in respect of unemployment and the relief of poverty	110	63	50	41	35	28
6. Health payments	35	35	33	33	32	32
7. Other transfer payments	...	15	20	27	30	27
8. Personal incomes before deduction of direct taxes, etc.	4,648	5,596	5,786	5,946	6,078	6,207
9. Personal expenditure on consumption at cost of production	3,584	3,871	3,856	3,895	3,863	3,863
10. Excess of indirect taxes and rates specifically on consumption over subsidies	457	553	584	590	657	687
11. Direct tax payments other than death duties, etc., and War Damage Act contributions and premiums net out of personal incomes	374	532	586	640	687	748
12. Death duties and stamps on the transfer of property	90	85	86	87	91	94
13. Excess of direct tax liabilities on personal incomes over payments	18	82	80	105	147	150
14. Net personal savings after setting aside the excess of direct tax liabilities over payments	(125)	(473)	(594)	(629)	(633)	(665)
15. Personal expenditure on consumption, savings and direct taxes, etc.	4,648	5,596	5,786	5,946	6,078	6,207

TABLE III.—CENTRAL GOVERNMENT EXPENDITURE AND THE SOURCES FROM WHICH IT WAS FINANCED IN 1938, 1940 AND 1941

Year ending—	£ million					
	Dec. 31st, 1938	Dec. 31st, 1940	March 31st, 1941	June 30th, 1941	Sept. 30th, 1941	Dec. 31st, 1941
1. Central government revenue	885	1,253	1,397	1,529	1,688	1,875
2. Net personal savings including provision for accrued taxes	143	555	674	734	780	815
3. Undistributed profits after payment of taxes and War Damage Act contributions and premiums but including provision for accrued taxes	313	268	270	260	247	213
4. Surplus on extra-budgetary funds	21	140	181	170	180	166
5. Local authority surplus	4	36	42	47	51	54
6. Compensation received in respect of claims under War Risks Insurance, etc., Acts	...	36	71	135	202	249
7. Private net investment (or plus disinvestment) at home and war losses made good	-406	286	380	443	497	493
8. Private and government net investment (or plus disinvestment) abroad	55	759	846	931	844	798
9. Central government deficit	130	2,080	2,464	2,720	2,801	2,788
10. Central government expenditure	1,015	3,333	3,861	4,249	4,489	4,663
11. Central government revenue	885	1,253	1,397	1,529	1,688	1,875
12. Unemployment Fund	-1	24	45	50	57	64
13. National Health Funds	...	9	9	10	10	8
14. Local Loans Fund	2	5	7	8	8	9
15. Other extra-budgetary receipts including war risks insurance and certain War Damage Act receipts, Exchange Equalisation A/c, and reduction in Exchequer balance	258	515	566	497	291	73
16. Reconstruction Finance Corporation loan	...	...	...	...	31	87
17. Receipts from capital transactions, etc.	5	10	10	10	-10	10
18. Sinking funds	-11	-12	-17	-17	-17	-15
19. Other expenditure (net)	4	-8	1	3	5	13
20. Finance through government agencies	253	543	621	561	395	247
21. Post Office and Trustee Savings Banks	1	119	160	197	208	214
22. Nat. Savings Certificates including increase in accrued interest	3	168	182	204	207	213
23. Defence Bonds	...	180	190	203	186	174
24. Other public issues (net)	62	552	684	865	990	1,021
25. Increase in fiduciary issue	10	50	50	50	-100	150
26. Increase in Treasury bills held outside government departments and Bank Ways and Means	-199	130	147	121	239	279
27. Bankers' deposit receipts	...	338	430	519	476	473
28. Tax reserve certificates	...	...	...	...	...	17
29. Public borrowing at home	-123	1,537	1,843	2,159	2,406	2,541
30. Central Government expenditure	1,015	3,333	3,861	4,249	4,489	4,663

TABLE IV.—THE INCOME, DEFICIT AND EXPENDITURE OF PUBLIC AUTHORITIES IN 1938, 1940 AND 1941 (ABBREVIATED)

Year ending—	£ million					
	Dec. 31st, 1938	Dec. 31st, 1940	March 31st, 1941	June 30th, 1941	Sept. 30th, 1941	Dec. 31st, 1941
1. Direct taxes, War Damage Act contributions, etc.	534	768	854	961	1,074	1,215
2. Indirect taxes, rates, war risks insurance premiums, etc.	645	920	1,015	1,081	1,179	1,242
3. Miscellaneous income from public property, trading, etc.	63	76	72	69	76	82
4. Deficit	105	1,904	2,241	2,503	2,570	2,568
Income plus deficit	1,015	3,333	3,861	4,249	4,489	4,663
5. Central government	101	121	115	165	214	252
6. Extra-budgetary funds	231	214	206	200	196	192
7. Local authorities	...	...	...	...	...	...
8. Total	1,347	3,668	4,182	4,614	4,899	5,107
9. Subsidies	15	70	98	124	128	139
10. Payments in respect of claims for War Risks Insurance, etc.	...	36	71	135	202	249
11. Transfer payments	499	506	507	525	538	557
12. Expenditure on goods and services	833	3,056	3,506	3,830	4,031	4,182
Total expenditure	1,015	3,333	3,861	4,249	4,489	4,663
13. Central government	101	121	115	165	214	252
14. Extra-budgetary funds	231	214	206	200	196	192
15. Local authorities	...	...	...	...	...	...
16. Total	1,347	3,668	4,182	4,614	4,899	5,107
† National Debt interest and interest accrued on National Savings Certificates	222	243	244	254	265	273

NOTES OF THE WEEK

Loyal Government at Vichy

The new situation in France with Laval, the arch-laborer, as "Head of the Government with special powers," including, it appears, power to appoint all other ministers, and Darlan, the opponent of Britain, as Commander of the Land, Sea and Air Forces, suggests, on the face of it, the complete collapse of the fiction of Vichy independence. The only question now is not what Vichy will refuse, but what Berlin is demanding. Yet it is unlikely that France will be drawn back into the war on the side of the Axis. Marshal Pétain is still Head of the State; and there is nothing to suggest that the Marshal is any readier now than at any time during the last eighteen months to abandon the Armistice terms and accept military collaboration, the use of bases in Unoccupied France or the abandonment of the French Empire. His strength is the growing spirit of resistance among the French people. To whatever lengths Laval and Darlan may be prepared to go in their subservience to Berlin, there is a whole range of policies which it is doubtful whether they have the power to carry through—and one of these, surely, is to send the French into action against the Americans. The Nazis' aim in forcing Laval back into the Vichy Government is in the first place defensive. They have realised that the Vichy Government could not be relied upon to maintain the degree of collaboration reached hitherto. More and more of Pétain's closest advisers were coming to be known as anti-collaborationists. The British raids and the air attacks on French industry only encouraged their growing distaste for the Axis. In a word, Vichy no longer represented a government "loyal" to the Germans. Laval is an attempt to tilt the see-saw in the other direction. Vichy's "loyalty" to Berlin is far more vital this year than last. The second year of the Russian campaign is draining away men and arms from every part of German Europe—not least from France. At the same time, the offensive strength of the Western Democracies is rising week by week. The presence of Mr Harry Hopkins and General Marshall in London suggests that the strength will be used in unity and not necessarily on distant fronts. Once again, the nightmare of a war on two fronts is troubling the rest of the German General Staff. They can remember that in the last great revolutionary war to unite the Continent—Napoleon's—the war on two fronts began years after the "final" conquest of Europe. It began when Wellington came to Portugal. Where is Britain's Peninsula in this war? Could it be in France? This is the problem which the Germans hope Laval's "loyalty" will help to solve. They cannot, just before the spring offensive, increase the garrisons and policing forces in France. Nor can they rely upon the anti-collaborationists at Vichy. There are only about two men they can rely on—Laval, who will gladly drag the French in the interests of Berlin, and Darlan, who will fight the British if they attack French territory.

territory. The breach may come, in any case. If Berlin wants it, it will come from the side of Vichy.

Great Captain

The appointment of Lord Louis Mountbatten to be Chief of Combined Operations, which took effect last month, is at once a romance and a portent. In November, 1914, Prince Louis of Battenberg, Lord Louis Mountbatten's father, stood by Mr Churchill's side at the Admiralty as First Sea Lord. Mr Churchill has put on record that he was a great sailor; but he was despitely treated. Because of his German origin he was compelled to resign, although, as he once put it, he joined the British Navy before there was a German Empire. Now his son, who is also a great sailor, has been chosen to occupy a post which may prove to be the most important Service appointment of the war. Some weeks ago it was argued in *The Economist* that the greatest need, for the effective use of the country's fighting forces, was the introduction into their command, training and equipment of what Lord Swinton has since called "a three-Service mind"; that is to say, that there should be, at the top and in charge of every considerable fighting unit, not a tri-partite division between naval, air and military commanders, working in co-ordination, but a unified approach and direction. This contention has since been echoed by Sir Edward Grigg and the *Times* newspaper. The *Times* is content to state the problem in general terms and to ask for a single commander in place of the present system of co-ordination. *The Economist* went further. It asked for a new type of general officer, acquainted with naval, air and military matters, not only at the head, but in all positions of higher command. It asked not only for the Great General Staff in London, which the *Times* advocates, but also for similar staffs on a smaller scale for all considerable fighting units in any element—for unity in command, co-ordination in training and equipment, and co-operation in action.

Joint Action

The need for unity and co-operation in strategy has been underlined in the Indian Ocean and in Burma in recent days. It was debated in the Lords on Wednesday. Mr Churchill's explanation for the naval losses off Ceylon is that there are not enough aircraft and aircraft carriers to afford protection to all naval units at sea. There are certainly not enough aircraft of the right kind. But it is not enough to say that air protection for

To Break or Not to Break

The United States is, somewhat naturally, to "review" its policy towards Vichy. There is only one problem: Should relations be broken off? It has already been announced that no more foodstuffs or supplies will go to French North Africa while its future status is so uncertain. In spite of the Vichy Government's obvious swing towards closer collaboration with Berlin, it is difficult to see what difference it would make to remove Admiral Leahy from Vichy. Now more than ever Marshal Pétain needs whatever moral support he can get. The American representative at Vichy can still give his Government a shrewd idea of what is going on. In fact, it looks very much as though it would be to Berlin's, rather than to Washington's, advantage if Admiral Leahy were to go. The very sharp reply sent by Laval to the Washington Note, stating the Administration's reasons for recognising General de Gaulle's authority in French Equatorial Africa, suggests the label "made in Germany." Provided Vichy is treated as potentially an enemy power and every disposition taken to be ready for treachery, then there is really no harm done by maintaining trained observers in the heart of "enemy" territory.



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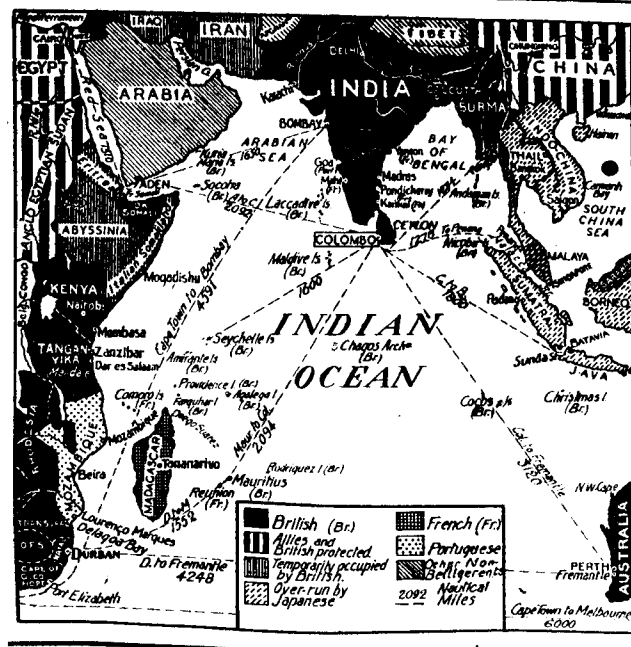
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ships in the Indian Ocean or for land forces in Burma is not available. In modern warfare, this is almost tantamount to saying that land and sea forces must go into action unarmed. The real problem is to ensure that "no naval or military unit should go into action without adequate air cover, air reconnaissance and air artillery, any more than it would fight without its other weapons or without ammunition"; and this can only be achieved by bringing about a sufficient integration of strategic command and production programmes. It is no answer to this contention to point, as Lord Sherwood did in the Lords, to the outstanding and indisputable achievements of the Bomber, Fighter and Coastal Commands of the RAF. The task is to raise achievements in every element to the same level. The air marshals are said to be afraid that this would mean making the air arm merely ancillary to the land or sea arms—which would, of course, be disastrous. In fact, in the present tempo of strategic developments, it might well mean precisely the reverse in effect; almost certainly, air warfare in all its aspects would be, and should be, the greatest beneficiary. The question is not which of three should be master, but that there should be one in command, not three—that strategy (and war production) should be single-minded instead of tripartite. On the side of production, a great stride forward has been made with the institution of Mr Lyttelton's organisation. On the side of strategic operations, the appointment of Lord Louis Mountbatten is a very welcome start. As Chief of Combined Operations, Lord Louis has been given high rank in all three services—Navy, Army and Air Force. He attends the Chiefs of Staff's Committee on specific occasions, and is the one general unified link in that tripartite body, which is responsible for directing the nation's defence and strategy. Lord Louis's appointment is surely a portent, not only of offensive action against the enemy on an increasing scale, but also of the real beginning of combined action by all three Services.

Axis Grand Strategy

Early in May the rains begin in Burma, and the Japanese hope to have reached the oilfields and Mandalay by then. They are already 90 miles or more beyond Prome, and may shortly be able to divert enough troops from the Irrawaddy front to turn the Chinese flank north of Toungoo. The pace is quickening everywhere in the great arc from Toungoo across the Bay of Bengal to Colombo, and it



begins to look as though the Japanese aim may possibly be to contain the Allied base of Australia, while the main drive sweeps on to Ceylon, to the coasts of Africa—to Suez. If there is any real co-ordination of German and Japanese strategy, then Suez as an objective makes sense, for it represents one prong of a vast encircling movement of which the other could be launched behind Rostov-on-Don. The only comparable movement would be a Japanese drive through Siberia to join with the Germans in the

central Russian steppes; the Russians are reported to have warned the Japanese sharply against any such undertaking. If this dual movement of encirclement were completed, Russia and China would be completely isolated from Britain and the United States. Its frustration depends to a very great extent upon co-ordination of Russia's land fighting with the sea power of the democracies. Their ships must take out Soviet supplies for the vital Caucasian front. The job must now be done in the teeth of strong Japanese naval concentrations. More and more the maelstrom of the war is moving to the Middle East.

Two Post-War Views

It is an event when two men so eminent in the spheres of labour and capital, respectively, as Mr Ernest Bevin and Mr Samuel Courtauld, give expression almost simultaneously to their views about the post-war shape of industry. It is particularly interesting that, on certain broad outlines, the labour leader and the captain of industry agree. Both regard greater state control as inevitable. Both regard closer co-operation between employers and workers as imperative. Mr Bevin, in his speech last week-end, was obviously mainly impressed by the need for disciplined demobilisation. To him the fatal error would be to allow the desire for quick profits or the disposition towards rapid and undue expansion to distort post-war development into a disastrous boom followed by the same sort of merciless slump as succeeded the last war. His solution is the maintenance of the controls which have apportioned resources in war economy in order to distribute those resources in the most beneficial way when the war is over. Mr Courtauld, too, is convinced, on broader grounds, of the necessity for Government control. Some of his reasons are very sound, and come refreshingly from the pen of an industrial leader. The Government, he says, cannot tolerate the *imperium in imperio* of monopoly and combination. The Government should have powers of supervision on questions of quality of product, wages and working conditions. The Government should not permit industry with sweated labour in blind alleys to exist in the name of free enterprise. The Government should take over transport, and perhaps coal mines, in the national interest. In part, of course, Mr Courtauld's thesis, expounded as a set of questions rather than a series of answers, is the rationalisation of his own industrial experience. It is presumably in the light of this that he deprecates so strongly the stifling of invention by blocking patents and regards financial institutions as, on occasion, "bandits levying a toll in a narrow defile through which all traders are bound to pass."

Industry After the War

In his tentative proposals for the future of industry, Mr Courtauld is faced by the dilemma which confronts all seekers after justice and efficiency in economic matters. On the one hand, he has no wish to damp down the private initiative which fosters economic progress. On the other hand, he wishes to make Government control, in the interests of the community, effective. He regards control by bureaucrats of the present style as tending towards complacency and stagnation. Civil servants, in his view, are incompetent industrial managers; and the processes of departmental and Treasury control are too devious and too complicated for industry to thrive under. In the end, Mr Courtauld's solution is somewhat nebulous. He would have Government directors upon the boards of companies, possessing no more power to interfere than shareholders possess already—which would merely give industrial sovereignty an official cachet. He is afraid of the influence of society catching upon wages policy, just as the section of society represented by Mr Bevin is afraid of the influence of vested interests upon the state's attitude towards profits. Both Mr Courtauld and Mr Bevin have plainly raised the key problem of post-war economic policy. Before the war, the tendency was to hand over the industries of this country to be run by the industries themselves in a sort of feudal baronage, with labour in each industrial fief not unwilling. During the war, a dual system has emerged in which industry runs and controls itself with a hierarchy of civil servants to exercise State supervision. After the war, the choice must be made. The desiderata are plain. On the one hand, there must be efficiency in industrial management, which cannot be achieved by civil service formulae. On the other hand, there must be communal control. In part,

the solution is to train and institute a new kind of civil servant capable in matters of industry and economics. In part, more broadly, the solution is to draw a sharp division between those necessary industries, such as food, transport and perhaps fuel, which must be managed directly under the eye of the community as represented in Parliament and the Government, and those industries which must be permitted to grow and develop within the usual pattern of private enterprise—but also within the rules and regulations of a decent, civilised and democratic society.

Aunt Sally

The vendetta against Mr Herbert Morrison has surely gone far enough. The attackers are worthy people who dislike wartime restrictions upon individual liberties; and it is no more than their duty to take every opportunity of preventing the abuse of wartime powers. But it is fantastic that every action of Mr Morrison in performance of his duties as Home Secretary should be assailed as a personal assault upon the ark and covenant of British freedom. Obviously enough, when Mr Morrison warns the *Daily Mirror*, he is acting on behalf of the Prime Minister and the War Cabinet and not indulging in personal oppression. Obviously, too, when Mr Morrison seeks the resignation of Colonel Blatherwick and sacks Sir Warren Fisher he is acting in his own lights as a wartime Home Secretary and not as Mr Morrison. Admittedly, his manner and his methods are not always happy. At first glance, it appeared that the dismissal of Colonel Blatherwick, the Deputy Commissioner for the North-Western Region, was perhaps unduly drastic. Now, however, it does seem that a man who was responsible for the gross waste of petrol involved in the travelling of a football team and himself, in official vehicles, from Bolton to Dumfries and back, without notice being given to anyone that he would be away from his post for fifteen hours, did something which the vast majority of public opinion in this country, in view of the restrictions which are being rightly and popularly laid upon civilian consumption, would protest against as strongly as Mr Morrison did. Sir Warren Fisher's action in protesting publicly, not against Colonel Blatherwick but against Mr Morrison, was quite unjustifiable, whatever irresponsibility Sir Warren may claim to have been implied in the terms of his appointment as Special Commissioner for the London Region. The demand of Mr Morrison's enemies in the House of Commons this week was for an inquiry into Mr Morrison's actions. Sir Warren Fisher has repeated the demand, and by implication questions the truth of Mr Morrison's account of the Blatherwick case. Mr Morrison refused the demand and the House of Commons endorsed his refusal—quite rightly. It may be true that Mr Morrison is not best fitted, temperamentally, either to exercise the necessarily distasteful powers of a wartime Home Secretary or to endure the storms of criticism which a wartime Home Secretary necessarily meets. But it seems as plain as a pike-staff that, in this particular matter, which is surely not worthy of the fuss and excitement which has been whipped up, he acted in the only possible way; and that, unless a majority in the Commons requires it, it is ludicrous to expect that every drastic action by a Minister should be vetted by some body of inquiry. The popular wish—and of the national need—is for more drastic action on the part of Ministers, not less. A Minister's responsibility is to Parliament and is part of the collective responsibility of the Cabinet. This personal feud against Mr Morrison is, in effect, a campaign of recrimination against the policy and methods of the Churchill administration itself.

Co-operation through Understanding

It is good news that *British War News*, a counterpart to *Soviet War News*, is now to appear in Russia; and the forthcoming arrival in Moscow of Mr John Lawrence, as First Secretary in charge of publicity matters, should help to increase the friendly contacts between the two Allies and to encourage the exchange of information between the two nations. There is, of course, an intense interest in this country in everything Russian. In many circles it is already some twenty years old; and various committees and bodies, such as the Society for the Promotion of Cultural Relations with the USSR, exist to cater for the interest. Now a short course for teachers on the Soviet Union has been inaugurated by M. Maisky in London. In his speech, the Soviet Ambassador referred to

the "wall of ignorance and suspicion" that had separated the people of Russia from the rest of the world, and went on to say that "to destroy that wall, to clear the air, to make the peoples outside the Soviet Union better understand his country was a matter of the highest importance." It is, of course, equally important, almost certainly more important, that the peoples of Russia should get to know something about the other nations of the world. Almost every honest observer of the Russians at home is astounded at the incredible ignorance that prevails about conditions and affairs in other countries. The *British War News* may be only a small step, but it is a step in the right direction. One may now hope that both countries will take seriously the task of increasing mutual understanding. To point out that the process is further advanced in Britain than in the Soviet Union is not to disagree with M. Maisky's main thesis—that without friendly co-operation between Russia, Britain and the United States "there is no hope for mankind to establish a just or durable peace."

End of Luxury Feeding

The Order now being drafted by the Ministry of Food, designed to regulate restaurant feeding, is much overdue. It is to be hoped that, now the Government has been persuaded of its necessity, the Order will be drastic and effective. Reports suggest that the number of courses will be limited to three; that a strict upper limit will be placed on the cost of meals; and that days without fish, game or poultry will be introduced. It is expected that meals after 11.0 p.m. will be prohibited, except for night workers and hotel residents, and that the holding of unnecessary public luncheons will be discouraged. It has been apparent since the outbreak of war, that the spectacle of luxury feeding was intolerable to a people on whom the need for total sacrifice was being officially impressed. Moreover, the possibility of building up food stocks through stricter regulation of restaurant, café and club meals should have outweighed the consideration that the net saving would be too small to make a perceptible difference to the current domestic ration. It is still not quite clear why, despite the admitted technical difficulties, the Minister of Food does not decide to go the whole way and introduce food rationing in restaurants. Coupons were surrendered in restaurants in the last war, and there has been more surprise than satisfaction that no such scheme has been brought in this time. Even under the new Order, there will be no upper limit, apart from actual physical capacity, on the amount of food which the crawler from eating place to eating place can absorb.

Concentration of Industry

The concentration of industry was begun by Mr Lyttelton, and carried on by Sir Andrew Duncan. Its further development is now being considered by Dr. Dalton, the new President of the Board of Trade. The seventh report of this session from the Select Committee on National Expenditure (which is outlined in a Note on page 548) is far from satisfied that the methods followed, or the results achieved, have so far been adequate. The object of concentration is to economise labour and plant—in particular labour—by making up the restricted wartime supply of materials in the most labour-saving factories. The view of the Committee is that, in the development of Mr Lyttelton's original scheme, post-war considerations have been permitted to bulk too largely. The Board of Trade has acted with reference to three factors: first, the raw material

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and labour available; secondly, the need to maintain a nucleus of firms in operation as a hard core on which to base post-war reconstruction; and, thirdly, the minimum needs of the home market. The Committee's view is that "it seems that undue weight has been given to the second factor, and too little to the third as the governing consideration." The Committee has seen concentration at close quarters. It has discussed the matter with the Ministry of Labour; and its advice is worthy of attention. For some months, it has been plain that the only way to extend the labour force in the war factories, and to increase the number of shifts worked there, is to comb out still more workers from the factories engaged on civilian work. The need for economy of labour in civilian factories is as great as in war establishments. If this economy has, in fact, been impeded, because the Board of Trade has paid too much attention to post-war needs, and too little to wartime efficiency, Dr. Dalton must put his foot down at once.

Priorities for Labour

The first principle of war economic organisation is priority, the principle by which scarce resources are allocated to work in the order of its urgency. The initial mistake made in this country was that priorities were made too rigid. When aircraft had the highest priority, for instance, it was difficult to get resources for other work, even though (in spite of the overriding need for aircraft), the rooth tank or the ten thousandth rifle might in any period be more important than, say, the thousandth airplane. The seventh report of this session from the Select Committee on National Expenditure shows this over-rigidity at work in the supply of labour. Priority was interpreted too literally. Employment exchanges took the view that, where labour was scarce, none should go to other work until the requirements of work on higher priority had been fully established. It was necessary in November, 1940, for the Ministry of Labour, to lay down the principle that no degree of priority for any product gave the firms making that product an exclusive right to available labour. The Committee's point is that, in spite of this set policy, the system of priorities is still too rigid and too centralised: that delays and bottlenecks in the supply of labour arise, and the balance of production is upset. Their solution—as great a degree of elasticity in local fact as is laid down in central theory—merits close study; and, in particular, the Committee's complaint that "the result is a pyramid of responsibility based, not upon local officers of the Production Department, but on the main contractors" will bear examination.

The Crown's Responsibility

In the House of Lords on Monday, Viscount Cecil moved a resolution asking the Crown to waive its immunity from civil action as the result of civil wrongs committed by its servants in charge of vehicles. The constitutional doctrine that "the King can do no wrong" was evolved to fix responsibility for policy upon the King's Ministers. It was never intended to relieve Government Departments of the same sort of responsibility for their employees' actions as fall upon private employers. Actually, of course, the Crown does in fact accept, of grace, the same responsibility as private employers in most cases. Otherwise it would be vastly unfair, because the only remedy of sufferers at the hands of official servants would be against the servants themselves, who, in the case of the drivers of Government vehicles, might very well not be in a position to meet damages. The point behind Monday's discussion in the House of Lords is that responsibility for the actions of Crown servants in charge of vehicles is only accepted if the vehicle is being used in the course of duty—which is right and proper, and analogous to the position of private employers. But, in the case of Government Departments, this matter is decided by the Departments themselves, which makes them judges in their own cause. Thus the problem is simply to close a loophole; and the Lord Chancellor announced that the Government had no objection to the introduction of a practice under which, if the claimant desired, the matter of responsibility should be referred to an independent person of adequate legal attainments, who would decide whether, if the driver of a Government vehicle had been privately employed, the private employer would have been liable for the civil wrong committed by him. It should be emphasised that the constitutional immunity of the Crown from civil action does not

actually, in most matters, bear hardly upon private individuals who may be wronged by its servants. The principle that, whatever the constitutional doctrine, the Crown should regard its responsibilities as precisely the same as those of private employers, is generally applied. The importance of Lord Simon's statement is that it adds an extra safeguard to the position of the private citizen.

The Role of Advertising

Mr Courtauld in his *Economic Journal* article is not friendly to advertising. He admits that advertising has a "legitimate" function, "to let people know where they can get what they want"; but he speaks of "high pressure salesmanship directed to selling things to people who do not really want them and are often unable to afford them." However justified they may be—and there must be few people who have never reflected on the "waste" involved in the gigantic apparatus of modern competitive commercial advertising, by which competition appears to push costs and prices up rather than down—these judgments are, of course, moralistic rather than economic, though the further point that distribution costs, which include advertising, have grown disproportionately compared with production costs has undoubtedly an economic significance. Mr Rothschild, in the same issue of the *Economic Journal*, looks at advertising in a different, and perhaps more fruitful, way. His concern is the economic lack-logic of the "advertising habits of the business world." He underlines one point which is overlooked by the moralists, that although expenditure on advertising may go, to a considerable extent, to people who save a large part of their income, advertising encourages employment—by causing an increased propensity both to invest and to consume—which is a welcome influence in "an economic system which constantly allows productive resources to lie idle." The lack-logic lies in the fact that business men cut down their advertising expenditure in a slump and enlarge it in a boom. Thus advertising habits tend to accentuate the movements of the trade cycle, by discouraging consumption, investment and employment when business is bad and stimulating them most when business is best. The effect is no doubt relatively very small. But it would plainly be preferable, economically, if advertising policy could be managed in precisely the opposite way—as it is managed by one or two individual firms—so as to mitigate fluctuations by stimulating demand when there is a tendency for it to fall. The great need, statistically, is, to find out exactly how influential advertising is, or could be, in encouraging employment. In wartime, of course, there is no need to encourage employment; the only proper stimulant is war needs. Resources are not idle, but scarce. As Mr Rothschild points out, not referring specifically to wartime, "If there is full employment the habit of advertising will lock up considerable resources in a socially useless struggle." In total war, there is full employment, and this dictum is very true.

A Plan for Education?

At the annual conference of the National Union of Teachers, Mr R. A. Butler described his aspirations, as President of the Board of Education, with some frankness. He announced his determination to introduce a national minimum of compulsory education, and to secure secondary education for all after the age of eleven. In addressing himself to the thorny problem of the place of religious education, on which matter he plans to take account of the Archbishop's Five Points, and in attempting to place financial aid at the disposal of non-provided schools without thereby robbing them of their special features, he is intrepidly tackling issues often regarded as insoluble. Of the more distant future, there will be little disagreement with his thesis that the school leaving age must be raised, and that it must be raised gradually; or with his plan—by now almost an old-fashioned ambition, so long has it been postponed—to differentiate post-elementary education in four categories: senior or modern, technical, secondary, and boarding schools, so that teaching is increasingly suited to leadership—from the entire community, rather than from a small and privileged class, as at present, cannot simply be achieved by the perfecting of the state system of education. The educational institutions outside the state system cannot be left outside and untouched. Mr Butler courageously committed himself, not only to the doctrine of *la carrière ouverte aux talents*, but also to that of *la carrière fermée au*

manque de talents. But discrimination, the claims of privilege, and the bottleneck of leadership must remain until the whole educational system of the country is integrated, and the resources of all existing public, private and independent schools used for the general good. The Association of Headmistresses at Malvern discussed this vital matter at some length, but voted against the "nationalisation" of non-state schools. No doubt it is more immediately important to build up the opportunities of the unprivileged than to eliminate the relative advantages of the moneyed. But the underlying issue—which is not to close the public schools, but to open them, not to block the present channels of leadership, but to make them nation-wide—is not one that can, or should, be postponed indefinitely.

South America and the Axis

The new Chilean President, Don Juan Antonio Rios, assumed office on April 2nd, and from his inaugural address it is clear that Chile is not yet ready to break off relations with the Axis. However, the reasons dictating this decision are probably rather different from those which decided the Government of Argentina to maintain its relations with the aggressor states. The Argentine Government preferred a position of isolation partly as a gesture against United States leadership, partly as a Government riposte to the strongly anti-Axis character of the Radical opposition. In Chile the determining factor is almost certainly strategic. The country has a coast-line of over 3,000 miles, a very small navy and no land forces to speak of. The progress of the war in the Pacific since the Rio Conference has done little to counteract the Chilean Government's original hesitations. If the Japanese can land as far west as the Andaman Islands in the teeth of the resistance of the British, Dutch and part of the American Navy, how easy, argue the Chileans, would it be for them to fall on the undefended coastline of South America, if they were once to spread their operations eastwards. Internal considerations play a part in Chile as well as in Argentina. Dr Rios, the new President, represents the extreme Right Wing of the Radical Party. He has an intense

dislike for the Communists, with whom his Party is in a very uneasy Popular Front alliance. The big propaganda line of all the Left Parties in South America is now, of course, all-out aid to the United Nations, and all-out co-operation with the United States in hemisphere defence. It is therefore just possible that Dr. Rios is maintaining relations with the Axis to off-set the influence of his own Left Wing. Meanwhile, in other republics, the drive against Axis activities and for ever closer relations with the United States continues. The week has seen the rounding up of a number of Axis agents in Brazil and the arrival of the President of Peru, Dr Prado, in Washington is rightly regarded as a singular tribute to the success of the Good Neighbour policy.

Discontent in Bulgaria

The resignation of the Filoff Cabinet in Bulgaria, and its reconstitution under the same Prime Minister, does not denote any change in foreign policy which was fixed at the time of King Boris's visit to Hitler. It is a safety valve for the country's deep dissatisfaction over economic conditions. In the last two years, the cost of living has risen fantastically; food—in a country normally with a food surplus—is growing scarcer. The reason is, of course, the German occupation. Not only have the usual wholesale requisitions been carried out, but the Bulgarian people are being compelled to contribute part of their earnings to a fund for "comforts" for the German troops. On top of the general discontent has come the Kastermann trial. Kastermann was director of the Belgian Electric Company, which supplied Sofia until the state took over the concern in 1941. It was then discovered that Kastermann had fantastically bribed a large number of Bulgarian officials and municipal councillors, including the director of the tram services. It appears that seven million leva were spent on bribes in a few years. It is against this background and internal economic discontent that the Cabinet changes must be read; it is significant that among the portfolios that have changed hands are commerce, agriculture, railways and public works.

AMERICAN SURVEY

Food for Lend-Lease

(From a Correspondent in Washington)

March 15, 1942

IT is about a year now since the United States first undertook to help feed the people of the British Isles. Shortly after the passage of the first Lend-Lease Act, the United States Department of Agriculture made its plans. The British required great quantities of highly nutritious foods—foods that had not normally been produced in the United States for export. The quantities required were so large that, at the beginning of the Lend-Lease discussions, both British and Americans could hope for delivery of only a part. The Lend-Lease food programme has depended upon increased production and increased handling of a long list of vital foods.

The first shipment of Lend-Lease foods left the United States on April 29, 1941. By February 1, 1942, we had made available to the British over 3 billion lbs. of fruits, vegetables, fats, oils, dairy products, eggs, meats, starches, cereals and vitamins, plus several hundred million lbs. of other agricultural products such as cotton, tobacco and naval stores.

Farm Organisation

During the first world-war, America's Allies wanted wheat. We produced the wheat that was needed. We ploughed 50 million acres of the Great Plains, and laid bare to the ravages of rain and wind land that was suitable only

for grass, and which, without the protective covering of a thick sod, soon began to blow away. Years later, the winds that swept the plains carried top soil from Texas to Chicago and New York, and even to the decks of ships on the Atlantic. In 1933, the New Deal took hold and built a new farm programme that was to rehabilitate farm land and farm people. That programme has tied down millions of acres of eroding soil, has nourished, terraced and watered tens of millions of acres of other land, and improved the standard of living of the farm population. Eight years later, when we were asked to produce more than we had ever produced before, six million farmers and 350 million acres of crop land were ready to do the job.

The farm programme of the New Deal sought, not only to aid the farmer by improving his economic status, but also to give him a direct share and greater responsibility in his Government. Farmers were given the opportunity to participate in the administration of the programme, and, through various procedures, in the formulation of policy. Accordingly, committees of farmers were organised on state, county and community levels. Now, in more than three thousand agricultural counties, some one hundred thousand committeemen represent six million American farmers. This administrative device, together with other less extensive field organisations such as the Extension Service and the Farm Security Administration, made it possible for every farmer of the land to be personally in-

formed of the expanded requirements for food, and to be asked to produce his allotted share of the total.

The United States, in recent years, has sought also to help resolve the paradox of "scarcity in the midst of plenty." Among other things, the Government has purchased surplus foods for distribution to people whose incomes did not afford a satisfactory diet. This programme called for an organisation equipped to make large purchases of many different foods, and to handle those foods from the producer to the consumer. The existence of this organisation permitted the taking of immediate steps to procure the food needed under the Lend-Lease programme. The Agricultural Marketing Administration of the Department of Agriculture began to purchase foods in anticipation of Lend-Lease requirements before any Lend-Lease funds had been allocated. The farmers felt the effects of these purchases in better prices for their produce early in the spring of 1941, when it was still possible for them to plan increasing acreage, hatching more chickens, breeding more sows, feeding more grain to dairy cows and hogs, and taking other steps for increasing their production of food. Without such an organisation, it would have been impossible to have acted so quickly.

During the next twelve months, America will produce more food than ever before. For 1942 the Secretary of Agriculture has asked for, and six million farmers have agreed to, an output exceeding their record production of 1941 by 9,500,000,000 lb. of milk, 472,000,000 dozen eggs, 59,000,000 chickens, 10,500,000 hogs, 2,145,000 acres of soya beans, 1,800,000 acres of peanuts for oil, the equivalent of 6,000,000 cases of canned tomatoes, 9,300,000 cases of canned peas, and by big margins in many other highly nutritive foods. For the most part, these increases will be produced without bringing additional land under the plough. But, if need be, we can add 50,000,000 acres of crop land now idle or fallow, and we can plough more than 100,000,000 acres of pasture land. And we won't need to plough the Great Plains as we did in the last war.

The Transport Problem

But the production of food is only part of the job. The food must be delivered to those who need it, both at home and abroad. No matter how liberally we anticipate available shipping space, there just isn't enough to carry all the supplies that must move across the oceans. As far as food is concerned, that means one thing in particular—we must take the water out of it. The dehydration of food is an old process. Food was dried during the last war. Cheese, pemmican, and dried fruits are old forms of dehydrated foods. A year ago, we shipped shell eggs and some frozen eggs. In July, 1941, we set out to increase our capacity to produce powdered eggs. At that time, working 22 hours a day, 300 days a year, we could produce at the rate of 42 million lb. To-day, we are producing at the rate of more than 225 million lb. and expect to increase that capacity by another 50 million at least. Thirty dozen eggs in the shell require two and one-quarter cubic feet of shipping space, whereas the same quantity of powdered eggs takes only little over one-half a cubic foot of space. Eleven lb. of whole milk makes one lb. of milk powder. Concentrated orange juice is one-sixth to one-tenth the volume of natural juice. One lb. of dried vegetables equals ten lb. of the fresh product. Water is also being removed from such fruits as raisins, peaches, pears, apples, apricots and prunes.

Handling the greatly increased production of food strains distribution facilities—containers, storage, refrigeration, rail and ship transportation. Dehydration eases these strains, but simultaneously taxes processing facilities. Increased food processing capacity has been encouraged, sponsored or financed by the Government. Compared with a year ago, for example, the rate of cheese production has increased by 300 million lb. per year; evaporated milk production is up 33 million cases; and dry skim milk has jumped from 375 to 500 million lb. The Government is building two plants in Florida to produce 500 thousand gallons of concentrated orange juice and 800 thousand lb. of pectin; other milk processing plants are under construction and plans are under way to produce an additional 15 million lb. of dried vegetables. Packaging Lend-Lease food is another difficult problem. There are critical shortages of tin for cans, rubber for plioform wrapping and daccawax coatings, steel for metal drums, nails, strapping and even wood and paper for boxes.

America can produce the food. Shortages of fertiliser, labour, and farm equipment will present problems of priorities, but the agricultural plant is capable of greater production than ever before.

American Notes

The Progress of Conversion

The first serious effect of the war on the American standard of living will be felt in durable consumers' goods. Mr Neison has forecast that all such production will cease within about two months, as the industries concerned are entirely converted to war production, although stocks will cushion the blow for some time. Industries where civilian production will be prohibited in the near future include automobiles, radios, phonographs, electrical equipment, and refrigerators, although the automobile industry is the only one where production has already ceased. Residential construction costing more than \$500 has been prohibited except under specific Government authorisation, and the limit for unauthorised commercial, industrial, and highway construction projects has been set at \$5,000. Conversion orders are expected shortly for the washing machine, agricultural machinery and office machine industries. Production of some articles has been limited, including typewriters, razors, musical instruments, bicycles; and stocks of bicycles, typewriters, tyres, and automobiles are already rationed. Wool available for civilian consumption has been cut drastically. Dress designs have been simplified for the duration. The production of golf clubs, golf balls, and metal household furniture has been prohibited. There are restrictions on the use of most metals and rubber. Gasoline deliveries to the East and West Coasts have been cut to 66 per cent of the average of the last three months. New dial telephone installations have been forbidden. That these orders only touch the fringes of the standard of living is realised, and criticism has been aimed at delays rather than their severity. It is pointed out that the production of refrigerators, allowed until April 30th, and electrical equipment, allowed until the end of May, is using up materials urgently needed for war production. The reply of the War Production Board has been that its policy is to accumulate stocks of consumers' goods, and then to cease production altogether, rather than keep a few firms working throughout the war; and that it is proceeding as rapidly as possible with conversion orders. It is also sometimes overlooked that industries not yet converted entirely are already at work on war contracts; the agricultural machinery industry, for instance, is turning out tanks.

The Shipping Bottleneck

The shipping shortage is receiving increasing attention. Testifying to the House Naval Affairs Committee, Admiral Land, Chairman of the War Shipping Administration, declared that it was, and would continue to be, the most serious bottleneck of the war effort. Shipbuilding goals have been raised again; Admiral Land stated that 10,000,000 deadweight tons could be built this year by a 13 per cent increase in production. There has been a steady raising of the sights. In 1941 the United States built about 1,000,000 tons of shipping, and planned to build 6,000,000 tons in 1942. After Pearl Harbour, the goal was raised to 8,000,000 by President Roosevelt. Efforts to break the bottleneck have taken three forms. Ships have been almost entirely removed from coastal traffic, and cargoes are being handled by the railways, motor transport, and inland waterways. Unessential imports from South America, such as coffee, bananas, and cocoa, are being reduced, and the ships transferred to other runs. Strenuous efforts are being made to economise shipping, speed up operation and give preference in facilities to the most urgent cargoes under the sweeping powers granted to the War Shipping Administration. Exercise of Service priorities is being supervised to assure that ships no longer go out half-loaded in answer to Army or Navy demands. Seamen's freedom of movement has been curtailed because it was found to interfere with efficient operation. The main hope for a solution, however, lies in the shipbuilding programme. Figures are not available, but it is known that as recently as March, building was behind schedule. In part this was due to a fault in design, in part to a bottleneck in certain items which has now been eliminated. Also, relations between labour and management have always been notoriously difficult in American shipping and shipbuilding. Admiral Land declared that a war labour policy was essential. A beginning has already been made on the Pacific coast, where a committee of employer and employee representatives has been established to consider methods of increasing production. The Americans are not a sea-faring people, and it has taken

time for the average citizen to appreciate the urgency of the need for shipping. Now, however, it is realised that the ability of the United States to fight the war, as well as to aid her allies, is determined primarily by ships.

Small Firms

Complaints that small firms have been unable to secure their share of war contracts have been growing, and have finally secured sympathetic attention, both from Congress and the War Production Board. Mr Nelson recently testified that lack of funds was the main reason why these firms were unable to obtain contracts. This difficulty has been met by an Executive Order authorising the Army, Navy, and Maritime Commission to guarantee loans to be made by the Federal Reserve Banks, the commercial banks, or the RFC to small enterprises to enable them to assume contracts. Up to now, the commercial banks have been unable to make such loans because of credit restrictions and the RFC has not considered small businessmen good risks. It is officially stated that these loans "will not be made under peacetime credit rules. They will be made by production men wherever additional financing is essential for additional production." Voluntary pooling of the facilities of small firms in order to obtain defence contracts is becoming increasingly popular, and has been favoured by the War Production Board. A Bill which has been passed by the Senate and is now before the House has developed this idea further; it provides for the creation of a "Smaller War Plants Corporation" under the War Production Board, which would secure contracts from procurement agencies and then break them down into orders which would be distributed to small enterprises. Mr Nelson has agreed that the contracts distribution department of the WPB has perhaps not been as aggressive as it might have been in employing small firms, and has promised a more vigorous policy, with emphasis on simplifying and standardising many of the articles demanded, so that they can be produced by small businesses, leaving more complicated jobs to the bigger concerns. The agitation to give small business its fair share of war work comes at present from businessmen threatened with idleness as their supplies are cut down, but as war production absorbs more and more of the country's industrial facilities, it will become increasingly urgent to use every means to mobilise the resources of all firms large or small.

The Closed Shop

A War Labor Board decision last week on the closed shop, ordering a small machine-tool company to insert a "maintenance of membership" clause in its union contract, may prove to be the solution the Administration has adopted on this vexed question. The dissent of all the employer members of the Board suggests, however, that industry is not likely to accept it without protest, and the whole question of labour policy, temporarily in abeyance, may move back into the spotlight. "Maintenance of membership" is one of the many compromises possible between the closed and the open shop; it provides that employees already members of the union must remain in good standing if they are to keep their jobs. It provides a very great degree of security to the union, both as regards its finances and its membership. In this case, it is also provided that new employees must join the union. Employer representatives have protested that it is only the closed shop under another name, and certainly at a time when employment is expanding so rapidly the distinction will probably prove slight in war industries. Other compromises are possible. It may be that no inflexible policy will be established. Considerable concessions to union security seems almost unavoidable, however, if the unions are to agree to the limitations on wage increases which are reported to be under consideration.

Sugar Squeeze

Some of the confusion over the necessity for rationing sugar has sprung from a free-for-all struggle which has been going on over the question of industrial alcohol, normally distilled from sugar. The participants—aside from the consumer, whose voices can hardly be heard—have been the industrial alcohol industry, the whiskey industry, Congressmen from the grain states, the War Production Board's Chemical Division, the Department of Agriculture, and the Office of Price Administration. The question at

issue was whether the entire facilities of the whiskey industry should be used to produce industrial alcohol from grain, of which there is a surplus, or whether 800,000 tons of sugar, one-twelfth of America's sugar consumption, should be sacrificed to the war effort. The difficulties, technical and legal, have finally been surmounted, but perhaps too late to save the sugar. The technical hitch was that alcohol produced by the whiskey industry would be only 140 proof, instead of the 190 proof needed for war purposes; until recently, it would have been illegal to increase it by using the industrial alcohol industry's facilities. That the law has now been repealed, and grain is to be used as the source of industrial alcohol lends a certain colour to the charges that the WPB's Chemical Division, staffed in part by men from the industrial alcohol industry, was reluctant to encourage competition which might be embarrassing after the war. They might have been even slower to move if Congressmen from the grain states had not been eager to seize an opportunity to increase the demand for grain, and if an investigation by Congress had not been threatened. The official denial from the OPA and the WPB that there had ever been any disagreement between them on the subject of sugar rationing does not entirely lull the suspicion that the industrial alcohol might have been produced without dipping so deeply into the sugar bowl.

Zinc Supplies

Estimates of a number of United States metal specialists place the country's zinc requirements in 1942 at about 900,000 short tons. Slightly over one-third of this total will be needed for brass-making, about one-third for galvanising, roughly one-tenth for die-casting, about one-eighth for rolled materials and the remainder for a variety of smaller uses. The greater part of the requirements for 1942 can be met from domestic sources. Production of recoverable zinc in 1941 amounted to 735,865 short tons, and in 1942 it is expected to exceed 800,000 tons, as a result of the increase in the domestic zinc price by 1 cent a lb. to 8.25 cents a lb., and the payment of a premium of 2.75 cents a lb. on any zinc produced in excess of 1941 figures. In addition, the Metal Reserve Company has acquired the whole exportable surplus of Latin America; Peru, Bolivia and Mexico together produce nearly 200,000 tons per year. The capacity of American zinc smelters has been increased to cope with increased supplies. In the latter part of 1941, potential output approached 900,000 tons and extensions in hand before the United States entered the war were scheduled to raise the country's smelter capacity to over 950,000 tons a year. The United States has also an extensive secondary zinc smelting industry, which in 1940 recovered the greater part of the 206,000 tons of secondary zinc produced in the country. With economy in non-essential uses, already well in hand, the only possibility of a shortage lies in the size of British requirements. Although the British Empire produces sufficient zinc ore, the loss of the Belgian smelting industry has made Great Britain dependent to an unknown extent on the United States for smelting.

Shorter Notes

Mr Rayburn, Speaker of the House of Representatives, has stated that the United States is now producing 3,300 war planes a month.

An agreement between Canada and the United States has been announced to make more effective use of agricultural resources. It provides for the increasing production of oil-bearing crops, such as soya beans, in the US, and of oats, barley and flax in Canada, and facilitates the seasonal movement of farm labour and machinery between the two countries.

The Chairman of the War Production Board has announced that munitions output and war construction expenditure during March exceeded 2,500 million dollars with an additional 500 millions for pay and subsistence.

The Office of Price Administration has given six Maryland communities, including the city of Baltimore, sixty days to reduce inflated rents to April, 1941, levels, before Federal Regulation is imposed.

THE WORLD OVERSEAS

The Churches of Europe—II

(By a Correspondent)

AFTER the fall of the Third Republic, the churches of France found themselves in a curious position. The fallen Republic bore in their eyes the stigma of its secularist policy. True, some rapprochement between the State and Catholicism had taken place, paradoxically enough, during the Popular Front period. But the laws of 1902 and 1905 were still in force; they barred the Church from exerting influence upon the State and education; they severely restricted the right of ecclesiastical bodies to acquire property and to accept donations or gifts. The spirit of Waldeck Rousseau stood between State and Church right up to June, 1940. Vichy seemed to bury the spectre of *laïcité* together with the Republic and its political parties and parliamentary institutions; it promised to undo all the wrongs inflicted upon the Church since 1789; and the personalities of Pétain and Weygand seemed calculated to raise high hopes among churchmen. On the other hand, it was hardly possible for the Church to flourish on the ruins of its own nation. Pétain pledged the restoration of the Church to its old glory in the life of the state; but, at the same time, he subjected the state to unheard-of humiliation at the hands of the conqueror. In addition, strange voices intruded themselves upon the chorus of Vichy. There was the voice of Déat, thundering against the "white terror" of clericalism. There were other "radical" supporters of Vichy, who added to the old secularist criticisms some of the new insults and slanders forged on the other side of the Rhine.

The policy of Vichy, therefore, wavered contradictorily—now seeking to please the Church, and now its opponents. The pro-Catholic Minister of Education, M. Chevalier, abolished the laws of 1902 and 1905. Religious bodies were recognised as institutions of public utility, and allowed to accept legacies and gifts without any restrictions; religious orders were permitted to acquire property and schools to give religious instruction. But M. Chevalier had to resign from his office under the pressure of a campaign waged by the Déat clique; and his successor withdrew a greater part of the pro-Catholic reforms.

The French Alignment

Under these conditions, the French Church was obviously unable to take a uniform political attitude. All the divergent shades and tendencies of French public opinion found their expression within the Church itself. There are, roughly, three main groups: the collaborationists, the Pétainists, and the Catholic Left. The open supporters of collaboration have an influence only among the highest ecclesiastical hierarchy; the most typical of them is Cardinal Baudrilart, the head of the Paris Catholic Institute, and a member of the Collaboration Group set up under the auspices of de Brinon.



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In 1870, as in 1940, there were in France partisans of a fight to a finish. It was those people who had brought upon us the horrors of the siege of Paris and of the Commune. These are the Cardinal's own stated motives for his attitude.

The majority of the upper and middle clergy is pro-Pétain, *sans phrase*. Loyalty to Vichy is their political axiom; in foreign politics, they nourish the illusion of the unity of the Latin, and consequently Catholic, bloc. But they frequently have to raise protests against quasi-totalitarian encroachments upon the spiritual influence of the Church. The struggle for youth has been a centre of contention. French Catholicism has exerted an enormous influence upon considerable sections of the younger generation; and the setting up of a State-controlled monopoly of youth movement has threatened to put an end to the existence of a wide network of Catholic youth organisations. In a special letter to the Pope, the Cardinals and Archbishops put forward their objections to the *Mouvement Unique de la Jeunesse*. Another source of friction has been the ban on Catholic trade unions. Racial discrimination has been yet another matter of controversy; and the hostile reaction of Catholic opinion probably accounts for the fact that Vichy's anti-Jewish laws have been directed against the confession rather than the race.

The main opposition to collaboration and to Vichy illusions has come from the broad mass of the lower clergy. The French curé is in daily touch with the sufferings and privations of the people. He witnesses the food requisitions in the countryside, and the misery of the war prisoners, abandoned families. More frequently than not he becomes the spokesman for his hardly-trying parishioners. A political cleavage has appeared between the upper and the lower clergy, a cleavage with a tradition which goes back to 1789. Besides the lower clergy, there is the Catholic Left, the circle of brilliant French intellectuals who have tried to reconcile Catholicism with the political tradition of the French Revolution; and there also are the cadres of the Catholic Trade Unions. It has been in these quarters that the policy of Vichy has been met with a strong and irreconcilable opposition. Nazi attempts to foster separatism in Brittany have been brought to nothing by the local clergy; and in Alsace-Lorraine the priest has once again, as after 1870, become the guardian of French national consciousness.

Nazism Over Europe

In the other occupied countries, the attitude of the churches may perhaps be described in the words of Cardinal Van Roey, the Primate of Belgium:

The Catholic Church adapts itself to all governments provided they safeguard the liberty of conscience. This is true. But as for adapting itself to governments that oppress the right of conscience, and persecute the Church—no, never. The Church is like the human organism. Man can get used to all kinds of changes of diet, but there are some that kill him.

The "diet" of National Socialism has been responsible for the dramatic revolt of the Norwegian clergy against Quisling's tutelage. The tension between the puppet Norwegian Government and the Church grew. Attempts to subordinate the Church to the State stopped at nothing. The Ministry of Education issued instructions on church services, and laid down regulations concerning the contents of service and prayer books, which caused a protest by the Bishop of Oslo. Then "ecclesiastical advisers" were nominated, sycophants of the *Nasjonal Samling*, who had to keep watch on the political loyalty of the clergy. The legitimate representatives of the Lutheran Church were barred from broadcasting. The refractory Association of

Clergymen was banned, and its funds were confiscated. The crisis was brought to a climax by the attempt to force the whole youth of Norway into the ranks of the *Hird*—the Quisling Youth. On February 24th all the seven bishops resigned their posts, and in a letter to the Minister of Education they wrote:

As it came to Luther so to us has come the moment when we must be loyal to our beliefs, and assert the justice of the Church against the injustice of the State.

This unique "ecclesiastical strike," started by the highest dignitaries of the Church, spread to the broad mass of the clergy on Easter Day, when the Norwegian people heard from the pulpits of the decision of their pastors to resign their administrative posts and emoluments. The attempt of the puppet Government to reduce the Church, too, to a puppet has failed.

The totalitarian "diet" is basically the same for every occupied country. In Czechoslovakia, there is the confiscation of the property of the orders and compulsory labour for monks; in Holland, there is the Nazification of the religious labour organisations. But nowhere has persecution been as relentless as in Poland. The struggle against the Polish clergy has been conceived as part of the general policy of extermination of the intellectual leadership of all classes of the Polish nation.

No sooner (said Forster, the Nazi leader of Danzig) had we come into possession of the lands of the former Polish Republic than the clergy became the spiritual leader of the illegal struggle against ourselves, the actual mouthpiece of Polish nationalism.

The whole internal life of the Church has been subjected to the strictest supervision by the Gestapo, which dictates even the hours and the time of duration of divine services. In the western parts of Poland, the use of the Polish language in services has been restricted, if not prohibited altogether. The resistance of the Church has thus assumed the character of an elementary struggle for the preservation of the national characteristics of the incorporated provinces. And here the ruthlessness of the Nazi policy has left almost no scope for any conciliatory manoeuvres. Hundreds of Polish churchmen of all ranks have gone to concentration camps.

The Russian Test

The outbreak of the Russo-German war was the critical moment in the relations between the churches and the German masters of Europe. German policy tried, of course, to tempt the churches into an active participation in the "crusade against godless Bolshevism." It seems that, apart from a few exceptions, the churches of Europe have withstood that temptation. This is illustrated by the somewhat impatient question put by the Belgian Quisling paper, *Volk en Staat*:

Where are the priests in our country that would start the crusade against Bolshevism?

To sum up, it may be said that the conquerors of Europe have proved unable to conquer Europe's churches. Attempts to find a *modus vivendi* have brought some results in France

and very few, if any, in the other occupied countries. The attitude of the churches has ranged from a carefully observed neutrality in countries like Czechoslovakia and perhaps Denmark, to uncompromising resistance, as in Norway and Poland. In spite of some attempts at a compromise, the churches have almost everywhere remained the only open bulwark of popular opposition, which can otherwise find a political outlet only in the narrow channels of clandestine movements.

Irish Transport Difficulties

[FROM OUR DUBLIN CORRESPONDENT]

March 23rd

THE war has dislocated the Irish transport system more seriously than any other activity. In the course of the last century, Irish transport had come to rely more and more on imports. Before the railway era, the whole transport system in the country constituted a demand for the products of Irish agriculture. With the growth of the railways, imports of coal and other articles became essential, but there still remained a considerable demand for Irish farm products in respect of road transport. In recent years, motoring, both private and commercial, has grown by leaps and bounds, with the result that the transport system of the country has come to rely to an ever-growing degree on imports of motor cars, motor parts, tyres, petrol and oil. One consequence of this revolution has been a reduction in the demand for horses and horse fodder. Another consequence has been the almost complete paralysis of road transport as a result of the war.

Partly as a result of the decline of motoring the railways have been experiencing a relatively prosperous period. In spite of the reduction of their services owing to coal shortage, their financial results have been quite satisfactory. The Great Northern Railway, which is partly situated in Northern Ireland but is not included in the British Railway War Scheme, has not suffered seriously from a shortage of coal and its profits have greatly increased. Last year, this railway carried nearly 4,000,000 more passengers and nearly 500,000 tons more goods than in 1939. Gross receipts amounted to £2,204,681, an increase of £797,157 on 1940. Although total expenditure was £304,612 higher at £1,601,787, net receipts were up by £492,545. Three years' arrears on the 4 per cent preference stock, and a dividend of 1 per cent in respect of 1941 on the ordinary stock, have been paid. The experience of this railway compares favourably with that of the British railways and of the Great Southern Railway, which is wholly situated in Eire.

The Great Southern Railway has suffered very seriously from coal shortage. The passenger train services were drastically curtailed in the second half of last year, and the restrictions on the movement of livestock owing to foot-and-mouth disease injured their goods traffic. In spite of these adverse factors, gross receipts were up from £4,568,604 to

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YEAR TO 31st JULY, 1941. Dividends: Preferred Ordinary ... 20%
Ordinary and 'A' Ordinary ... 10%

LIQUID ASSETS ...	£4,342,411	TOTAL ASSETS ...	£10,621,796
RESERVE FOR DEPRECIATION of Plant and Equipment ...			2,807,846
RESERVES AND CARRY FORWARD ...			1,615,289
SECURITIES, CASH AND DEBTORS ...			2,562,406

FIFTEEN FINANCIAL PERIODS (14 years 10 months) 1st October, 1926 to 31st July, 1941.

	£	Average p.a.
Trading Surplus ...	19,942,554	1,344,442
Maintenance and Depreciation ...	8,872,938	598,176
Capital Expenditure ...	4,185,992	282,202
Taxation ...	3,028,177	204,147

£5,172,020, while expenditure rose from £4,235,654 to £4,643,563, with the result that net receipts stood at £528,457—an increase of £195,507. This satisfactory result rendered possible the payment of three years arrears on the Guaranteed Preference Stock. The Government has recently appointed Mr A. P. Reynolds, general manager of the Dublin Transport Company, as virtual dictator of this railway. Mr Reynolds' nominal position is that of chairman of a board of directors consisting of four directors elected by the shareholders. But, in fact, he possesses complete powers to manage the company in defiance, if necessary, of the wishes of his co-directors.

Road transport has been maintained until recently at a higher level than anybody would have forecast at the beginning of the war. In spite of the cut in petrol allowances, motorists heroically kept their cars on the road, and, although the mileage each year was drastically reduced, the actual number of motor vehicle licences was reduced far less. The extension of the war to the Pacific and the growing demand for petrol elsewhere have threatened to bring private motoring to a standstill for the time being.

The April allowance for private motorists has been reduced by 50 per cent, and in May private motorists will receive no petrol at all. Essential public services, doctors and commercial motorists will still receive a greatly reduced allowance. Imports of paraffin and fuel oil have also fallen off considerably, and fears are entertained of shortages of these fuels during the coming harvest on which so much depends.

The motoring habit has grown to such an extent in Ireland that the virtual disappearance of private motoring will cause acute inconvenience to large sections of the public. So far there has been no question of the cessation of the Dublin bus services, on which the city now depends for passenger transport, since the almost complete abolition of the electric trams. Why these trams, which derived their power from the Shannon Scheme, were put off the road during the period of petrol shortage continues a mystery to the average Dubliner. The reduction of motoring will in gravely affect employment in the assembling industries, in the petrol distributing trade and in the numerous garage and repair depots with which the country is studded. Finally, the revenue will also suffer.

Russia at War

Pan-Slav Conference.—In the first days of April, the second Pan-Slav Conference took place in Moscow. Among the participants there were not only the representatives of Slav nations under German occupation, but also some who spoke in the name of the two Slav countries—Bulgaria and Slovakia—that have lined up with the Axis. They urged their countrymen to oppose the policy of their rulers and to join the peoples of the Slavonic race in their life and death struggle.

The dominant note of the Conference was the "solidarity of all the Slav people against the onslaught of the Teutonic invader." Many speakers referred to the millennium-old tradition of a common Slav struggle against the Germanic tribes—rather than to the distinction between Nazi and German so strongly emphasised in Stalin's Order of the Day.

The tenor of the speeches was confident. Soviet speakers spoke of the impending Soviet offensive, and ridiculed German boasts. The Ukrainians appealed to their people in the occupied territories to prepare for the return of the Soviet armies to Kiev, Kharkov, Lvov, and so on. So did the White Russians.

But the conference did not confine itself to reiterating the slogan of Pan-Slav solidarity. The opening of a Slav front in the enemy's rear was propagated. Those Slavs who live far from the actual front, like the Czechs, were called upon to intensify sabotage and to impede in any possible way the German war effort. Those who live in the immediate rear of the enemy's lines were asked to go further than that and to take up arms. Such appeals, sometimes perhaps a little impatient and not quite free from polemics, were issued to the Ukrainians and Poles. An outstanding Communist-minded Pole said:

Poles! The hour has struck. The spring of 1942 will be the spring of liberation. The moment has come to prepare a new Grünwald (the battle of 1410 in which Poles and Lithuanians inflicted a heavy defeat on the Teutonic Knights). We cannot wait and hope for foreign help. We have to fight alone. This is not the time to listen to cowards who tell you to wait for the right moment. Take your weapons from the German arsenals, take your weapons from the German army and police. Not one train with war materials for the Eastern front should be allowed to pass through Polish lands. Workers, blow up factories; peasants, form armed detachments!

There is perhaps some analogy between these appeals and the demand to open up a second front in the West. But, whereas in the West that demand has at least some measure of a realistic background, conditions in the East do not seem for the time being to warrant the same hopes. True, reliable reports speak of intensified sabotage and growing resistance in the German's rear. But it is still a long step from this to the breaking into German arsenals and the disarming of German soldiers and policemen by people who have themselves been disarmed and terrorised.

The second Slav conference differed also from the first one, which met immediately after the outbreak of the war. This time some nationalities were represented only by distinctly pro-Communist spokesmen, whereas at the first conference their representatives had been drawn from a wider social and political field.

Cattle.—In the middle of March, the Council of People's Commissars issued a decree on cattle breeding intended to secure the supply of meat under war conditions. The decree was prefaced by a review of the livestock position. In 1941, the number of large-horned cattle decreased by 1.3 per cent, of cows by 8 per cent, of sheep and goats by 12.9 per cent and of pigs by 2.3 per cent. It is, however, not clear whether these figures should be related to the livestock of the entire Soviet Union or to the population reduced by war losses. In cattle-rearing, as in every other branch of economic life, the German-occupied western territories had a very high share. According to the 1938 census, about one third of the total of 16 million horses, one fourth of the 50 million horned cattle, one tenth of the 66 million sheep, and about one half of the 25 million pigs were bred in these occupied regions. Making all allowances for the proportion of cattle saved by evacuation—and the cattle evacuation from the Ukraine seems to have been carried out on a rather wide scale—1941 was bound to show a decline rather than an increase in numbers. The figures that speak specifically of the position in the Kirgisian steppes and in the Turkmenian Republic, the main cattle-breeding centres after the Ukraine, are easier to grasp. They put the increase in the various categories of cattle between 21-28 per cent; the Chelya-Binsk, Novosibirsk and Altai regions are blamed for the decrease in livestock shown in 1941.

Cattle breeding has always been a weak spot in the Kolkhoz (collective) system. When this war broke out, Soviet agriculture had not yet entirely recovered from the wholesale slaughter of cattle carried out by the peasants during collectivisation. Up to now, the collective farms have not been able to handle properly the breeding of young cattle. The official review of the position says, for instance, that in 1940 no less than 40 per cent of calves and 43 per cent of lambs were slaughtered or died as a result of neglect. In consequence of the war, a certain shortage of fodder must also have arisen; and there are some signs that cattle slaughtering has once again assumed somewhat abnormal proportions, especially in the case of evacuated cattle. To counteract this, it has—under the latest decree—been forbidden to slaughter or sell cattle under one year of age; and full-grown cattle can be slaughtered or sold only by permission of the Agricultural Departments. Positive steps have also been taken to ensure a better supply of fodder; Kazakhstan alone is said to have prepared winter pastures for 2 million cattle. Peasants engaged on cattle rearing have been granted exemption from military service, and special premiums have been fixed for good results in the preservation of young cattle.

Soviet agriculture has, for many years, developed towards specialisation. But specialisation is bound to produce a strain on transport; grain farms, for instance, have to buy meat or cattle from remote cattle farms and *vice versa*. The new decree aims at making every Kolkhoz self-sufficient. It has put upon the farmers the obligation to purchase 2,300,000 young cattle and the same number of sheep in the course of 1942. "Every Kolkhoz must rear its own cattle" has become the slogan.

THE BUSINESS WORLD

Finance and Banking

Banks and the Budget

The White Papers accompanying the budget statement were anticipated with special interest in the City in the expectation that they might reveal the result of the calculation of changes in personal bank balances recently undertaken by the banks for the Central Statistical Office. Unfortunately the classification of personal savings does not go into details. The figures of gross personal savings of £909,000,000 for 1941 comparing with £640,000,000 for 1940 and the comparable net figures of £665,000,000 and £473,000,000 are still "residuals" arrived at by deducting direct estimates of personal consumption and taxes met out of personal incomes from estimates of these incomes. These residuals have, however, been checked by such direct evidence of personal savings as is available and among this evidence, the results of the inquiry into changes in personal bank balances no doubt takes an important place. The budget has ceased to provide the money market with any hint as to the future course of money rates and borrowing policy. The position in this respect has become frozen into almost complete rigidity especially as regards short-term money rates and methods of floating debt borrowing.

Overseas Disinvestment

The analysis of the sources of war finance (reproduced on pages 531-2) estimates the amount of overseas disinvestment for the financial year 1942-43 at £775 millions. This compares with corresponding figures of £798 millions for the calendar year 1941 and £759 millions for 1940. The estimate for the ensuing year includes £225 millions in respect of the Canadian gift of supplies. This leaves £550 millions, representing the further liquidation of overseas securities and the accumulation of sterling balances by overseas countries. This is an item in the elaborate data prepared by the Central Statistical Office which at first blush invites scepticism. A reduction of a mere £23 millions in the proceeds of overseas disinvestment as compared with the year 1941 seems too small to allow for the fundamental changes which have occurred over the past year in the position of overseas assets and in the balance of payments of the United Kingdom *vis-à-vis* the Empire. Against the Canadian contribution included in the estimates for the current year must be set the liquidation of Canadian securities and the accumulation of Canadian sterling balances in the course of 1941. On balance, it will be found that the Canadian contribution to the disinvestment total will be little greater for the current year than it was in 1941. On the other hand, the US contribution will be far smaller, since Lend-Lease is left out of account. There is next to no gold left for sale—other than current production—and the liquidation or pledging of dollar assets in the coming year will yield but a small fraction of the total yielded by this source last year. As for the accumulation of sterling balances by overseas countries, it is difficult to see how the movement this year can hope to challenge comparison with that of 1941. The contribution of Malaya, which was running at the annual rate of at least £50 millions until last December, is now lost. The same is true of the items contributed by the Dutch East Indies and Burma. The biggest source of disinvestment within the sterling area was India, and given the approach of war to Bengal and the increased expenditure of the British authorities in that country, it is more than doubtful whether India's accumulation of sterling and repatriation of debt this year can be more than a fraction of what it was in 1941. South Africa with its gold exports remains the only large sterling area country from which the contribution to war finance under this head of disinvestment can be expected to remain unaffected. Some such doubts must have occurred to the framers of the estimate, for in a footnote to the table in question it is

pointed out that "if further enquiry should show that the amount of overseas disinvestment... has to be revised, then the residue (private net investment at home) will be revised by the same amount."

Extra-Budgetary Funds

The contribution to central Government expenditure brought by the surplus on extra-budgetary funds amounted to £166 millions in the calendar year 1941, compared with £140 millions in 1940 and £21 millions in 1938. These figures exclude the increased sterling investments of the Exchange Equalisation Account. The latter are the counterpart of sales of gold and foreign assets which are already included in the item of overseas disinvestment. One of the main items contributing to this increase is the surplus of the Unemployment Fund. This brought in £64 millions last year, against £24 millions in 1940, and compares with a deficit of £1 million in 1938. Unfortunately, the subdivision of the sources of extra-budgetary income does not proceed far enough to allow accurate deductions about the operations of the Exchange Equalisation Account. The changes consequent on these operations are shown in the tables merged with certain other extra-budgetary receipts, including war risk insurance and War Damage Act receipts. Some measure of the EEA operations can, however, be gained by the juxtaposition of the following figures:—

(£ million)	1938	1940	1941
Finance through Govt. agencies (including EEA)	253	543	247
Surplus on extra-budgetary funds	21	140	166
Reconstruction Finance Corpn. loan	...	...	87

The process of deduction will yield no exact measure of the operations of the EEA, but will nevertheless provide useful indications of their magnitude. The discrepancy between the figures of £253 millions and £21 millions in 1938 provides a fairly accurate measure of the gold lost by the EEA during that year—as indicated by the official half-yearly figures (March 31st and September 30th), which were still being published at the time. The much greater discrepancy for 1940 is probably explained in part by Government receipts under the War Damage Act, and for war risk insurance. But by 1941 it will be seen that the operations of the EEA had ceased to provide an appreciable source of extra-budgetary revenue, the discrepancy between the two figures being more than accounted for by the loan received in the course of the year from the RFC against the collateral of direct British investments in the USA.

Government Department Treasury Bills

The analysis of public borrowing at home in the White Paper provides a clue to changes in the holding of public departments. The increase in Treasury bills held outside Government departments and in ways and means advances from the Bank of England amounted to £279 millions over the year 1941. Of this, £15 millions was represented by ways and means advances, leaving the additional holding of Treasury bills at £264 millions. The actual expansion in Treasury bills outstanding over the year was £395 millions. It follows that £131 millions of additional Treasury bills were held by Public departments at the end of 1941 compared with the end of 1940. This figure approximates fairly closely to the increase in the fiduciary circulation during the year, namely £150 millions and the correspondence suggests that the increase in the non-market holding of Treasury bills was accounted for by the Issue department of the Bank of England.

Bombay Bullion

The breakdown of the Indian negotiations produced the immediate reaction of a sharp increase in bullion prices in the Bombay market. The price of silver which had fallen to Rs 78½ per 100 tolas in the previous week rebounded to Rs 80½ at the beginning of this week. The latter quotation gives a straight London parity of 29½d. per ounce. It is not the highest point reached in the recent silver boom. The quotation has since declined to around Rs 77. These market oscillations are in no way connected with official intervention in the market. Speculators have been snatching profits and, on what remains an extremely narrow market, their operations are inevitably having a considerable effect on prices. The silver price in London remains steady at 23½d., with occasional but small official sales of Indian silver to make the ceiling effective. The Bombay price of gold also jumped from Rs 49 2a to Rs 50½ following the deadlock in the New Delhi discussions. But in this market, too, there has been a sharp reaction, the price falling to Rs 48½d.

The Circulation

This week's Bank return does not provide the happiest commentary on that part of the Chancellor's speech in which he asserted that the enemy of inflation had established no bridgehead in this country. The note circulation shows a further increase of £3,184,000, a movement for which no particular seasonal explanation can be advanced. The total circulation thus rises to the new record of £767,110,000, leaving a mere £13,132,000 of unissued notes in reserve and reducing the reserve ratio to the low figure of 7.2 per cent. On this showing, a further adjustment of the fiduciary circulation can only be a matter of days. This movement added to a reduction of £10,130,000 in Government securities have reduced the cash basis, but bankers' balances, though they have fallen by £7,214,000, are still at the comfortable level of £127,882,000. The position in the money market this week has been easy, and most of the banks have begun to extend their bill purchases to July maturities.

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Reserve Fund and Undivided Profits, 1941	£3,967,500
Aggregate Assets at 31st March, 1941	£10,295,625
	£55,616,460

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(1941 Accounts)

ROYAL BANK OF CANADA

DIVIDEND No. 219

NOTICE IS HEREBY GIVEN that a DIVIDEND of 2 per cent., being at the rate of 8 per cent. per annum, upon the paid-up capital stock of the bank has been declared for the three months ending 31st May, 1942, and will be PAYABLE at the bank and its branches on and after 1st June, 1942, to shareholders of record 30th April, 1942.

By Order of the Board,
E. B. MCINERNEY,
London Manager.

6 Lothbury, London, E.C. 2.
April 16th, 1942.

THE CUNARD STEAM SHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Sixty-fifth Ordinary General Meeting of The Cunard Steam Ship Company Limited will be held at Cunard Building in the City of Liverpool, on Wednesday, the 29th April, 1942, at Eleven o'clock a.m.

1. To receive and consider the Statement of Accounts and Balance Sheet to the 31st December, 1941, with the Reports of the Directors and Auditors.
2. To elect Directors and Auditors in place of those retiring but who being eligible offer themselves for re-election.

NOTICE IS HEREBY ALSO GIVEN that the Transfer Books for Ordinary and Preference Stocks will be closed until the 29th instant.

By Order of the Board,
H. J. FLEWITT, Secretary.
Offices: Cunard Building, Liverpool.

Bank Accounts for US Forces

British banks have been advised by the Bank of England this week of the procedure to be followed in opening and operating accounts for members of the US armed forces serving in this country, and for civilians normally resident in the US employed in US bases in the United Kingdom. If such persons receive their pay and allowances in sterling, they may open US registered sterling accounts. If they are paid in dollars, they may open either registered or US dollar accounts. Those accounts may be credited without formality and there are to be no restrictions on debits to such accounts. Sterling cheques may be drawn on US dollar accounts (and converted at the official dollar cheque rate), provided the payees are resident in the sterling area. As regards other banking facilities, banks may encash or negotiate US dollar notes or

drafts for the persons in question. The official rates of exchange are to apply in all such transactions. Purchases of US dollar notes should be made at the net rate of 48. 10d. per dollar. US nationals concerned will not be required to sell their gold and foreign exchange to the British authorities, or to register their foreign securities.

National Bank of Egypt

Contrary to what was stated in last week's comment on the Egyptian circulation, there remained £E6,240,583 of gold in the issue department of the National Bank of Egypt on December 31, 1941. The metallic reserve was thus unchanged over the year, and the whole of the substantial increase in the note circulation found its backing in a corresponding expansion of the issue department's holding of sterling Treasury bills.

Investment

Investors and the Budget

If the investor, as such, cannot be expected to show any great enthusiasm for Sir Kingsley Wood's latest Budget, there is, at least, very little in it which constitutes a further direct attack upon his income. The two possibly adverse factors are the increase in sumptuary taxes and the absence of any further relief under EPT. So far as the taxes on beer, spirits and tobacco are concerned, the general assumption has been that even very sharp advances would fail materially to reduce the demand, and the fact that prices showed only the most nominal changes on the announcement suggests that this view is very widely held. The figures of the estimated yield under these heads also go some way to support the contention. The effect of doubling the purchase tax on luxuries will, possibly, prove more harmful to those concerns whose main business is to supply such of these commodities as are of a durable character, since the rise in price will reduce their attraction as an inflation hedge. It may, however, be the case that there will arise a new demand for some of these articles, from classes which have not previously owned them, which will more than offset the fall. In any case, a reduction in output is more likely to be brought about by lack of material supplies than by any net fall in demand. As to the EPT position, there will be some dissatisfaction, but perhaps little surprise, that no fresh concessions have been made. The one change is the assurance that the 20 per cent refund will accrue by statutory right, subject to its being used for capital purposes and not for the distribution of dividends or bonus shares. It is a little difficult to see how this restriction is to be applied. That is, however, a post-war problem, and the more immediate interest is how far the greater definition given in the matter of eventual payment will affect the position. It would seem that it is now at least permissible to enter, as a qualification of balance sheets, the fact that such a reserve exists. Whether it will be possible to disclose its amount, and, if so, how it can be brought into the actual accounts, are matters of considerable doubt.

£220,025. This excludes £13,887 received on account of registration fees for agents, imposed under the new regulations of June last, the whole of which has been used, in the terms of the agreement, to establish a special reserve. Expenses have been somewhat reduced, but economies are almost cancelled by war damage insurance premiums, while it has been necessary to find £22,873, against nothing, for the war damage contribution. The Managers have also decided to raise the provision for buildings replacement from £15,000 to £25,000, with the result that there is a deficit of £30,927, against a profit of £6,163. As already announced, there is no dividend, but the carry forward is reduced to £167,557 in preference to the alternatives of increasing the debenture debt or of making a call on the proprietors, whose liability on their shares is unlimited. Thus, although brokers, and probably jobbers, have enjoyed a rather better year, the company providing the physical amenities of the market continues to suffer more and more severely from wartime conditions.

Corrientes Repayment

The high standard of Argentina, among South American borrowers, is proverbial, but some of those who have lent to the provinces of the republic have been less fortunate. A case in point is that of the small Corrientes 6 per cent loan of 1910. Final default on interest payments occurred in 1921 and on principal in 1925. A case in the Argentine Supreme Court obtained the segregation of 75 per cent of certain revenues, on which the service of the loan was secured, but it was only after protracted negotiations that the bondholders received their first payment in 1938. Meanwhile, the quotation had sunk, at one time, as low as 10. Since then, payments have been received in respect of interest on coupons, and on bonds due for redemption but still outstanding, to a total of £90 6s. 8d. per cent gross in six payments. These payments were made only to bondholders who were joined in the Supreme Court action. Towards the close of last year, the province was able to secure loans from an American banking group, sufficient to liquidate outstanding debts, including this loan, and it is now proposed to repay the principal, of those bonds joined in the action, at par and to make a further interest payment. This will be £65 gross for those who have received only four of the six interim payments so far made, or £43 8s. 9d. gross for those who have received the whole six. That is to say, the total payments, since the definitive default of 1921, will aggregate £133 15s. 4d. per cent in respect of interest and of interest thereon under the agreement of September last, from which date interest will be paid at approximately 3.13 per cent on the whole sum due. The position of South America in the present conflict, as being the only large area not as yet directly involved, places the Republics in a very strong position. The Corrientes loan was, of course, a small affair and a substantial part of it was held internally. It is, nevertheless, all too rare an example of the successful prosecution of negotiations with a debtor who was at one time unwilling to meet his obligations. The offer is open for one month, that is to May 12th, and it seems only reasonable to accept it. Holders who have lodged their bonds with the Council of Foreign Bondholders, and who wish to accept, should send

Stock Exchange in Total War

The changes shown in the report of the Stock Exchange, London, for the year ended March 25th are, for the most part, small as compared with those of a year ago. But, in the financial field at least, they are important, since they convert the usual credit balance on the year into a debit. The explanation lies mainly in a further decline in total membership, from 3,715 to 3,604, and still more in active membership, which, including non-member clerks admitted to the floor, is down from 5,502 to 5,263. There was also a fall in settling-room clerks from 641 to 614, while the replacement of office clerks by women and men above registration age has gone on rapidly, although no statistics of this are available. Financially, the consequence of these developments has been that the Trustees and Managers have been due to receive less in subscriptions, and have had to make larger concessions from the reduced total on account of membership of the fighting forces. Despite the new special fees to preserve rights of membership and larger receipts from publications, due to higher charges, revenue is down from £264,815 to

their deposit receipts to the Council without delay, so as to secure the release of their bonds for lodging.

The League Loans Committee

In the twenty-two months since the publication of the last report of the League Loans Committee (London), the spread of the war has virtually eliminated all scope for intervention on behalf of bondholders. The current report, which covers the period July, 1940, to February, 1942, points out that the Committee is unable to represent bondholders in negotiation with countries to whom United Kingdom trading with the enemy legislation applies. This includes all but one—presumably Greece—of the debtor Governments. The most interesting feature of the report is the announcement that, in connection with the Hungarian League Loan of 1924, the principle of uniform treatment for each tranche has had to be abandoned. This departure from the principle of collective bargaining for bondholders has, of course, been made inevitable by the war. It is in a sense the latest breakdown of the collective principles of the League, and will no doubt be one of the first to be made once more effective. In the meanwhile, it was possible to arrange for the continuation of the service on Swiss and Swedish holdings under the 1937 settlement up to October 31, 1942, and to March 31, 1942, respectively. Payments on the American tranche on the coupons due February 1st and August 1, 1941, were made directly in Sweden, Switzerland and Hungary in cases where they were held in those countries. It is reported that service has also been met on the Italian tranche, but this matter has lain outside the sphere of the Committee's interest. The new defaults during the period covered by the report are, of course, those of Estonia, Hungary and Greece. It should be clear to future foreign lenders that, whatever loans are subscribed for reconstruction at the end of the present conflict and are internationally sponsored, are secured essentially on the terms of the future peace settlement. The League Loans Committee was a by-product of the function of the League as an organ of world peace in whose breakdown its own failure was implicit.

Company Notes

ICI Earnings

The preliminary statement of Imperial Chemical Industries for 1941 shows a further decline of £256,321 in profit, after all taxation, other than tax on dividends. These are maintained, as was expected, by a final payment of 5 per cent on the ordinary capital, making 8 per cent as in each of the three preceding years, but the cover for the dividend has declined from 10.2 to 9.9 per cent. This calculation treats the appropriation to War Contingency Reserve

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as being an addition to free reserves, but the cost of the pension fund is considered as an expense. The appropriation to the former fell from £339,262 to £300,720 and even so the carry-forward is reduced by £16,867, whereas a year before it received an addition of £200,926. The following table shows profits and their allocation for the past three years:—

	Years to December 31, 1939	1940	1941
Profits after tax†	9,313,485	8,418,533	8,162,212
Central obsolescence and depreciation	2,000,000	2,000,000	2,000,000
Preference dividends	1,666,104	1,666,104	1,666,104
Workers' pensions	180,049	180,092	180,106
Ordinary stock:—			
Earned	5,467,332	4,572,337	4,316,002
Paid	4,032,140	4,032,149	4,032,149
Earned %	12.1	10.2	9.9
Paid %	8	8	8
War contingency reserve	1,375,000	339,262	300,720
Carry forward	881,428	882,354	865,487
NDC and EPT paid by group, approx.	2,500,000	5,600,000	6,400,000

† Other than tax on dividends.
‡ Includes £375,000 to General Reserve.

Further particulars as to the earnings of the group will be available in the full report. Meanwhile, it is clear, from the fact that the charge for NDC and EPT rose by some £800,000 to about £6,400,000, that the gross amount available was considerably above that of 1940. This suggests, not only that there was a very material expansion in turnover for the Services, but that this, coupled with any rise in prices which was secured, more than offset the fall in export business, on which the profit margin is presumably high, and also the narrowing of the normal peace-time home demand. No doubt, further development of overseas subsidiaries has contributed to this result. The fall in available profit is presumably due in part to the higher rate of tax, and possibly to heavier depreciation and provision for overseas losses, such as that of the Japanese and Malayan concerns. The price of the £1 ordinary shares rose fractionally to 33s. cum dividend, giving a return of £4 18s. 6d. per cent, less tax at 9s. 8d.

BSA Accounts

Full accounts of Birmingham Small Arms, for the year to July 31st last, show a decline in profits after contingencies, fees and EPT from £1,289,144 to £1,196,053. The chairman, Sir Bernard D. F. Docker, attributes the decline to the necessity of paying EPT at 100 per cent throughout the period. Charges for income tax and depreciation are both lower, at £425,000 against £475,000 and at £430,815 against £474,521, respectively. There is, however, a liability of £150,000 against nil for war damage contribution, which is responsible for a fall in equity earnings from £261,725 to £115,320, representing 8.2 against 16.1 per cent. Ordinary stockholders receive 7½ per cent as before. There is no transfer to reserve other than to reserve for repayment of debenture stock, against £87,483, and the carry forward is reduced from £301,065 to £278,249.

	Years to July 31, 1939	1940	1941
Profits*	921,769	1,289,144	1,196,053
Depreciation	202,283	474,521	430,815
Debentures (gross)	61,299	59,962	59,322
Taxation	430,000	475,000	425,000
Preference (net)	20,275	17,936	15,596
War damage	—	—	150,000
Ordinary stock:—			
Earned	207,912	261,725	115,320
Paid	109,792	121,404	105,569
Earned %	11.4	16.1	8.2
Paid %	6	7½	7½

Reserves† 30,590 119,410 32,567
Carry forward 280,154 301,065 278,249

* After contingencies, EPT and fees.
† Including reserve for repayment of debenture stock, £30,590 in 1938/39; £31,927 in 1939/40; £32,567 in 1940/41.

The consolidated account shows an increase in the excess of floating assets over creditors, contingencies, taxation and other current liabilities, from £2,344,129 to

COMPANY NOTICE

JOHN BEDFORD & SONS, LIMITED

Founded 150 Years

HAPPY indeed is the firm that on the 150th anniversary of its birthday can look back on years of prosperity, on an unbroken record of family association, on permanent contributions to the advancement of its trade, and on notable service to the community by its personnel.

Such is a summary of the history of John Bedford and Sons Limited, Lion Works, Mowbray Street, Sheffield, which came into being in 1792 as steel tilers at the rural village of Oughtibridge, seven miles north-west of Sheffield, on the banks of the River Don (which river flows through the city of Sheffield), and passed through various phases to emerge in 1871 as makers of crucible cast steel, engineering files, edge tools, engineers' and blacksmiths' tools, saws, machine knives, shovels, spades and forks—all basic lines of manufacture destined to make the firm world-famous.

John Bedford, the founder, was a landowner and yeoman farmer of ancient and honourable lineage in a direct male descent dating back to 1250, and it was to set his third son, John, up in business in the steel trade that he rented a forge operated by power derived from water wheels, driven by the River Don. By family inheritance and marriage this son amassed wealth and was able to give his son, the third John Bedford, the benefit of what was a most exceptional privilege in those days—a Continental education.

EARLY TRADE BOOM.

It was this John Bedford who founded the firm as we know it to-day. Returning to Sheffield a brilliant linguist, a man of polish, of outstanding personality, and a keen man of business, he decided, upon becoming head of the firm, to get a share of a trade boom then being experienced in Sheffield and other industrial centres of England.

In addition to keeping on the works at Oughtibridge, he opened others in Sheffield, but upon the re-arrangements of certain partnerships he took his name, capital, and business, out of the company, and in 1864 joined a John Bramall, as Bramall and Bedford, at works in Mowbray Street—the origin of the present extensive premises.

Soon John Bedford was again doing extensive trade with the Continent. Upon the outbreak of the Franco-German war in 1870, he went to France to safeguard his interests, and it is believed that he was the last Englishman to leave Paris before the famous siege, and the first to re-enter it after.

It was the dissolution of this partnership in 1871 which brings into review the fourth generation of Bedfords.

PUBLIC SERVICE

The mantle of public service fell chiefly on Henry Hall Bedford, the second of John's three sons, who not only succeeded his father as head of the firm, but as chairman of the Royal Infirmary, a position he held until his death in 1930.

Mr. Henry H. Bedford served as Master Cutler, President of the Sheffield Chamber of Commerce, Justice of the Peace, Town Trustee, Governor of the University, and director of the National Provincial Bank Ltd.

Associated with him in the business at this time were his brothers, John George Hawksley

Bedford and William James Bedford. In due course the three sons of these three brothers came into the concern to prove worthy representatives of the fifth generation.

The three cousins served with distinction during the 1914-1918 war. Mr. Kenneth Savile Bedford (only son of Mr. J. G. H. Bedford) was killed in action, but Mr. John Bedford (son of Mr. H. H. Bedford) and Mr. Reginald A. Bedford (only son of Mr. W. J. Bedford) who was gravely wounded in France, were spared to return to carry on the family tradition.

Mr. John Bedford relinquished the position of managing director in 1935, but remained a director.

Mr. Reginald Asline Bedford is now chairman and managing director.

As this year is the bi-centenary of Benjamin Huntsman's revolutionary discovery that steel could be made from iron by liquid melting, it is of interest to note that Mr. Reginald A. Bedford is a direct descendant on the distaff side of Thomas Asline, who financed Huntsman in return for a half partnership (Huntsman and Asline) in the business which first produced crucible steels. Sheffield, with its varied steel industries, undoubtedly owes its growth and fame to Huntsman's discovery.

Thomas Asline Ward (the grandson of Thomas Asline) was in his day and generation an outstanding leader of both the public and social life of Sheffield.

TRADE FEATURES

So much for personalities in this survey of a century-and-a-half of industrial experiment and progress: the practical side presents equally notable features. From that day in 1871 when the grandfather of the present generation put up the plate "John Bedford & Sons," the firm has never looked back or stood still. It has made history with several of its products, the most notable being in the specialised production of hollow rolled bars (completely distinct from tubes) for all kinds of mining and industrial purposes.

The novel methods evolved have, since the world patent rights expired, become recognised as international standard practice.

The Company has a continued policy of growth and expansion, in accordance with its financial resources, with one view in mind of being self-contained, and in its group of factories, under central control, is now manufacturing a wide variety of highly specialised steel and steel tools of the finest quality.

The manufactures in its group of factories and departments are all serviced by the Company's rolling mills, tool making, engineering and electrical sections and metallurgical laboratories, in addition to which the Company has evolved and produced on its own premises a considerable number of varied specialised machines to produce and improve the manufacture of its various products.

Associated with Mr. Reginald A. Bedford and Mr. John Bedford on the Board of Directors, are: The Earl of Denbigh, Mr. Frank Stratford (also secretary to the Company), Mr. Arthur Waterhouse and Mr. David G. Reid.

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£2,040,220. There is a jump in the latter item from £4,666,062 to £7,997,793, while debtors are some £2,500,000 higher at £5,633,973. The chairman points out that while there has undoubtedly been some expansion in debtors and creditors, the balance sheet figures are swollen by exceptional amounts outstanding which have now been cleared off. Stocks of the group as a whole are up from £3,344,584 to £4,063,285, while those of the company have risen from £1,434,056 to £2,215,614. The chairman reports progress in the important field of effective standardisation of the production of special steels. The export trade of pedal and motor cycles has, of course, been restricted since the introduction of Lease-Lend. The £1 ordinary stock, at 21s. 1½d., yields £7 2s. per cent.

Cement Preliminaries

The preliminary results of *Associated Portland Cement* and its controlled undertaking *British Portland Cement* reveal that the decline in profits, which dates from the outbreak of war, continues. Subject to audit, *Associated* states that, after repeating the depreciation allowance of £417,150 and increasing the debenture sinking fund allotment by some £3,000 to £96,158, net profits total £499,820 compared with the £539,648 earned in 1940. The ordinary dividend is, therefore, reduced from 10 to 9 per cent by a final of 6½ per cent. Assuming that the gross preference payment remains unchanged at £137,500, the equity payment is barely covered by earnings of £362,320 against £402,148 in the previous year. The gross payment of £360,000 on the equity, which compares with £400,000 last year, permits a slight addition of £2,320 to the carry-forward, raising it to £217,648. Assuming that in view of the continual reduction of the debenture debt, the interest payment is some £4,000 lower than last year's £147,298, and that fees are practically unchanged at £3,250, it would appear that the total profit is only some £40,000 lower than the total disclosed profits of £1,200,348 in 1940. This fall approximates to the reduction in the gross amount received from *British Portland*, and seems to suggest that *Associated* has contrived to avoid the fall in its own income which has been widespread in the industry. *British* results show a decline in net earnings from £452,641 to £403,134, calculated after a depreciation provision of £260,000 in both years, and debenture sinking fund requirements, which exceed by £555 the previous year's sum of £11,999. After meeting the preference dividend, earnings for the equity, at £302,334 against £351,841, again only cover by the narrowest margin the gross dividend payment, which is reduced from 17.5 to 15 per cent and requires £300,000 against £350,000. The carry forward is thus raised slightly from £222,400 to £224,734. While these results exceeded the market's hopes, the recent decline in building material shares is by no means unjustified in view of further possible restrictions and the fact that defence demands have long passed their zenith. At 45s., the £1 ordinary stock of *Associated Portland* yields £4 1s. 2d., and *British Portland* at 75s., £4 1s. 1d., which suggests that any post-war recovery prospects are fully discounted.

Paint and Varnish Results

Preliminary results of two leading paint and varnish manufacturers, *Pinchin, Johnson* and *Indestructible*

Paint, show a relative stability of net profits. Those of *Pinchin, Johnson*, in 1941, were reduced from £330,347 to £310,859, but the decline is matched by the writing down of stocks in enemy countries by some £19,000. Net profits of *Indestructible Paint* in the same period are reduced only from £38,045 to £37,400, but it appears probable that these results are before taxation, in which case the fall in surplus earnings may be more severe. In any case, the management has found it possible to maintain the total payment on ordinary capital at 20 per cent, a rate which in the previous year was covered by earnings of 22.9 per cent. Ordinary shareholders in *Pinchin, Johnson* receive 8½ per cent as before and the carry-forward is raised from £150,983 to £151,772. Consequently, the amount of equity earnings may be estimated at £78,404 against £115,250, after tax on dividends in both cases, representing 8.6 against 11.5 per cent. If this is the correct interpretation, only a narrow margin is left for the ordinary dividend. It is probable that the virtual cessation of the export trade and the rise in manufacturing costs, coupled with shortage of raw materials, is endangering dividend payments. The industry has, however, a solid source of demand in a rising total of Government orders, even if net profits show no increase during the remainder of the war. The *Pinchin, Johnson* 10s. ordinary shares, at 20s. 6d., ex dividend, yield £4 2s. 11d. per cent. The £1 ordinary shares of *Indestructible Paint*, at 81s. 3d., yield £5 per cent.

Selfridge Accounts

The full accounts for the year to January 31, 1942, of the reconstituted Selfridge group, whose preliminary statements were discussed in *The Economist* of April 11, unfortunately do not greatly illuminate the movement in earnings last year. The chairman, Mr. H. A. Holmes, suggests that the trading profit of the operating company, *Selfridges Limited*, which amounts to £296,758, is struck after a considerable undisclosed provision for deferred repairs and maintenance. Net war damage contributions, which amount to £33,290, are, however, charged against capital reserve, as are expenses of the scheme of arrangement and discount on the 4½ per cent Prior Lien Debenture Stock. After adding to capital reserve a further £8,000, being profits relating to the period prior to the incorporation of the company, this fund stands at £1,074,639 against £1,339,339. The net surplus of the (Holdings) company of £14,179, to be set against the deficit carried forward of £14,179, which is thus reduced to £2,840. There is, of course, a credit carry-forward of £24,970 in the accounts of the operating company. The balance-sheet of *Selfridges Limited* shows a surplus of floating assets over current liabilities of £690,650, against £687,021. In the accounts of *Holdings Limited*, losses in suspense total £1,686,473. The chairman provides a clue to the unexpectedly satisfactory nature of last year's profits in drawing attention to the resilience of consumption demand, based on higher individual earnings, and to the continuance last year of buying for stock. He rightly draws attention to the inevitable further reduction in retail turnover which the prosecution of the war entails. The £1 6 per cent cumulative preference stock—free of tax up to 6s. in the £—stands at 6s. 3d.

Industry and Trade

The Last Ounce

The seventh and eighth reports from the Select Committee on National Expenditure (Session 1941-42), summarised on page 498 of *The Economist* of April 11th, contain proposals which fall into three parts. First, the Committee suggests that there is room for further improvement in the distribution of able-bodied men and women between the fighting Forces and civilian occupations and, within the latter, between war workers and those ministering to the essential needs of the people. There are still numbers of people who are only partly occupied; some 188,000 are unemployed; and many more are employed on work which is either of no essential value or could, by improved organisation, be accomplished with less labour.

In order to secure the right kind of balance between the fighting Forces and civilian occupations, and between the various categories of civilian workers, the Select Committee advocates the appointment of an independent man-power committee responsible only to the War Cabinet. And as a means to securing the maximum contribution to the war effort of individual citizens, the Committee submits a number of recommendations designed to speed up the recruitment of women as full-time or part-time workers, to improve methods of training and up-grading, to reduce absenteeism, and to prune still further the number of workers in the consumption goods and service industries. Secondly, the Select Committee is of opinion that output is lost by faulty organisation. Not enough attention is paid to the advantages of specialisation in the distribution of

contracts or to the need for directing them to the most efficient factories; the distribution of sub-contracts is faulty in that it does not ensure the full and continuous working of the smaller factories; main contractors are not sufficiently well informed about the Government's programme or consulted about designs with the resulting lack of continuity of work; there is not enough supervision of non-essential firms; and not enough importance is given to the need for efficient management. The Select Committee therefore suggests that efforts to correct these faults must be speeded up. There is no short cut to efficiency, but much could be done by closer control at the centre and more devolution of responsibility at the periphery. Lastly, the Committee points out that the successful solution of the first two problems, the achievement of a proper balance in the use of the country's manpower and of greater efficiency in production depends to a large extent on planning. While admitting the need for flexibility, the Committee was left with the impression that "the whole production effort has, till now, carried with it too much of the stamp and character of improvisation." The two reports are among the best yet produced by the Select Committee; they deal with the problem as a whole and contain suggestions which deserve careful and unbiased examination by the new Ministry of Production.

Post-War Building

Like many other trade associations and interests, the National Federation of Building Trades Employers has decided to set up a commission to consider the problems of their industry after the war. In announcing the decision, Mr. Thomas Howarth, president of the Federation, said that among the post-war problems to be considered by the commission is the recruitment of labour, the prevention of overcrowding in the industry with the consequent danger of ups and downs in employment, and the relative advantages and disadvantages of competition or Government control in the industry. As Mr. Keynes recently pointed out in a broadcast on post-war planning, the national building programme after the war must be properly proportioned to the resources which are left after daily needs have been met,

and after enough exports have been produced to pay for essential imports. How large this surplus will be, and how much of it should be devoted to building, it is difficult to estimate at this stage. There is good reason to believe that it will be substantial and adequate for a large building programme. But it must be remembered that the demands upon this surplus will be manifold, and that the rate at which the standard of living can be raised after the war will depend largely on the efficiency with which the various requirements can be met. Thus, the smaller the resources required to carry out a given building programme, the larger will be the resources that can be devoted to other purposes. It is by an increase in its efficiency that the building industry can make the biggest contribution to post-war progress; it is to be hoped that the commission of the Master Builders' Federation will concentrate on this aspect of the problem rather than on the wider economic issues which will be decided on a broader plane. The various federations and associations in the building industry might with advantage co-ordinate their views on the technical aspects of post-war building, through the Building Industries National Council, for example; together they might do much in bringing about a substantial improvement in design, methods and efficiency.

Allied Rubber Supplies

The policy of ensuring adequate rubber supplies for essential purposes in Great Britain and in the United States is gradually being translated into action. Besides the strict curtailment of consumption for civilian purposes, which includes new and stringent tyre-rationing schemes in both countries, steps are being taken to expand the output of natural rubber in countries still accessible to the United Nations, as well as the production of reclaimed and synthetic rubber. As was pointed out at the annual meeting of the Ceylon Association last week, the rubber plantations in that country have postponed their replanting programmes and are concentrating on raising current production. The Ministry of Supply has offered substantial cash bonuses for any rubber produced in Ceylon in excess of 90 per cent of the standard quantities fixed under the international

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS.

In submitting to the Shareholders the Accounts of the Corporation for the year ended December 31st, 1941, the Directors state:—

The Accounts are drawn up in Union of South Africa currency, United Kingdom currency being taken at par.

The profit for the year is £221,380 14s. 9d., plus £122,150 13s. 6d. brought forward, making a total of £343,531 7s. 9d. A final dividend of 5s. 6d. United Kingdom currency per share was declared absorbing at par £423,500, making, with the interim dividend of 2s. 6d. per share, a total distribution of 8s. 6d. per share, or £616,000 for the year, leaving £127,531 7s. 9d. to be carried forward.

Holdings of Shares, Debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market price of December 31st last, or, where no market price exists, above the Directors' valuation. At present market prices, these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to provide for contingencies by reducing the book cost of certain holdings both below cost and below market price.

GOLD INTERESTS.

A summary of the operating results for the past year of the five gold mining companies operating in the Witwatersrand in which the Corporation is largely concerned is given below and is based on the market price for gold at 168s. 0d. per oz. fine:—

	East Geduld Mines	Geduld Proprietary Mines	The Grootvlei Proprietary Mines	Marievale Consolidated Mines	Van Dyk Consolidated Mines
Tons milled Dec. 31st, 1941	1,932,000	1,358,000	1,496,000	591,500	1,183,100
Yield per ton	48s. 5d.	48s. 1d.	45s. 1d.	44s. 8d.	43s. 6d.
Working Costs per ton	16s. 7d.	19s. 5d.	23s. 2d.	30s. 2d.	25s. 8d.
Working Profit per ton	31s. 10d.	29s. 7d.	21s. 11d.	14s. 6d.	16s. 10d.
Total Working Profit	£3,075,000	£1,440,000	£1,638,000	£229,000	£297,000
Dividends (Totals & per share)	£1,125,000 (12/6)	£986,078 (13/6)	£571,941 (4/0)	£225,000 (1/0)	£481,250 (1/9)
Ore Reserves:					
Tons	16,000,000	8,800,000	10,000,000	2,500,000	3,100,000
Value, dwt.	5.2	4.4	5.2	5.9	5.2
Stoping Width, ins.	59	53	45.5	38	39

The Working Profit figures include the amounts due to the Union Government for taxation and under government lease agreements, but exclude revenue from sources other than gold mining operations. Thus East Geduld Mines 1941 dividend income on its shareholding in The Grootvlei Proprietary Mines was £26,800 and Geduld Proprietary Mines 1941 dividend income on its shareholdings in East Geduld Mines and The Grootvlei Proprietary Mines amounted to £431,500.

ORANGE FREE STATE.—Western Holdings, Limited, with whom the Corporation is collaborating, has entered into the Prospecting and Mining Lease Agreement referred to in last year's Annual Report. Investigation by Western Holdings, Limited, of the area north of the original area has been completed without any discoveries being made.

OTHER INTERESTS.

BAY HALL TRUST. The dividend for 1941 was unchanged at 6½ per cent., leaving a credit on Profit and Loss Account of £75,945. At December 31st last, the investments, at their current market prices, amounted to £2,050,999 as compared with their book cost of £1,877,630.

BRITISH ENKA.—In spite of many handicaps, the Company was able to maintain the high quality of its production and to earn a modest but improved profit.

SAN FRANCISCO MINES OF MEXICO. For the year ended September 30th last, the Net Profit was £103,612, comparing with a loss for the previous year of £15,845. A dividend of 9d. per share has been paid.

SELECTION TRUST.—For the year ended March 31st, 1941, this Company paid a dividend of 9d. per Ordinary Stock unit.

SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—Profit for the year, after providing for depreciation, was £91,023, which compares with £10,629 for the previous year and converts an adverse balance of £74,374 standing to the debit of Profit and Loss Account into a credit of £16,649.

ULTRAMAR COMPANY.—Oil concessions in Venezuela are being explored through two Venezuelan operating companies on joint account with Texas Corporation. A highly satisfactory oil-strike has been made recently in a well known as Mercedes No. 2 on one of the concessions in Guarico State.

RHODESIA AND WEST AFRICA.—The Mufilira Company and, in turn, Rhodesian Selection Trust, were unable to pay dividends owing to heavy taxation. The Roan Antelope dividend was reduced to 6d. per Ordinary Stock unit. Consolidated African Selection Trust repeated its Ordinary dividend of 6d. (free of tax) per Ordinary Stock unit.

COPIES OF THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED ON APPLICATION AT THE LONDON OFFICE, PRINCES HOUSE, 95, GRESHAM STREET, E.C.2.

control scheme; exports in the first quarter of this year, at 35,496 tons, were nearly twice as high as during the corresponding period in 1941. An intensive production drive has been started in tropical Africa, where the Ministry of Supply is offering attractive f.o.b. prices as a stimulus. The American Government has concluded an agreement with Brazil by which the whole of that country's rubber surplus during the next five years will be at the disposal of the United States; to stimulate output, the United States has provided a development fund of \$5,000,000, and is paying a premium for any rubber produced in excess of 5,000 tons per year. Similar arrangements are now under discussion with other Latin American rubber producing countries. The rubber reclaiming industry in the United States has initiated an expansion programme, and a number of new reclaiming works are under construction in this country. The United States now envisages an output of 700,000 tons of synthetic rubber per year. The provision of the requisite facilities, which will be assisted by the freeing of the Standard Oil patents, is expected to take some 18 months, and will be carried out by 25 chemical, oil, and rubber concerns. Canada, too, has started the development of a synthetic rubber industry. A Government-owned company, the Polymer Corporation of Toronto, has been formed, and has formulated plans for the erection of four works of an aggregate capacity of 35,000 tons of synthetic rubber, equivalent to Canada's normal consumption. Like the plants in the United States, the Canadian works are to be in operation before the end of 1943. The plans of the British Government, if formulated, have not been made public, though Mr C. V. Pear, Joint Parliamentary Secretary to the Ministry of Supply, stated early in April, "we are also developing the synthetic process."

Motor Tyres

Owing to the threat to Ceylon (the only large source of natural rubber still available to the United Nations) the need for economising stocks, pending the expansion in the production of synthetic rubber, is more urgent than ever. The restriction on the supply of motor tyres which came into force on April 4th is therefore to be welcomed as a measure necessary for the conservation of rubber supplies. The new scheme provides that owners of private cars will be able to purchase new tyres only if they have been allowed a supplementary petrol ration, and that users of commercial

To Holders of Bonds of the

PROVINCE OF CORRIENTES 6 PER CENT. EXTERNAL GOLD LOAN OF 1910

As Agents for The First National Bank of Boston, Buenos Aires Branch, which is acting for account of the Government of the Province of Corrientes, we offer to purchase Bonds of the above Loan at the following prices:—

£100 for each Bond of £100 of original capital plus £65 (less Income Tax) for accrued interest; £20 for each Bond of £20 of original capital plus £13 (less Income Tax) for accrued interest.

Furthermore Interest calculated at the rate of 3.1347 per cent. per annum will be paid, less Income Tax, on the amounts of £165 and £33 from the 10th September 1941, to the date of liquidation.

The Bonds must have attached Coupons dated 1st August 1919, to 1st February 1925 inclusive, and be stamped with collection of the distributions effected in accordance with the Judgment of the Supreme Court of Justice of the Argentine Republic.

In order that this offer should be on a basis corresponding with that made in January 1942 to Holders residing in the Argentine Republic it is a condition of this offer that the gross amounts of distributions made in respect of any Bond subsequent to the Fourth distribution shall be deducted from the amount payable for such Bond.

Bondholders who desire to accept this offer must deliver their Bonds to Erlangers Limited listed on the special forms which are obtainable on application at their office. Payment will be effected as soon as possible after the necessary remittance has been received from The First National Bank of Boston.

A commission of one-eighth per cent. calculated on the purchase price will be allowed in respect of acceptances bearing the stamp of a recognised Banker, Broker or Agent.

This offer applies only to Bonds bearing the English Revenue stamp and any acceptance of such offer must comply with the Defence (Finance) Regulations.

This offer will expire on Tuesday, May 12th, 1942.

ERLANGERS LIMITED.

4 Moorgate, London, E.C. 2. 13th April, 1942.

vehicles must prove that they need them for essential purposes. Moreover, the opportunity has been taken to secure economies in the production of tyres by standardisation, and to simplify their distribution by a reduction in the number of depots. Some 1,200 depots have been selected by the Ministry of Supply from existing dealers; all other dealers must suspend their tyre business and surrender their stocks for cash. Users of commercial vehicles must register with an authorised dealer. The reorganisation of distribution should facilitate the control of sales and of prices; unauthorised dealings in tyres are to be subject to the same penalties as other black market transactions. The scheme provides the machinery for limiting sales to essential purposes, but its success will depend on the stringency of the test applied to applications for new motor tyres. Bicycle and motor bicycle tyres will continue to be available in limited quantities through normal trade channels. Meanwhile, experiments with steel tyres fitted to farm carts and trailers, carried out at the request of the Joint Standing Committee of the Agricultural Engineering Association, appear to have been successful; it is hoped that the data secured will assist in the design of a standard wheel capable of mass-production. For road vehicles, steel tyres are less suitable, especially as surfaces are not constructed to withstand the heavy wear involved by their use.

Vegetable Marketing

After a year's working the National Vegetable Marketing Company, Ltd., is to be wound up. It was formed to encourage the production of carrots and onions and to control their distribution. The Ministry of Food was represented on the company, which acted in fact as an extra department of the Ministry. Potatoes had been left in the hands of the Ministry since the Potato Control Scheme began in February, 1940. During the time the Ministry has Marketing Company has been in existence, the Ministry has widened the scope of its activities in the acquisition and marketing of potatoes. The administrative machinery which has been evolved for potatoes can be extended to include paratively small cost and with little inconvenience to include carrots and onions. Thus, the necessity for a separate organisation to deal with these vegetables no longer exists, and accordingly the National Vegetable Marketing Company is to be wound up as soon as its operations in connection with last season's crops have been completed. Growers' prices will be fixed for both carrots and onions; for carrots markets will be guaranteed, and for onions the Ministry is to arrange for an equitable distribution of the crop. It is to be hoped that the Ministry's enlarged vegetable control department will be able to solve the problem of pricing and equitable distribution of perishable vegetables.

Retail Wage Agreement

Another National Joint Industrial Council dealing with wages and conditions of labour in retail trade has reached agreement. The agreement, which was ratified on April 10th, concerns the retail bookselling, newsagency, stationery, tobacco and confectionery trades, and becomes operative on May 18th. No wage rate has yet been agreed for branch managers. Rates for other workers are the same as those which have already been fixed in other branches of retail trade. In London the minimum weekly wage for male workers aged 16 is 21s. 6d., rising to 65s. at 25; for female workers will receive 19s. 6d. at 16, rising to 43s. at 24. Provincial A (towns with a population of 10,000 or more) rates are 3s. a week less in all cases and Provincial B rates, 5s. a week less than in London. The rates for "male employees (excluding craftsmen, productive staff and transport workers) employed in or about the business of a shop for a substantial part of their time but not otherwise provided for" in the agreement, are to be paid 1s. less than the others. The rates are for a working week of 48 hours (exclusive of meal times) and subject to a daily allowance of not more than 30 minutes for clearing up and clearing the shop of customers. Other conditions, such as provisions for holidays, are similar to those laid down in other branches of the trade, which were described in *The Economist* of July 5th, October 4, 1941, and January 31, 1942. Both sides of the JIC are co-operating to regulate and control street trading; to eliminate all forms of selling, such as club trading and discount schemes, and other trading methods which they consider unfair and irregular; and to establish uniformity of hours during which particular commodities are sold.

COMPANY MEETINGS

HALIFAX BUILDING SOCIETY

STRONG LIQUID POSITION

SIR EDWARD WHITLEY'S REVIEW

The eighty-ninth annual general meeting of this society was held, in Halifax, on the 13th instant.

In moving the adoption of the report and statement of accounts for the year ended January 31, 1942, Brig.-Gen. Sir Edward N. Whitley, KCB, CMG, DSO, DL, the president of the society, said:—

The accounts show little important change but emphasise the tendency to a reduction of the funds due on mortgages and an increase in trustee investments.

We have received as interest from borrowers £280,000 less than last year owing to the reduced amount on mortgages and this is set off only to the extent of £100,000 by increased interest from investments and bank interest. We have had to pay £200,000 more in income-tax and NDC and have made provision for a sum of £200,000 for war damage contribution indemnities.

To enable the Society to meet these heavy charges we have, with great regret, had to give notice for the reduction of interest on deposits and shares. The board recognises the hardship which the reduction causes to many members, especially to those who have only fixed incomes, and they would gladly have avoided this if it had been possible, but it must be pointed out that after the reductions the gross yield to shareholders who are liable to income-tax at the full standard rate of 10s. in the £ is equivalent to 44 10s. per cent. subject to tax, and the great strength of the society is shown in the Balance-sheet, to which I now invite your attention.

STRONG POSITION

The reserve funds and undivided profit now exceed six million pounds, and the liquid funds, represented by British Government securities and loans to local authorities together with the cash in the banks and in hand amount to £29,839,323, or more than one-quarter of the whole of the investing share and deposit funds. Withdrawals during the year are the lowest for five years and we received from our borrowing members in repayment of their mortgages more than we have been able to employ in fresh advances which has enabled us to invest further amounts in Government securities, bringing the total to £5,323,169. In addition, we have channelled £3,776,305 into Government securities on behalf of members. We have made special provision for the sale at head office and daily branches of war savings certificates and bonds to members who wish to buy them.

WAR DAMAGE CONTRIBUTION

The Society, like all other owners of property, has to pay war damage contribution in respect of its office premises, but in addition we have under the Act to indemnify certain of our borrowers against part of the money which they have paid in respect of property in mortgage to us. The cost is certainly heavy, but we have to take the burdens as well as the benefits of the Act and you will I am sure agree that it is worth a great deal to know that in the event of damage to any of our securities or property by enemy action either the property will be repaired or there will be a value payment at the end of the war.

The amount owing on mortgages has been reduced during the year to ninety-four million pounds as compared with one hundred million pounds a year ago, and the average amount now owing on each mortgage is £390 as against £403. We have advanced close on one and a half million pounds during the year. We hope that in the present year we shall have suitable applications for a much larger sum, not only because it is a more profitable way of using our funds but also because that is the original purpose of the building society movement, and there is at present more activity in the buying and selling of property than there was a year ago. Our borrowing members have once again shown their keen desire to honour their obligations and they are for the most part keeping up their payments wonderfully well in spite of the difficulties caused by the war.

It is perhaps rash to forecast the value at that time of houses such as constitute many of our securities, but it does seem probable that they will all be worth more than when they were bought. At

present, fantastic prices are being asked and paid in some districts for houses with vacant possession, and it is clear that already there is a shortage of houses, and that shortage will grow each year even if we suffer no more large air raids, a thing on which it would not be wise to count. The problem of housing at the end of the war is one of the most important that face the Ministry of Reconstruction.

PROBLEM OF POST-WAR HOUSING

The problem will have to be looked at both from a short term view of the immediate need of houses and a long term view of the re-planning of many of our overgrown cities. The magnitude of the immediate need may be judged from the estimate which has been made that to complete the slum clearance schemes held up by the war, to overtake the deficiency in the normal number of new houses caused by the cessation of house building since 1939, and to replace the houses destroyed by enemy action will require a million new houses for each year that the war goes on, and I would remind you that in the twenty years from 1919 to 1939 not more than four million houses were built.

Of those four million houses one million were built by local authorities, about half a million by private people with State subsidies, and the rest, 2,500,000, were built by private enterprise without any public help. A large proportion of these last-mentioned houses were financed through the building societies and it is obvious that in solving the problem of housing after the war, the building society movement will have to play a large part. I am happy to say that the Council of the Building Societies Association under the chairmanship of Mr D. W. Smith is already preparing to fulfil this task. A committee of which Lord Sankey has consented to be chairman, has been set up to consider building society policy in relation to the post-war period both in its broader aspects and in relation to its practice and procedure. I have been honoured with an invitation to become one of the members of this committee and I look forward with great pleasure to taking part in this important work.

The recommended allocation of a bonus of 5s. per cent. to paid-up shareholders Class 1, and to monthly subscription investing shareholders was confirmed.

TELEGRAPH CONSTRUCTION AND MAINTENANCE COMPANY, LIMITED

WORKS FULLY OCCUPIED

The seventy-eighth ordinary general meeting of the Telegraph Construction and Maintenance Company, Limited, was held, on the 14th instant, in London, Mr Colin F. Campbell, the chairman, presiding.

The following is an extract from the statement of the chairman, circulated with the report and accounts:—

The balance of the trading account amounts to approximately £148,000, compared with £103,784 in the previous year, and, after putting aside approximately £93,000 to meet taxation, the balance remaining is £50,825. An interim dividend of 5 per cent. was paid in July last and the board now recommend a final dividend of 5 per cent., making a total for the year of 10 per cent., the same as for 1940, leaving £40,571 to be carried forward to the next year's account.

With a steady increase in capital expenditure and the 100 per cent. tax on excess profits many companies are naturally faced with difficulties regarding ways and means. It is not uncommon to see a balance-sheet with large paper profits accompanied by very heavy bank overdrafts. Your company has managed to avoid that situation so far, but, while we do all that is possible to maintain cash reserves, the excess profits tax precludes us from adding to the general and contingency reserves, which will be required to meet urgent demands for replacement of plant and machinery in the future.

The Selborne Estate in Malaya, which after many years of nursing was beginning to give good results, has now passed into enemy hands. The European staff, which consisted of the manager, Mr. Hartfield, the engineer and an assistant, left the estate some time ago after dismantling the main plant and removing the electric motors. They arrived in Singapore, but since the loss of that city we have had no further news except that their wives and families were successfully evacuated to Australia.

The report and accounts were unanimously adopted and a hearty vote of thanks was passed to the chairman, directors and staff.

THE SCOTTISH PROVIDENT INSTITUTION

SATISFACTORY RESULTS

At the one hundred and fourth annual general meeting held, on the 14th instant, in Edinburgh, Mr A. H. Bowhill, the chairman, said:—

The report and accounts are satisfactory and the funds at £25,292,140 show a reduction of only £34,160. The new business, 1,548 policies for £1,069,308, is smaller, the reduction being mainly due to war conditions.

The premium income, £1,236,597, is down by £97,000, due largely to the drop in single premiums and annuity business.

The interest revenue represents a return on the total funds, including the investment reserve fund, of £4 4s. per cent. gross or £3 3s. 4d. per cent. net as against £4 5s. 10d. and £3 4s. 9d. per cent. in 1940.

Claims by death, £981,118, are less by fully £40,000. Although including £93,737 due to war causes they are only 88.3 per cent. of the estimated amount.

All the other items of expenditure are down. The marked reduction in surrenders betokens a greater appreciation of the value of assurance under present conditions. Such appreciation might well, however, be shown to a greater degree in the selection of a policy at the outset. Too much emphasis is laid on the investment element of short-term endowment assurance and too little on the valuable protection afforded by a whole-life assurance. To provide the latter is still the chief purpose of the Scottish Provident Institution and a policy under the distinctive system the best means of securing it. Such a policy is, moreover, particularly adapted to present conditions.

The main feature of the assets side of the balance-sheet is the increase of nearly £500,000 in the Institution's holding of British Government securities in accordance with its policy of supporting the war loans to the utmost. Its holding of such securities approximates to 34 per cent. of the total assets.

The assets show a substantial margin over their amount in the balance-sheet after taking into account the investment reserve fund. The report and accounts were unanimously adopted.

TELEPHONE AND GENERAL TRUST, LIMITED

EFFECT OF EPT

The annual general meeting of the Telephone and General Trust, Limited, will be held, on the 20th instant, in London.

The following is an extract from the statement by Sir Alexander Roger, KCIE (chairman and managing director), circulated with the report and accounts:—

The profit amounts to £107,960, compared with £114,287, a decrease of £6,325. A final dividend of 5 per cent. is proposed to be paid on the ordinary stock, making 8 per cent. for the year, together with a dividend of 8 per cent. on the "A" ordinary shares, all subject to tax. All outgoings have been met out of the earnings for the year, together with a surplus of £1,302. But for the crippling effect of EPT on one of our associated companies, the results for 1941 would have been the best ever submitted.

Of the total investments of £2,527,326, £737,458 represents unquoted investments and loans mainly in telephone undertakings in

the British West Indies and foreign countries. There is a depreciation of 2.88 per cent. on the total, as against 10.6 per cent. in December, 1940. Of the investments, 78.99 per cent. is in Great Britain and the Empire, and 21.01 per cent. in foreign countries. Government stocks, debentures and loans amount to 15.57 per cent.; preference stocks to 15.20 per cent., and ordinary stocks to 69.23 per cent.

In spite of war difficulties the business of the Anglo-Portuguese Telephone Company is being well maintained. We are substantially interested in the Nacional Telephone Company of Venezuela through Telephone Properties, Limited. The Nacional Company continues to do well. Owing to the incidence of the EPT legislation the position has arisen whereby dividends payable to the ordinary shareholders of Telephone Properties have ceased for at least two years, and they and we are deprived of our just and modest reward for our part in the building up of the Nacional Company. The incidence of a flat EPT without sufficient regard to economic or political circumstances justifies re-examination by Parliament, which wants no more than we want—a square deal.

BIRMINGHAM SMALL ARMS COMPANY, LIMITED

SIR BERNARD DOCKER'S STATEMENT

The adjourned ordinary general meeting of the Birmingham Small Arms Company, Limited, will be held on the 21st instant in Birmingham.

The following is an extract from the statement by the chairman, Sir Bernard D. F. Docker, KBE, circulated with the report:—

The total available profit is £1,007,780. Out of this sum the large allocation of £425,000 has to be made for income-tax. The margin of profit left at our disposal is further reduced this year by the contribution under the War Damage Act of £150,000. Under all circumstances it has been impossible for us to add to the reserve fund with the exception of £32,567, being the sum required to cover the debenture stock redeemed. After payment of the preference and interim dividends and 7½ per cent. on the ordinary stock, there remains £278,249 to carry forward.

The profit on trading and income from investments at £777,26 compares with £825,972 last year. This reduction is largely due to the incidence of EPT. Before arriving at the profit there has been charged for depreciation £430,815 compared with £474,52 last year. In these times considerable provision under this head is very necessary.

I cannot tell you all that our enthusiastic and capable team are achieving. They are doing a grand job; they never spare themselves and are making a maximum contribution to win the war.

It is for obvious reasons impossible to go into the activities of our group. Exports are not now permitted to certain countries, but we have instituted methods by which close contact will be maintained with all our distributors and orders are already on the books for execution when facilities for export are re-established. The constant application of research and technical control to our products goes on and is every day justifying the concentration which we have paid to this aspect of special steel production. In spite of the very great efforts we have been making towards the vigorous prosecution of the war, we have kept well in mind the great importance of seeing to it that when the war is won the equally important task of winning the peace is achieved.

THE ALEXANDRIA WATER COMPANY, LIMITED

PAYMENT OF DIVIDEND.

NOTICE IS HEREBY GIVEN that a dividend of Ten Shillings and Six Pence per £5 Share will be paid without deduction of British Income Tax but less Egyptian Government Tax at 10½ per cent. making 9s. 4.77d. net on Coupon No. 107 on and after the 15th April, 1942, at the National Bank of Egypt in Alexandria at Rue Toussoun, or in London at 6 King William Street, E.C. 4.

Net Profits for the year ended 31st December, 1941, £159,600. (Last year £163,800.)

Dated, Alexandria, Egypt, the 9th April, 1942.

By Order of the Board,

T. D. KEY,

ROBERT WALTON,

Joint Managers.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

DESPITE the disappointing conclusion to the Indian discussions, the naval losses and further withdrawals in Burma, the only effect on the markets was a slight contraction of business, prices generally remaining steady. The Budget, which, until announced, acted as a further deterrent to activity, failed to arouse any particular interest. The gilt-edged market, however, was rather more active than other sections with gains of ½ to 1½ spread over both short and long dated issues as prices steadily improved. In contrast, the foreign bond market was particularly quiet. Apart from a few small gains among Brazilian stocks and some weakness in Chilean bonds on Monday, prices were generally unchanged, while the 6 per cent Corrientes loan was marked up sharply on the announcement of the Government's redemption offer. Quiet business in the home rail market failed to affect prices to any marked degree, although the slight improvement in turnover on Tuesday extended to the junior stocks and raised GW ordinary and Southern deferred ½ point. Steady investment support for some of the senior preference stocks generally left prices unchanged. The foreign rail market, however, was dull with Argentine stocks weaker on some light selling, although losses were restricted to ½ point. After the Budget the gilt-edged market was even firmer, War Loan 3½ per cent touching a new high for the year.

Narrow price fluctuations without trend reflected the general tendency in the

industrial market to await events, in particular the Budget, although this had little noticeable effect on quotations. Brewery shares were without interest prior to the Budget, and prices showed little change after the event. The motor and aircraft group, however, showed a slightly easier tendency, De Havilland losing ½ on Monday while Leyland Motors and Lucas both suffered small losses. Changes in the heavy industrial group were restricted to a few pence, but most movements were upward, while shipping shares enjoyed some slight improvement, Indo-China deferred gaining ½ at the reopening. Apart from a slight improvement in Courtaulds on renewed rumours of the Viscose settlement, textile shares were unaffected by the small volume of business. Tobacco issues were weak at the week-end on Budget fears, Carreras "A" falling ½, and Imps ½, but the early part of the current week witnessed a slight improvement, Imps rising ½ on Tuesday, although BAT declined a further ½. But later these losses were made good.

Conditions in the kaffir market were especially quiet in the absence of any display of interest from the Cape. Some light selling occasioned several declines at the reopening, West Wit Areas, among others, falling ½, but the tone generally was steady. Actual business in the rubber market was of small proportions, and price movements were both few and small. Tea issues were quiet, but the trend was downward, Kanan Devan and Pabbojan both losing 2s. 6d. on Tuesday, although some small improvements were recorded. Pending further developments in the various theatres of war, the oil market remained inactive. Leading issues suffered small losses before the week-end, when Ultramar lost 1s. 6d., while Burmah Oil dropped a further ½ at the reopening.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
April 9.....	2,645	2,540	76.0	135.1
" 10.....	2,495	2,679	76.0	135.0
" 13.....	3,038	1,428	76.0	135.2
" 14.....	2,459	1,428	76.1	135.3
" 15.....	2,463	2,151	76.2	135.3

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.2 (Mar. 23). 20 Fixed Int., 1942; highest 135.3 (Apr. 15); lowest, 132.2 (Jan. 5).

New York

THE course of events, both political and military, in India and Burma, together with uncertainties in France, occasioned some weakness on Wall Street during the past week. Trading was generally slow and the trend downward. Bethlehem Steel fell to the lowest level for the year at the week-end, while on Tuesday, average prices were at their lowest levels since March, 1938.

New York Prices

Total share dealings: April 9, 351,000; April 10, 295,000; April 11*, 143,000; April 13, 238,000; April 14, 337,000; April 15, 000,000.

* Two-hour session.

STANDARD STATISTICS INDICES

(1935-36=100)

WEEKLY AVERAGES

	1942		Mar. 25, 1942	April 1, 1942	April 8, 1942
	Low April 1	High Jan. 14			
347 Industrials.....	65.4	75.0	66.7	65.9	66.9
32 Rails.....	61.7	71.0	63.1	61.7	63.0
40 Utilities.....	57.7	67.4	58.6	57.7	58.3
419 Stocks.....	64.4	73.3	65.2	64.4	65.3
Av. yield*.....	8.02%	7.65%	7.93%	8.02%	7.96%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4. (c) Mar. 11. (Continued on page 555)

COMMODITY AND INDUSTRY NEWS

BRITISH WHOLESALE PRICES

GRAIN, etc.	CEREALS AND MEAT		April 7, 1942	April 14, 1942
	s. d.	s. d.		
Wheat	15 11	15 10		
Eng. Gaz. av. per cwt. (c)	59 8	61 3		
Barley Eng. Gaz., av. per cwt. (c)	15 4	15 3		
Oats (c) "				
EGGS (per 120)—English	15 0	15 0		
POTATOES (per cwt.)—				
English	7 0	7 3		
	7 9	7 9		

TEXTILES

JUTE (per ton)—				
10/40 Calcutta Hessians, April,	46 8	46 8		
100 yds. "	35 1	35 1		
7½/40 "				
MISCELLANEOUS (per ton net)—				
Oil Seeds, Lunsed—	20/0/0	20/2/6		
La Plata (new)				

(c) Average for weeks ended April 4 and April 11.

AMERICAN WHOLESALE PRICES

GRAINS—(per bushel)—	April 7, 1942		April 14, 1942	April 15, 1942
	Cents	Cents		
Wheat, Chicago, May	123½	120½		
Maize, Chicago, May	88½	85½		
Oats, Chicago, May	56½	55½		
Rye, Chicago, May	78½	76½		
MISCELLANEOUS (per lb.)—				
Cocoa, N.Y., Acra, May	8.66	8.46		
Cotton, N.Y., Am. mid., spot	21.22	21.03		
Am. mid., April	19.48	19.36		
Moody's Index of staple commodities, Dec. 31, 1931=100	233.3	233.9*		

* April 10.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	1942		April 15, 1942	April 15, 1942
	April 9, 1942	April 13, 1942		
Crops.....	115.0	115.0	115.0	115.0
Raw materials.....	115.0	115.0	115.0	115.0
Complete Index.....	140.9	140.9	140.9	140.9
Mar. 31, 1937*				
Crops.....	147.9	92.2	108.9	116.1
Raw materials.....	207.3	122.9	174.2	172.7
Complete Index.....	175.1	106.4	137.8	141.6

* Highest level reached during 1932-37 recovery.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

AUTHORISED CAPITAL - - - \$50,000,000
ISSUED AND FULLY PAID-UP - - - \$20,000,000
RESERVE FUNDS (STERLING) - - - £6,500,000
HONGKONG CURRENCY \$10,000,000
RESERVE LIABILITY OF PROPRIETORS \$20,000,000

Head Office, HONGKONG, temporarily transferred to LONDON OFFICE, 9, Gracechurch Street, E.C.3. Acting Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED 9 Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases. Full particulars may be had on application.

Finance

GOVERNMENT RETURNS

For the week ended April 11, 1942, total ordinary revenue was £35,017,000, against ordinary expenditure of £30,075,000, and issues to sinking funds of £203,155. Thus, including sinking fund allocations, the deficit accrued since April 1st is £103,826,000 against £112,531,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	April 1 to April 12, 1941	April 1 to April 11, 1942	Week ended April 12, 1941	Week ended April 11, 1942
ORDINARY REVENUE				
Income Tax	20,648	26,615	6,925	12,550
Sur-tax	2,790	2,460	850	920
Estate, etc., Duties	3,287	4,350	1,437	2,450
Stamps	...	...	...	...
N.D.C.	556	1,248	226	790
R.P.T.	7,442	9,030	4,176	5,040
Other Inland Rev.	...	...	...	...
Total Inland Rev.	34,723	43,783	13,614	21,750
Customs	13,624	9,841	6,853	5,253
Excise	3,800	3,000	2,000	2,060
Total Customs and Excise	17,424	12,841	8,853	7,313
Motor Duties	2,635	1,391	1,018	442
Canadian Govt. Contribution	...	4,494	...	4,494
Post Office (Net Receipts)	500	Dr. 150	...	Dr. 50
Crown Lands	...	...	...	...
Receipts from Sundry Loans	49	55	49	55
Miscel. Receipts	395	1,640	343	1,013
Total Ordinary Rev.	55,726	64,054	23,877	35,017
SELF-BALANCING P.O. and Broad-casting	2,350	2,700	1,450	1,500
Total	58,076	66,754	25,327	36,517

Expenditure	April 1 to April 12, 1941	April 1 to April 11, 1942	Week ended April 12, 1941	Week ended April 11, 1942
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	18,259	20,045	1,933	4,475
Payments to N. Ireland	...	...	...	...
Other Cons. Fund Services	32	32	...	...
Total	18,291	20,077	1,933	4,475
Supply Services	149,700	147,600	77,700	85,600
Total Ordinary Expenditure	167,991	167,677	79,633	90,075
Sinking Funds	266	203	...	203
SELF-BALANCING P.O. and Broad-casting	2,350	2,700	1,450	1,500
Total	170,607	170,580	81,083	91,778

After decreasing Exchequer balances by £236,447 to £2,460,481, the other operations for the week (no longer shown separately) raised the gross National Debt by £55,138,436 to about £14,178 millions, after deducting sinking fund allocations of £12,168,985 in 1941-42.

NET ISSUES (£ thousands)

Overseas Trade Guarantees	3
NET RECEIPTS (£ thousands)	9
Land Settlement (Facilities) Acts	9

NET RECEIPTS (£ thousands)

Land Settlement (Facilities) Acts	9
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NET RECEIPTS (£ thousands)

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NET RECEIPTS (£ thousands)

Land Settlement (Facilities) Acts	9
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FLOATING DEBT

Date	Tender	Tap	Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1941						
Apr. 15	845-0		Not available			
Jan. 10	975-0		Not available			
Jan. 17	970-0		Not available			
Jan. 24	960-0		Not available			
Feb. 7	930-0	1584-0	191-0	9-2	764-5	3493-7
Feb. 14	915-0		Not available			
Feb. 21	905-0		Not available			
Mar. 7	905-0	1612-7	215-4	21-7	677-5	3432-3
Mar. 14	905-0		Not available			
Mar. 21	905-0		Not available			
Mar. 28	905-0		Not available			
Apr. 4	905-0		Not available			
Apr. 11	905-0		Not available			

Notes Issued: £ 11,015,10
Govt. Debt: 767,109,956
Other Govt. Securities: 767,042,79
In Bank. Department: 13,131,619
Silver Coin: 8,54

Amt. of Fid. Issue: 780,000,00
Gold Coin & Bullion (at 168s. per oz. fine): 241,51
Total: 780,241,51

780,241,575

162,332,81
Govt. Secs.: 162,332,81
Other Secs.: 7,456,145
Discounts & Advances: 22,213,701
Securities: 29,668,846
Notes: 13,131,619
Gold & Silver Coin: 412,895
Total: 205,547,198

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

On April 10th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 35 per cent of the amount applied for, and applications at higher prices in full. £75 millions of Treasury Bills are being offered on April 17th. For the week ending April 18th the banks will be asked for Treasury deposits to a maximum amount of £40 millions.

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BANK OF ENGLAND RETURNS

APRIL 15, 1942

ISSUE DEPARTMENT

Notes Issued:	£
In Circulation	767,109,956
In Bank. Department	13,131,619
Govt. Debt	11,015,10
Other Govt. Securities	767,042,79
Other Secs.	8,54
Silver Coin	...
Amt. of Fid. Issue	780,000,00
Gold Coin & Bullion (at 168s. per oz. fine)	241,51
Total	780,241,51

780,241,575

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PROVINCIAL BANK CLEARINGS

(& thousands)

	Week Ended		Aggregate from Jan. 1 to	
	April 12, 1941	April 12, 1942	April 12, 1941	April 11, 1942
Working days	6	5	87	85
Birmingham	1,899	2,279	34,076	39,309
Bradford	2,171	1,346	34,487	33,383
Bristol	1,972	1,626	28,624	32,782
Hull	571	631	9,972	12,495
Leeds	567	682	15,561	18,269
Leicester	778	585	13,146	13,477
Liverpool	4,957	4,774	82,608	71,602
Manchester	10,416	8,906	178,396	184,466
Newcastle	1,002	1,031	19,744	24,096
Nottingham	578	551	7,249	7,437
Sheffield	531	563	9,950	14,027
Southampton	59	58	1,567	1,875
12 Towns	25,301	22,832	435,380	453,218
Dublin*	7,125	7,592	88,899	100,902

April 5, 1941, and April 4, 1942.

PRAGUE NATIONAL BANK

Million crowns

	Feb. 28, 1941		Feb. 28, 1942	
	Assets	Liabilities	Assets	Liabilities
Gold	1,465	1,513	1,513	1,513
Foreign exchange	766	777	777	777
Other cash	1,357	571	694	469
Bills and securities	1	840	840	840
Advances	8,522	11,930	11,946	12,358
Other assets	6,813	9,024	8,966	9,416
LIABILITIES	1,444	1,844	1,837	1,837
Bank notes	1,826	2,968	3,181	2,843
Cash certificates	1,486	1,253	1,243	1,318
Clearing deposits				
Other liabilities				

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

COMPARATIVE ANALYSIS

(& millions)

	1941	1942
	April 16	April 15
Population 1940: 131,669,275; Area: 3,026,789 sq.		
1. Indus. production, F.R.B. (a) (b)	1935-36	
2. Minerals, F.R.B. (a) (b)	Million	
3. Manufactures, F.R.B. (a) (b)	Thous.	
4. Coal production		
5. Electricity generated		
6. Steel production		
7. Index of new orders, N.I.C.B.	1935-36	
8. Building contracts awarded:		
9. Residential	Million	
10. Other		
11. Output of Private cars	Thous.	
12. Commercial vehicles		
13. Index of consumption	Thous.	
14. Index of Rly. car loadings (a)	1929	
15. Index of Dept. Stores sales (a)		
16. Retained imports	Million	
17. Domestic exports		
18. Factory employment, F.R.B. (a)	1929	
19. Pay rolls, Dept. of Lab.		
20. Hourly earnings, N.I.C.B.		
21. Av. hours of work, N.I.C.B.	Nun	

COMPANY RESULTS (April 1 to April 14, 1942)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribu- tion	Appropriation					Preceding Year		Ord. Div.
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	
Breweries, &c.													
Dartford Brewery	Dec. 31	154,475	£	£	£	£	£	11	£	£	144,548	£	24,181
Flower & Sons	Dec. 31	323,508	9,667	84,815	131,833	4,500	40,500	18	5,555	+ 1,609	223,750	84,109	18
Woodhead's Canonbury Brewery	Jan. 31	19,858	1,181	4,089	4,772	1,100	2,000	10	30,000	+ 989	11,072	Dr. 309	3
Coal, Iron and Steel													
Arrol (Sir William) & Co.	Dec. 31	215,401	12,000	78,538	107,659	18,060	18,544	25	30,000	+ 11,934	188,266	56,135	25
Coltness Iron Co.	Dec. 31	312,205	85,000	134,265	395,854	25,750	108,281	18	...	+ 234	324,604	155,604	30
Davis & Timmins	Dec. 31	114,471	...	42,843	78,476	6,500	28,000	30	4,309	+ 4,034	105,590	48,252	19
Lanarkshire Steel Co.	Dec. 31	46,149	40,000	5,549	92,988	8,250	11,562	12	5,000	- 19,263	161,857	29,631	Nil
United Collieries	Dec. 31	44,465	...	Dr. 5,905	11,005	...	...	...	...	- 5,905	62,639	6,275	19
Financial, Land, &c.													
Matador Land & Cattle	Dec. 31	154,584	...	14,874	36,955	...	10,874	12	...	+ 4,000	141,476	19,368	12
Telephone & General Trust	Dec. 31	155,154	...	97,962	166,158	38,500	58,160	8	...	+ 1,302	160,021	102,287	8
Hotels, Restaurants, &c.													
Quaglin's Limited	Jan. 3	11,559	...	6,411	7,383	...	...	...	6,381	+ 30	1,143	Dr. 188	Nil
Motor, Aviation, &c.													
Birmingham Small Arms Co	July 31	774,264	...	(a) 98,349	399,414	15,596	105,569	7	...	- 22,816	825,972	247,734	7
Mitchell Cotts & Co.	June 30	176,236	...	90,366	133,973	5,053	43,848	15	40,000	+ 1,465	139,343	73,843	15
Short Brothers	Aug. 31	198,188	...	85,307	123,592	11,992	51,956	25	20,000	+ 1,359	253,700	92,429	27
Rubber													
Batu Kawan	Sept. 30	10,512	1,999	758	1,273	...	...	...	1,000	- 242	12,554	6,483	2
Buloh River	Sept. 30	9,053	2,826	55	620	...	...	...	...	+ 55	10,834	3,136	3
Krubong (Malacca)	Sept. 30	2,740	...	893	2,145	...	...	...	...	+ 893	2,651	1,814	10
Padang Senang	Sept. 30	39,018	...	15,035	16,344	...	4,125	2	...	+ 10,910	31,817	20,842	9
United Serdang (Sumatra)	Aug. 31	165,364	...	147,233	244,820	...	...	...	...	+ 147,233	203,536	131,108	12
Shipping													
King Line Limited	Dec. 31	91,650	52,221	34,274	115,376	...	31,250	12	...	+ 3,024	97,819	63,112	12
Shops and Stores													
Bright & Colson	Jan. 31	82,222	...	31,967	42,642	15,750	11,000	10	5,000	+ 217	57,942	29,005	5
Dickens & Jones	Jan. 31	44,799	...	515	3,219	...	...	...	...	+ 515	25,405	21,873	6
Hope Brothers	Feb. 28	51,609	7,873	29,258	93,084	16,500	12,000	3	...	+ 738	61,012	44,162	5
Meakers Limited	Jan. 31	39,006	9,535	Dr. 4,727	52,529	4,375	...	...	...	+ 9,102	58,432	12,189	5
Rotherham (Jeremiah) & Co.	Jan. 15	46,912	...	41,544	62,527	10,000	30,000	5	...	+ 1,544	49,474	44,143	13
Stagg & Russell	Jan. 31	3,817	2,973	244	10,527	...	...	...	...	+ 244	Dr. 7,843	Dr. 6,878	13
Upsons Limited	Dec. 31	208,302	...	124,871	160,806	46,235	76,500	12	5,000	- 2,864	205,568	131,861	10
Textiles													
Full-Fashioned Hosiery	Jan. 3	75,068	13,741	12,606	32,276	8,438	7	5,000	...	- 832	59,854	Dr. 418	9
Leathens (Twinkl)	June 30	47,860	4,250	24,664	33,038	14,062	9,375	5	1,487	- 260	61,184	38,835	5
Trusts													
American Investment & General	Mar. 15	183,019	...	95,918	145,928	43,750	43,750	5	8,000	+ 418	182,170	99,611	6
City National Investment	Feb. 28	11,748	...	7,552	13,723	...	5,281	6	1,500	+ 771	13,091	7,788	10
Edinburgh Investment Trust	Mar. 15	131,038	...	56,832	314,497	14,006	33,333	10	...	+ 9,493	128,162	64,848	5
Hellenic & General	Jan. 31	44,019	...	12,942	77,283	12,500	...	...	...	+ 442	67,642	28,587	2
Investors' Trust Association	Feb. 28	15,906	...	12,211	39,970	7,335	4,016	2	...	+ 1,140	19,485	14,763	4
London Scottish Investment	Feb. 28	54,086	...	16,518	30,356	7,733	5,053	4	5,000	- 1,268	54,564	22,393	6
Northern Securities Trust	Dec. 31	31,373	...	24,170	40,475	11,110	13,200	8	...	- 140	30,223	23,414	4
Scottish Capital Investment	Mar. 1	107,287	...	28,974	51,097	15,362	8,193	4	5,000	+ 419	109,462	59,611	7
Other Companies													
Brettell (George) & Co.	Jan. 19	31,978	...	21,163	44,087	7,500	11,503	7	...	+ 2,160	30,474	25,474	10
Browne & Eagle	Dec. 31	6,263	...	363	27,117	3,125	3,750	21	...	+ 6,512	44,952	52,172	14
Canning (W.) & Co.	Dec. 31	64,095	6,518	51,837	90,490	...	30,000	20	15,000	+ 6,837	63,873	244,856	12
Dickinson (John) & Co.	Dec. 31	1,147,809	...	237,709	318,580	20,000	203,000	14	15,000	- 291	1,089,591	10,553	33
Dwyer & Co.	Jan. 31	17,222	...	15,923	38,386	2,062	6,399	12	5,000	+ 2,462	16,853	17,405	12
Ellis & Goldstein	Nov. 30	33,916	2,550	14,804	21,594	2,250	12,375	28	...	+ 179	34,719	169,155	15
Enfield Cable Works	Dec. 31	261,824	28,884	117,039	151,547	15,000	100,000	12	25,000	- 22,961	260,376	83,157	7
Greengate & Irwell Rubber	Dec. 24	74,614	...	74,614	113,584	28,500	37,500	12	...	+ 8,614	14,604	15,376	5
Griffiths (William) & Co.	Oct. 31	20,401	...	10,245	15,817	...	10,312	7	...	+ 67	29,598	5,909	8
Guterman (S.) & Co.	Dec. 31	28,852	304	11,020	19,511	2,129	2,062	7	3,500	+ 3,329	19,348	40,243	12
Harrison, Barber & Co.	Dec. 31	22,838	783	7,417	9,455	...	7,800	7	...	+ 887	101,232	14,212	2
Hartley (Wm. P.)	Oct. 31	99,656	18,769	33,387	49,374	12,500	20,000	8	...	+ 887	101,232	14,212	2
Hillhead Hughes Limited	Dec. 31	24,302	...	14,034	22,076	4,895	7,500	12	...	+ 1,639	23,311	2,651	15
Howard & Wyndham	Feb. 28	70,885	2,838	12,343	20,415	1,250	9,652	10	...	+ 1,441	15,204	158,309	7
Ideal Boilers & Radiators	Dec. 31	261,204	...	112,501	311,484	50,000	52,500	7	...	+ 10,001	293,670	3,743	6
Lacrimoid Products	Dec. 31	26,634	...	6,207	7,029	...	4,500	9	2,000	- 293	17,256	12,598	8
Levers Optical Co.	Dec. 31	27,748	2,539	2,209	5,694	600	1,500	6	...	+ 109	32,293	48,357	25
McCrae & Drew	Dec. 31	33,845	2,422	11,773	28,780	...	8,800	8	2,000	+ 973	150,010	2,679	10
Manganese Bronze & Brass	Dec. 31	105,829	...	45,978	75,759	...	37,797	25	...	+ 4,337	8,229	198,107	Nil
Morris (B.) & Sons	Dec. 31	19,288	400	12,086	27,611	8,750	2,015	3	...	+ 1,321	4,283	254,898	806
Phillips (Godfrey)	Dec. 31	253,155	...	207,448	278,555	52,500	100,665	10	50,000	+ 5,208	4,358	169,471	62
Pullman (R. & J.)	Dec. 31	8,794	...	5,208	10,626	...	102,089	12	50,000	+ 1,076	249,844	38,839	7
Reynolds (A.) & Co.	Dec. 31	239,211	63,570	160,340	304,685	7,175	20,109	62	...	+ 5,834	91,800	47,794	10
Rose (L.) & Co.	Dec. 31	139,764	8,524	24,775	39,654	10,500	22,500	7	...	+ 3,062	123,676	47,569	12
Rugby Portland Cement	Dec. 31	121,350	52,367	43,562	101,492	18,000	...	...	...	+ 5,383	118,964	177,155	Nil
Telegraph Construction &c.	Dec. 31	160,949	...	50,825	86,014	...	45,442	10	...	+ 1,553	457,769	3,792	12
United Glass Bottle	Dec. 31	415,530	...	138,624	202,993	45,050	67,021	12	25,000	+ 7,065	9,036	114,985	28
Variety Theatres Consolidated	Dec. 31	11,838	...	7,065	26,722	...	...	...	...	+ 4,564	157,125	47,478	...
Vine Products Limited	Dec. 31	153,051	11,512	124,289	146,059	16,000	103,725	2	...	+ 1,059	91,253	3,478	...
Totals (1941)	No. of Cos.	426	87,333	6,973	42,960	74,604	8,755	28,231	...	+ 1,059	91,253	47,478	...
Jan. 1 to March 31, 1942	66	8,535	6,973	3,049	5,937	7,604	8,755	28,231	...	+ 371	8,088	3,478	...
Jan. 1 to April 14, 1942	492	95,868	7,418	46,009	80,541	9,427	30,047	...	5,286	+ 1,249	99,341	50,957	...

† Free of Income Tax.

(a) Excludes £150,000 War Damage Contribution.

EXCHANGE RATES (Monthly Tables)

AUSTRALIA AND NEW ZEALAND											
London on Australia and N.Z.*						Australia and N.Z. on London					
Buying			Selling			Buying			Selling		
Australia		N.Z.	†Australia	†N.Z.	†Australia	†N.Z.	Australia		†Australia		†N.Z.
T.T.	Ord. Mail	Air Mail	Ord. Mail	Air Mail	Ord. Mail	Air Mail	T.T.	Ord. Mail	Air Mail	Ord. Mail	Air Mail
	126	126	126	126	125	124		125	124	125	124
30 days	127	127	127	127	125	124	30 days	127	127	127	127
60 days	127	127	127	127	125	124	60 days	127	127	127	127
90 days	128	128	128	128	125	124	90 days	128	128	128	128

Since April 7, all bills on Australia will be purchased at sea mail rates only. Bills will be sent by air mail on payment of appropriate postage.

* All rates (Australia and N.Z.) now based on £100-London. † Plus postage.

6 days, 127; 90 days, 127. (N.Z.) Demand, 125; 30 days, 126; 60 days, 126; 90 days, 127 (plus postage).

† Any Mail.

SOUTH AFRICA											
Buying rates in London for T.T.s and bills on South Africa are (per £100 sterling) £101 for T.T.; £101½ (sight); £102½ (30 days); £102½ (60 days); £102½ (90 days). For Rhodesia the corresponding rates are £100½, £100½, £101½, £101½ and £102½.											
Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100 for South Africa and £99½ for Rhodesia.											
CENTRAL AND SOUTH AMERICA											
The following rates, issued by Bank of London and South America, are related to U.S. \$; approximate sterling rates can be calculated from 3-4 rate.											

Colombia	•	Open market sight selling rate 175-50 pesos per 100 U.S. \$ on Mar. 13th.
Ecuador	•	Official sight selling rate 15-00 sucres per U.S. \$ on Mar. 13th.
Guatemala	•	Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.
Nicaragua	•	Official sight selling rate for payment of imports fixed Jan 1, 1941, at 5-54½ cordobas per U.S. \$ (incl. 10 per cent tax).
El Salvador	•	Sight selling rate New York was 2-50 colones per \$ on Mar. 14th.
Venezuela	•	Sight selling rate New York 3-35 bolivares per U.S. \$ on Feb. 24, 1941, free market 3-62 bolivares per dollar.

• Official exchange controls are operative in these countries.

OVERSEAS BANK RATES											
	Changed	From	To		Changed	From	To				
Amsterdam	June 28,	41	3	Madrid	July 15,	35	5				
Athens	Mar. 10,	42	5	Montreal	Mar. 11,	40	3				
Belgrade	Feb. 1,	35	6	Moscow	May 12,	41	2				
Berlin	April 9,	40	4	Paris	Mar. 17,	41	5				
Brussels	Jan. 25,	40	2	Pretoria	June 2,	36	—				
Bucharest	Sept. 17,	40	3	Rio de Janeiro	May 31,	36	5				
Budapest	Oct. 22,	40	4	Rome	May 18,	40	6				
Calcutta	Nov. 28,	35	3	Sofia	Sept. 14,	34	1				
Chile	June 13,	35	4	Stockholm	May 29,	36	2				
Copenhagen	Oct. 15,	40	4	Zurich	Nov. 25,	39	4				
Helsingfors	Dec. 3,	34	4	Tokio	...	40	3				
Lisbon	Mar. 31,	41	4	Wellington	May 27,	40	3				
N.Y. Fed. Res.	Aug. 26,	37	1	Dublin	Oct. 26,	39	4				

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

and not as a piece of machinery. No responsible critic has ever denied the existence of joint planning. The personnel of the Joint Planning Staff was singled out by *The Economist* in an article on March 21st as the nearest approach to the "general" officers required in positions of command, belonging to no single Service, but to all three; and the appointment of Lord Louis Mountbatten to be Chief of Combined Operations, with high rank in all three Services, was hailed last week as a great step forward. The point is that, though there is joint planning, there is not unity of command. In the absence of unity of command, joint planning itself must inevitably be hobbled. The separate Services work together when they come together in specific combined operations; for most of their work, and training, they remain quite separate. The Joint Staff is not in command; the Chiefs of Staff are—men trained exclusively in their own separate services and mainly concerned in their daily duties with their separate administrative problems. The fact that the Chief of Combined Operations attends the Chiefs of Staff Committee to discuss major strategical issues, as well as combined operations, is only a mitigating factor. Command is tripartite. There is no Commander-in-Chief and no true General Staff. Still less is there integration below the highest level. Naval, military and air commands, though they may co-operate and have liaison officers, are separate and independent; they belong to different firms; they manage their own affairs.

To a point, of course, they must manage their own affairs. From top to bottom, modern warfare is a specialised business. For admirals or generals to run air squadrons would be as inappropriate—and as disastrous—as for air marshals to run warships or regiments. The cobbler must stick to his last. This, again, has never been denied—except by Service axe-grinders. For any one Service simply to swallow any other would solve nothing; in this sense, to split up the RAF would indeed be a

"fatally retrograde step"; and the amalgamation of the three services is probably undesirable and certainly impracticable. The problem is rather to secure that they shall work as one; and, to this end, the suggestions which have been made by *The Economist*—humbly and tentatively as befits lay advice—seem still to be unshaken.

Possibly it may aid understanding to rehearse the suggestions. The requirements are unity in command; co-ordination in training and equipment; and co-operation in action. The means proposed to meet these requirements were, first, a Great Captain (to use General Wavell's phrase) and Great General Staff, skilled in the joint problems of all arms but belonging to none; secondly, the "generalisation" of all important commands, so that every Service formation larger than, say, a brigade, is a joint force of all three arms, or at least two, officered by "general" commanders drawn initially from one or another of the three Services, but trained in all common problems; and, thirdly, which would follow from these steps, the interweaving of training and the interchange of personnel.

It may be that, for technical reasons, these reforms could not be applied very easily. No layman can say. But any intelligent observer can say, without danger of contradiction, that the goal at which they aim is the only right one, and that it is still remote. True, political mistakes have been responsible for many military setbacks. But without unity of military command and co-operation between all arms in day-to-day operations and training, no amount of the joint planning machinery described in the White Paper will win victory. Until they are achieved, it is misleading nonsense for the Government to talk of the Services thinking and acting as one—a notion which is sufficiently belied by the way in which, in the current controversy, Service spokesmen are flying at each other's throats, as well as at the throats of third parties.

Pull Devil, Pull Baker

THE seizure of power by Laval is one of the opening moves in the great spring offensive. Its primary significance is military—it has no significance for the real future of France. Neither Laval nor Pétain will survive the war. The struggle between Paris and Vichy will make way for other struggles—or other reconciliations—once the over-ruling power of Germany is removed. But, from the short-term military point of view, the changes in the French Government are obviously of cardinal importance. What has Hitler gained? Is Laval better for the Nazis than ten divisions? What have the United Nations lost? What ought their strategy to be? These for the moment are the questions that have real and direct bearing on the situation.

The military background of the changes is Bruneval and St Nazaire and the promise of Allied raids as efficient and wideflung to follow—a promise immediately fulfilled near Boulogne. The Channel is now the Germans' West Wall and it is by no means as invader-proof as the Siegfried Line. If there is to be a second front, a Peninsula, in this third year of war, it is perhaps in France that the United Nations could most effectively establish it. There is little doubt that a heavy Allied offensive here would evoke immediate response among the French people. After the raid on St Nazaire, it was reported that over 500 Frenchmen had been shot for coming out into the streets with clubs and staves to do what they could to help the British commandos. All over France, arrests and shootings are taking a rising toll.

The Nazis cannot rely on the temper of the French people; and in recent months they have felt less and less able to count on the "loyalty" of the men at Vichy. It is important to realise that the return of Laval represents, not only a new phase of collaboration, but

also an endeavour to redress a balance in France which had been going down more and more heavily on the Allied side. The fuddled politics of Vichy make a little more sense if the atmosphere of the surrender of 1940 is kept in mind. It was essentially a gesture of *sauf qui peut*, based on the belief that the war was over, that Britain would sell out to Germany on the most favourable terms its island isolation could secure and that France must therefore act first to salvage what it could from the German victory. In two years, the position has been practically reversed. Vichy's problem has rather become to salvage something from an Allied victory. Most of the evidence from unoccupied France in recent months suggests that, even in the entourage of Pétain, the anti-collaborationists have been gaining ground and courage—the more so because the aged Marshal was himself no willing collaborationist.

The Germans could thus no longer rely on Vichy not to throw in its lot with the invader—should the invader arrive in sufficient strength. The more the British raided, the more the Germans would need "reliable" men in power in France, and the less reliable Vichy would become. In self defence, the Germans had to find new men who were collaborationists by choice, not by necessity, or who, whatever their real beliefs, had thoroughly identified themselves with the Nazi cause. Paris is full of such men—men who still disbelieve in an Allied victory and who agree with Paul Rives, writing in *L'Effort*, that

French neutrality amounts to a crime against Europe and above all to collective suicide. It could only have a semblance of justification on the hypothesis of a British or American victory in the very near future.

men like Doriot and Déat, who share the ideological frenzy of the Nazis; men like Citroen or Lucien-

Romier, who are economically and industrially committed to the "new order." There was no lack of traitors and Fascists and *gros industrialistes* from whom to choose. The puzzle is why the Nazis picked on the generally unpopular and discredited Laval.

Laval must not be underestimated. The Nazis are not looking for a great popular leader; such a man would certainly be on the other side. They are looking for a man with bravado, which Laval undoubtedly has; with intelligence and powers of negotiation, both lacking in the Doriot-Déat type of fanatic; with ambition and tenacity; with wide political and industrial connections; with deep-rooted cynicism; and above all, with complete ruthlessness and indifference to anything save his own career. With such a man, the Nazis know more or less where they stand. Moreover, Laval is, from the German point of view, safe; he has lost for all time any chance of coming to terms with Britain or the United States.

Yet if Laval was an obvious choice, there were heavy obstacles in the way—the greatest, the extreme antipathy and distrust he inspires in Pétain. The Germans could not get rid of the old man. The Marshal alone preserves the fiction of unoccupied France, and this is the last moment at which the Germans can afford to extend their policing duties over more French territory. The "loyalty" of the armed forces, crucial in the event of a British invasion, depends entirely upon the Marshal. Laval has no standing in the army. On the contrary, he is still identified with the parliamentary regime which a large number of officers came to regard as almost a worse enemy than Germany. Again, Laval has absolutely no status in the colonies. There was a note of menace in M. Buisson's farewell message on his return to Dakar on April 10th. "We count on Pétain only," he said, "and I can answer for the complete loyalty of Black Africa." These are the Marshal's bargaining points, which enable him to insist upon the strict terms of the Armistice—no occupation of the rest of France; no military collaboration; and no surrender of colonial bases.

Yet, in spite of these elements of strength in his position, Pétain has taken back the man most identified with the things he hates—the old parliamentary racket, freemasonry, political cynicism, and moral indifference, all crowned by proved personal disloyalty in the autumn of 1940. There is, however, no real paradox. Pétain has no ground to stand on when anything beyond the Armistice terms is in question. He cannot resist close economic collaboration because there is no determined body of industrialists to back him up. He cannot refuse to work for the German war machine, for without German raw materials French industry would cease, and French workers starve. A severe bread shortage threatens for June, and there is evidence that the Germans have brought very strong economic pressure to bear on the old man in recent weeks. They have suddenly closed a large number of French factories, and are

increasing their drive to get French workers to go to Germany. Again, Pétain cannot make a stand about the composition of his Government because nobody in France cares a pin who governs at Vichy apart from the Marshal himself—and there is no body of men, civil servants, prefects or executive officers generally, who in any way correspond in group solidarity to the officers or the colonial servants, and who would thus collectively and effectively resist changes in the political direction of the country. Pétain can resist only where German military needs and the loyalties left in France give him a little ground on which to stand. Elsewhere he must give way.

This confused position explains the curious dyarchy, or double system of government, that has now been established. Laval is in charge of home and foreign affairs, though personally responsible to Pétain; round him are grouped a very mixed bag of "vils ou nuls," traitors or men of straw. Over against this stands a completely separate hierarchy of army, navy and air force under the supreme command of Admiral Darlan, again personally responsible to Pétain; and Darlan remains the successor-designate to the Head of the State. This new political partition mirrors exactly the uneasy balance of forces which brought it into being.

It seems likely that the Germans have achieved as much as they can for the time in reinsuring against the success of a second front. They have secured a far more ruthless and anti-Allied political set-up. The pursuit of De Gaulle and other "traitors" will now be more savage and effective. A man has been insinuated into the Marshal's most intimate circle who is ready for any degree of collaboration, political, economic or military. But the Germans have not secured the armed forces of France; they have not achieved any modification of the colonial situation; and it is on these points that the greatest pressure will now be exercised. A frontal attempt is unlikely. The Marshal has given sufficient evidence of his determination to abide by the Armistice. But would the use of French warships to convoy supplies nominally intended for France constitute a breach of the Armistice? The transfer of supplies from Tunis to Tripoli? A joint expedition to "free" Syria or Equatorial Africa? The "joint defence" of Dakar? Or Madagascar? Or France's Mediterranean seaboard? The real struggle for military control will now begin. The Marshal has only gained a breathing space.

The policy of the United Nations in all this is clear. The situation has passed beyond diplomacy. It makes little difference whether or not Washington is represented at Vichy, or American observers remain in North Africa. What does matter is the opening of the second front the Germans fear. Laval, Pétain, Vichy are all the unsubstantial creatures of French despair. Give the French people a hope of victory, and the whole structure will collapse. That is the task of the United Nations.

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A WELL-KNOWN ship-owner has just protested against the existence of "people sufficiently devoid of any responsibility in carrying on the war effort to have the leisure to plan a new earth." The obvious *tu quoque*, that the shipping industry itself is far from able to leave post-war prospects out of its wartime calculations, has been made. The real answer is that a programme for improved and effective social, economic and political policies is a necessary means of victory, denoting the goals of wartime effort and inspiring wartime sacrifice. It is absolutely true that the first task is to win the war. Time and men are scarce; both must be rationed; and the highest priority must go to defeating the enemy. But thought and ideas are not limited; the task is to mobilise these without impeding the war itself—or, rather, with the plain purpose of speeding the war to a successful end.

Reconstruction has already been given a place in the councils of war. Sir William Jowitt is Minister in charge. Sir John Anderson, in the War Cabinet, has the duty of co-ordinating reconstruction projects in the frame of home policy. Lord Portal at the Ministry of Works and Buildings has instructions to consider physical rebuilding. Sir Stafford Cripps, Leader of the House of Commons, takes a special personal interest in the shape of post-war England. Rebuilding, both in terms of bricks and mortar and in terms of planning, has a higher status in the making of domestic policy than it has yet achieved in the determination of international relationships by the Allied Governments, and experts, of the United Nations. The first need there is to devise modes of research and consultation; to sketch the outlines of an agreed world polity and economy after the war. At present, world reconstruction, even the reconstruction of Europe, is being disparately considered. There are *ad hoc* arrangements for the storing of surpluses to feed and clothe the freed nations of Europe when the enemy has been driven back; in the Lend-Lease system, there is embodied the imperative necessity of deciding by agreement the character of post-war economic relationships between nations; in the Atlantic Charter, the objectives of these relationships are stated. The same integration is needed in the foreign field as has been begun in the domestic sphere.

At home, committees and individuals are already at work in search of solutions for the most pressing problems. The Uthwatt Committee is considering the future of land use. The Scott Committee is examining the problems of rural life. The Beveridge Committee is seeking the means of social security for every citizen. In various departments, there are men especially appointed to consider post-war policy; Mr. Crick, at the Ministry of Food, for instance, has the future of food policy under his special care. There are interdepartmental committees on specific questions; and at the head there is the Lord President's Cabinet Committee.

The important need is to make certain that this effort is neither wasted nor misdirected. For this, four conditions are necessary; first, that reconstruction should be regarded in high places, from the Prime Minister downwards, as an inescapable charge upon, and part of, the war effort; secondly, that the men and committees at work on reconstruction projects should produce specific programmes and decisions, and not mere surveys of the problems to be solved; thirdly, that thought about reconstruction should be drawn from the widest possible pool, including men engaged in the public service; and, fourthly, that reconstruction should be given a foothold and a standing in the Treasury itself.

Most of the central themes of reconstruction were explored twenty-five years ago, when the closing stages of the last war brought the need for social and economic betterment to the forefront of public policy. In the inter-war period, they were examined by countless official bodies and private investigators. The tendency for reconstructors to start at the beginning again now, instead of taking up where these forerunners left off, is wasteful and frustrating. It is absurd that bodies engaged, for instance, on land problems should be re-collecting evidence which has been familiar to planning enthusiasts for a generation—and which was embodied, probably in a definitive form, in the evidence presented to the Barlow Commission just before the war. It is for these bodies, and indeed for every individual concerned in reconstruction, to devise specific programmes and practical remedies, on the basis of the extensive known data, as soon as possible. And it is not for them, but for the Cabinet, by broad decisions on the wider aspects of social and economic policy—such as the future of farming, land-ownership of education—to provide the frame for their specific projects.

Obviously, the more minds are tapped, the better rounded will the programmes be. Equally obviously, the best and most informed minds are at present taken up almost entirely by the immediate exigencies of war. Nevertheless, it is the responsibility of all reconstruction agencies to pick up the ideas on reconstruction that inevitably come as by-products of the preoccupation of these minds with war problems. No civil servant should be barred from expressing views about reconstruction in public or in private, formally or informally. The need is for a dish, so to speak, to catch the drops as they fall. Reconstruction should be a live issue in every Government department, represented there by some high officer and kept in mind by every intelligent administrator—not to hinder his war effort but to fortify and broaden it. After the war, reconstruction will either be the policy of every Ministry or be nothing.

Finally, there should be, at the heart of administration itself, probably in the Treasury, say, a Reconstructor General, to be kept cognisant of all the plans. Reconstruction, in the domestic sphere, will fail or succeed according to the skill and willingness with which financial means are used to achieve social and economic ends. In the war, the orthodoxy of British public finance has proved sufficiently sound and, at the same time, sufficiently adaptable, to mobilise the nation's physical resources for a total effort; the same process will be needed to mobilise the nation's resources for total reconstruction. If the Treasury remains an outside spectator—which, of course, it can never be entirely while Mr. Keynes is there—it will no more be an ally of reconstruction when this war ends than it was when the last war ended. Its great and disinterested efficiency will be neutral—and, therefore, in effect, hostile; reconstruction will fail. On the other hand, if the Treasury is made a leading partner in the correlation of programmes into a harmonious and workable plan, that same efficiency and disinterestedness will go a very long way towards ensuring success. There could be no better means of securing the needed high status for reconstruction than to place the Treasury at the administrative centre.

It is time that Parliament and people heard from the Government, possibly from the lips of Mr Churchill himself, of the status and progress of reconstruction. Perhaps the return of Sir Stafford Cripps will bring this statement. At all events, what is needed can be simply stated and generally agreed. The war must be won and the peace must be won; the two are inseparable.

The Unknown Continent

HOW many people know that Latin America covers a larger area than the Soviet Union? That Natal on the bulge of Brazil is 2,000 miles nearer to Dakar than to New York? That Brazil is larger than the United States and has the biggest iron reserves in the world? That Venezuela is the largest exporter of oil? That Bolivia supports life and civilisation at an altitude of 12,500 feet? That Costa Rica and Uruguay are model democracies? For most people, Latin America makes a rather tedious composite picture of tangos, gigolos, Indians in blankets, coffee surpluses and films of the type of "Down Argentine Way." More than Africa, and far more than Asia, Latin America is the unknown Continent.

It is the outstanding quality of Mr Gunther's study* that he makes all the 20 Republics fascinatingly interesting and furiously alive. A book which is primarily the record of a roving journalist's flying visits to each Latin American state cannot—and does not pretend to—go much below the surface. But the surface manifestations—a public figure here, a newspaper there, an economic problem, a scandal, a breath of treason—are chosen with such skill, and picked out so clearly, that it is possible to gather from Mr Gunther's book an impression of Latin American politics in which secular trends of thought and policy and fundamental social changes take their place.

Although the book was written well before the war with Japan—and even before the Russo-German war—

Caribbean Republics are nearest to the United States, Argentina and Chile farthest away. It represents a fundamental struggle between the Axis and the Democracies, between two different principles of social and political organisation, between two different ways of life. The contradiction is apparent in every community. If the regime is dictatorial, some open or submerged opposition is struggling for popular government and the rights of the people. If it is democratic, strong groups among the military or the landowners or the people at large have been caught by Fascist slogans and uphold "order and discipline." The war which is being fought out on the wide battlefields of the world is being fought all over again in the domestic politics of Latin America.

To say that the future of the Continent will be decided by the victory of the Axis or of the United Nations is obviously a truism. If the Axis wins, then the 20 Republics will revert to or maintain dictatorships, more nationalist, more racial, more paternalistic, more repressive than the dictatorships of to-day. If the Germans were to create a super-national framework for the Continent on "new order" lines, there might be continental peace at the price of teutonic colonial exploitation; if the Germans failed in this, the future would be one of futile war and even greater economic misery. But in the event of an Allied victory, what then? The answer can be given with far less certainty, for the future of democracy in Latin America has not so far taken on any clear shape.

The system based on semi-capitalist, liberal economics, party parliamentary government and a class society, which is still the dominant form of democracy in Britain and the United States, is everywhere under fire in Latin America. To give only a few examples, the uneasy alliance of the Popular Front in Chile is held together by the common opposition of its constituent groups to the old landowning oligarchy and by little else. The result? A government unable to agree on major lines of reform and, in spite of its popular sympathies, unable to compel the new President, Juan Antonio Rios, on the extreme right of the Front, to break off relations with the Axis. Or again in Argentina, the Conservative party, representing the dominant social class of great landowners, keeps the numerically superior Radical party from power by gross electoral malpractices, and is compelled, through the acting President, Dr Castillo, to govern by decree; meanwhile, Nazism is gaining ground among the soldiers. Or again, the dictatorial regime in Peru—since 1933 run by General Benavides, since 1939 by his nominee, Dr Prado—holds power only because it has twice manipulated the elections to keep the left wing revolutionary Aprista movement from sweeping the polls. Even in Uruguay, where democratic forms are most respected, there is a bitter struggle between the Blancos, the "out" party, and the Colorados, the Government party, on the question of constitutional reform.

These differences in political life represent deep social cleavages in Latin American society. In most states, the white race is dominant, but practically speaking, only in Chile and Argentina are the whites in the majority. Behind the parliamentary struggle between "ins" and "outs" is often a deeper struggle of the Indians and the poor *mestizos* (men of mixed blood) for some partnership in the community against the predominantly white and completely dominant landowning and business class. Inevitably, the whole economic future of Latin America is closely bound up with the social problem of dispossession and monopoly. Generalisations are of course misleading. But the conventional Latin American unit of economic power tends to be the big private estate producing primary raw materials for export. The owners of these estates are generally Latin Americans, and the benefits accrue to the narrow class of landowners. Occasionally, the owner is a foreign company, for example, the United States United Fruit



the shadow of war lies across every page; and, now that war has come to America, the reactions of these states to the war throw into strong relief the basic problem of Latin America's future development. The Caribbean States—Costa Rica, Nicaragua, Honduras, Salvador, Guatemala, Panama, Cuba, Haiti and the Dominican Republic—have, by declaring war, thrown in their lot completely with the United States, and with the cause of the democracies. Nine other states—Bolivia, Brazil, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela have broken off relations with the Axis. Two of the most powerful Latin American republics, Argentina and Chile, have maintained their connection. This difference is not only a question of geography—the

* "Inside Latin America." John Gunther. Hamish Hamilton. 12s. 6d.

Company in the "banana republics," Costa Rica, Nicaragua, Honduras, Guatemala, El Salvador; United States sugar companies in Haiti and San Domingo; the British and American oil companies in Venezuela. (Venezuelan oil is discussed more fully on page 572.) The industrial wealth of the continent has tended to follow the same pattern, exploitation by local owners or foreign companies, without regard for the welfare of the community. Thus, Bolivian tin has made Simon Patiño one of the richest men in the world; but Bolivian peasants and miners live far below the poverty line. The case of Mexican oil is another example. Peru is the most fantastic of all examples of "colonial" exploitation, for there the Americans have the oil, copper, gold and vanadium, the British own the railways and most of the cotton, the Italians the banking, the Germans most of the sugar, the Japanese much of the rest.

Nearly every Latin American Republic—even the most illiberal—is reacting strongly against these various forms of exploitation. Mexico is in the van. There the expropriation of foreign interests has gone hand in hand with a drive to break up the great estates and distribute the land to the Indian and *mestizo* peasants. Other states are tending in the same direction. Brazil is keeping a strict eye on its mineral wealth. Even conservative Argentina is buying out its foreign concessionaires. Uruguay is the most interesting case of all, for here an attempt has been made to combine a free economy with a large measure of public control. Its *Entes Autonomos* are public corporations controlling many of the most important economic interests of the nation—for example, banking, insurance, light, power, hydro-electricity, cement, alcohol, fuel, ports, state fisheries, hotels and most of the big estates.

The struggle between responsible and irresponsible government, between social equality and privilege, between the economics of welfare and colonial exploitation, which is raging under different forms in every Latin

American republic, will not be solved simply by a victory of the United Nations. In many ways, Britain and the United States stand, historically, for the order of "imperialism" and irresponsibility which is in the melting pot. So many of the foreign interests are theirs. So little in their contemporary politics or social attitudes offers a key to the future. True, there are hints and signs of the possibility of a new relationship between Britain and the United States and Latin America—for example Lend-Lease, hemisphere defence, continental solidarity and the Good Neighbour policy. The fact that the newly-formed Anglo-Brazilian Chamber of Commerce is to take the whole of Anglo-Brazilian economic relationships, and not simply trade, as its province, is a small step, but may be a good omen. All the tasks of development and reconstruction that need to be done require capital resources far beyond the present resources of the republics. Can Lend-Lease and the Good Neighbour policy be stretched to a new conception of inter-continental aid? Are the good and constructive relations to-day to be no more lasting than the war crisis? Or are there seeds in them of a genuine "new order"?

If so, let no one fear that they will fall on barren ground. Those who have read Mr Gunther's study cannot but be impressed by the richness of the South American scene—so much wealth ungarnered for lack of resources; so many brilliant men spending themselves unreservedly for their native lands—even for native lands as small as Costa Rica or Cuba; so vast a population, Indian and *mestizo*, whom education, health, even the rudiments of existence have barely reached. The Latin American States are still too weakened by internal uncertainty, material poverty, geographical isolation, and the political isolation that inevitably follows, to take a lead in working out new forms of a free society in the world after the war. But, if a lead is once given, nowhere will the following be so eager or the results so great.

NOTES OF THE WEEK

United Nations

A quarter of the year has gone since Mr Churchill brought back details of the plans made in Washington over Christmas to dovetail Allied strategy and production. On the economic side, the joint arrangements have gone ahead, though they probably staggered and slowed down during the recent change in the personnel of the British Government. Lord Beaverbrook is now in Washington and, a few days ago, Mr Harry Hopkins was in London. On the military side, progress has been uneven, partly because of the swift, sweeping successes of the Japanese, partly (it would seem) because of differences of view among the Allies. The Combined Chiefs of Staffs Committee in Washington is the central body, though the independence of the British Chiefs of Staff Committee is intact. General Marshall's recent visit to London for consultations, and his plain words about offensive action by Anglo-American forces, suggest that operations in the West are being jointly ordered. In the East, there has been more joint action, in desperate defence of Australia and Burma, but more dispute also about methods of collaboration. The fall of Singapore and Java broke up General Wavell's Supreme Command in the South-West Pacific before it began to operate in earnest, and he retired to India. The course of events, as the Japanese broke through the barrier of the Indies, proved to the hilt the unwisdom of co-ordinating strategy and supplies at a Pacific Council in London with the United States unrepresented. But, although it is a month since the American General MacArthur arrived in Australia from Bataan to command "all Allied forces east of Singapore," it is only now that he has been made Supreme Commander (again in the South-West Pacific) after much coming and going; as a preliminary the Australian forces and commanders were reorganised, and the Prime Minister, Mr Curtin, became Minister of Defence. The real Pacific Council is now at work in Washington, with the United States, very properly, at the centre. It was during this strange period of discussion and improvisation

that the first brake was put on the Japanese advance by Australian and American bombing. It is to be hoped that, now, with the commands and combined councils arranged, both East and West, the United Nations will be able to face the tests of the next decisive months with their full force and ingenuity—though it must be admitted that, in the formal arrangements made, Russia and China still rank as associates rather than allies.

Hitting Back from the Air

On land and on sea, the United Nations are still held to the defensive. In Burma, the fighting is going badly; in spite of the recapture of Yenangyuang by Chinese and British forces, it has been necessary to scorch the oilfields, and the counter-attack itself can be little more than a delaying action to screen further withdrawals. But in the air the initiative has, for the time, passed to the Allies. On the Western front, the hammering of Northern France has been maintained, and on April 18th one of the most thrilling raids of the war was carried out by twelve of the new Lancaster bombers. The objective, the Maschinenfabrik Augsburg-Nürnberg, makes half the Diesel engines for Germany's submarine fleet, and so precise was the target that not the factory but certain vital shops in the factory were sought out and bombed. An astonishing feature of the whole raid was the bombers' journey across France and Germany at a height of 20 to 30 feet, roof-top height, literally up hill and down dale. And in spite of the distance and the risk, five of the twelve bombers returned. The German wireless has since paid the RAF the tribute of calling it "the most powerful menace to Hitler's Germany." A day later, the Japanese had their first direct taste of the horrors they have so heedlessly visited on others. American bombers, flying from unknown bases—presumably aircraft carriers—attacked Tokyo, Yokohama, Kobe and Nagoya for several hours. The damage done appears to have been con-

siderable, sufficient at least to warrant a purge in Tokyo's civil defence services. Until more is known of the itinerary of these bombers, it is difficult to say how often and how effectively these raids can be repeated, but General Royce's 2,000-mile round tour to bomb the Philippines suggests that it might be possible to maintain a bombing line of Boeings "serving" Tokyo. The Far Eastern air offensive has not been confined to Japan and the Philippines. Rabaul has been continuously raided, and heavy attacks have been launched against the occupied Andaman Islands and against Rangoon, where the Japanese have disembarked at least another division. The weakness of the Allied position is the immense variety and distance of the fronts that have to be maintained; and since it is essential to get the maximum number of planes to the right point at the right moment, it is good news that the British and Americans are to discuss the pooling of air-power in Ottawa early in May.

Struggle for Railways

The very widespread thaw in Russia is holding up operations on most of the front. Nevertheless, the struggle that is being waged in the mud may well be decisive for the first stage of the summer offensive. It is concerned with the railways. For the next six weeks, on large sections of the front, the railways will be the only reliable means of transport. If front lines are to be reinforced, reserves brought up, tanks massed for the first day of firm earth and fine weather, then it is virtually only up the railways that the material can come. Already the disastrous effects of not being in control of the railways have been felt by the Russian advance guard that drove through the German lines to the frontiers of Estonia towards Pskov. Their way out was smooth, over ice-roads rewatered each night.



Now these have melted away into unbelievable morass. The Germans, for their part, had carefully established themselves at strategic points on the network of railways and have, on the whole, maintained their grip. They hold Velikiye Lugi; the Nevel, Vitebsk, Smolensk sector; direct railway communication between Smolensk, Vyasma and Rzhev; and the whole stretch of line from Smolensk through Orel and Kursk to Kharkov. It is only below Kharkov that the Russians have managed to disrupt communications by straddling the Donetz network. Even so, they have not reached Zaporozhe, the key junction for Mariupol and the Crimea.

Moves in the North

Only in the north is there much opportunity for decisive fighting, but here the stakes are high. Through Murmansk and Soroka runs the British supply route to the Moscow front. From Soroka to Leningrad runs

the railway which, if it were freed, would bring war supplies straight to the beleaguered city. All through the winter a deadlock has persisted, not for want of fighting, but from both sides' inability to reach a decision. The Russians have not dislodged the Finns from the Leningrad-Soroka line. Further north, the Germans and the Finns under General Dietl have failed to cut the Murmansk-Soroka section, even though their artillery has on several occasions come within shelling distance of the line. Since the beginning of March, the possibility of a new German-Finnish offensive in this area has seemed imminent. General Dietl's men have been reinforced and reorganised, and the Finns have been given a larger share in the direction of the campaign. However, the Russians have succeeded in holding off the attack, thanks partly to such successful local offensives as the landing from the sea behind the German lines outside Murmansk towards the end of March, and now again by a determined thrust across the River Svir; thanks, too, to the arrival of heavy British fighter reinforcements. The big German attack is still to come. Its aim will be the complete isolation of Murmansk in the north and a junction between the Finnish and German troops on the Svir in the south. The first move would sever the shortest Allied supply line, the second seal the fate of Leningrad.

Wage-earners' Income Tax

The White Paper on "The Taxation of Weekly Wage Earners" issued at the time of the Budget speech and necessarily deferred until this week for comment, proves to be a very disappointing document indeed. This is not to say that it fails to make its case, but that the case is a very limited one. Granted that the main framework of the income tax is to remain as it is; that the personal allowances are to be made as a deduction from the tax payable; and that different rates of tax are to be payable on the first slice of taxable income and on the rest—granted all this, the White Paper makes a formidable case for the belief that the present method of assessment and collection, with all its admitted defects, is better than any substitute that has yet been suggested. The basic difficulty is that the tax payable cannot be ascertained until the income for the whole year is known, and that any system of collecting tax from current incomes must, therefore, provide for adjustment at the end of the year. The suggestion that, instead of the tax being assessed, the allowances should be assessed and notified to the employer, who would then have the responsibility of deducting tax at the proper rate from what remained of the employee's income, week by week, is subjected to criticisms which, in sum, are convincing. An allowances assessment would be even harder to understand than a tax assessment; the employer would be converted from a collector to an assessor, and he would have to be informed of his employee's family circumstances; the clerical work would be greatly increased both for the employer and for the Inland Revenue; verification of the figures would be

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much more difficult. This is true. If the only possible alteration of the present system were the one that the White Paper examines at such length, it would be the end of the matter. But what makes the White Paper such a disappointing document is that it never, in so much as a single line, considers another line of reform which has had at least equally widespread support—namely, that allowances should not be deductions from tax but should be paid in cash, as a separate operation. If that were done, the tax could be deducted at a flat rate, or at a very simple series of progressive rates, with no difference at all from person to person. This solution is not mentioned, and if the White Paper is read, paragraph by paragraph, with such a scheme in mind, it reveals no obstacle that could not be quite easily surmounted. There may, perhaps, be reasons more apparent to the experts of the Inland Revenue than to the layman why such a scheme would be impracticable. But if there are such reasons, no breath of them is to be found in the White Paper. No cause has yet been shown why the pressure, voiced in the Commons Budget debates, for a simplification of workers' income tax, should be relaxed.

Points for Fuel?

Dr Dalton's announcement of a scheme to ration fuel aroused unexpected protests in the Commons. The objectors were unfair to the scheme which, by and large, is likely to be both just and effective. Actually, they would have bombarded any scheme. Their view is that if the production and distribution of coal had not been bungled, no rationing would have been needed. It is a wrong view. Reduced consumption is wanted as well as more output if war needs are to be fully served. It is impossible not to sympathise with the feeling that the Government and the coal industry should have done very much more by way of self-help before the consumer was called for sacrifice. But the fact is that they did not; and fuel rationing is the more needed now. The administrative difficulties of rationing fuel are probably not equalled in the case of any other group of commodities (which, incidentally, was another objection), and the scheme foreshadowed by the President of the Board of Trade smacks of the ingenuity which the country has now learnt to expect from Sir William Beveridge. Its outstanding merit is the decision to base rationing on present needs and not on past consumption, which would be wholly irrelevant as well as grossly unfair to the thrifty and patriotic. Each consumer's ration will be the product of two factors: the size of the house, and the number of persons who live in it. This is an intelligent and equitable proposal and, when the objectors cool down, should remove much earlier antagonism to fuel rationing. The thorny problem of stocks remains. It is broadly true that the poor lack the means and the space to acquire the reserves that the well-to-do have used their greater purchasing power and accommodation to build up. But, in practice, that there is a case for neglecting stocks must be admitted, both because the job of assessing individual holdings would be monumental and because stocks run out and are not replaceable. Moreover, some stocks do represent the results of thrift. The anxiety of the Commons was partly due to fear of being rushed into an unworkable scheme, and the Beveridge Report, or at least the form of it finally adopted by the Government, should be published at the earliest opportunity—which should still their doubts and turn their indignation to the proper target, the production and distribution of coal.

Politicians and the War

A section of the Labour Party is not happy about the political truce. Their leaders insist on its observance. The dissidents are not pleased to see their cause go by default at a time when, whatever their former party allegiance, many electors are anxious to find new spokesmen. Actually, these Labour men are probably mistaken if they think that, with the truce abandoned, the Labour Party would profit, just as they are mistaken if they believe that the Conservative Party is gaining any lasting advantage from the present position. The truth is that the parties, Labour and Conservative, have lost their footholds in public opinion, and only established partisans and the respective vested interests of labour and capital remain loyal. It is symptomatic of the soundness of ordinary common sense that so many people realise that the present parties have missed the tide of events. Neither in their leadership nor in their programmes are they representative of the real issues of the times.

While the war lasts and the parties are in coalition to conduct it, the party truce must remain. There must be no organised battles at the polls to weaken national unity or encourage the enemy. On the immediate issue of the war there is no division, and to jockey for party advantage would be artificial, damaging and intolerable. But by-elections will still be contested by the harbingers of the new parties of the new era, sometimes bizarre, sometimes significant; and an increasing number of electors will vote for them. The nation is solid, but the parties are outmoded and splitting.

India Waits

Sir Stafford Cripps is home again to take up his important work here, after his efforts in India. He refuses to take a gloomy view about India. Though he failed, he believes he came in sight of success, and he is sure the Indian leaders will oppose the Japanese wholeheartedly. Three other statements, all from India, probably sum up the position. Mr Gandhi has called the rejected British offer "idiotic," but he has also said plainly that the Indians must settle their own communal differences, or get nowhere. The Bishop of Calcutta has spoken frankly about the social divide that keeps British and Indians apart—and fosters the mistrust that Sir Stafford Cripps could not dispel. Pandit Nehru has said, like Sir Stafford, that the immediate problem is defence, and he sees it as self-defence, with an Indian Home Guard beside the formal defenders, now reinforced by troops, aircraft and artillery, from the United States as well as from Britain.

Management and Methods

A main duty of the Minister of Production is to raise standards of technique and management throughout war industry, and the news that he has appointed a panel of industrial and labour experts to advise him and to examine hold-ups is good. Mr Barlow, of the Metal Box Company, will head the panel; he will work closely with Mr Ivan Spens, lately Accountant General in the Ministry of Supply and now chief of Mr Lyttelton's Industrial Division. Without a smooth flow of goods from the machines, a smooth flow of plans and orders will be useless; and Mr Lyttelton must take responsibility for both ends of the problem. The shape and composition of the new organisation are still sketchy. It is not perhaps the happiest of coincidences, in view of other practices in other places, that Mr Spens should have come, originally, from the Minister's own sector of industrial enterprise. There is anxiety among some people lest the watch over production should be made too central, and the belated report of the Citrine Committee on the use of regional bodies is eagerly looked for. In general, Mr Lyttelton appears to have started on sound lines, though more slowly and more tentatively, perhaps, than expected. Little definite is yet known about the Minister's intentions. But it is already plain that his success will depend on the power he has—power to act and interfere, not simply to report or advise. In the field of technical efficiency, now specially catered for, he needs the authority to make, remove and transfer managers in the national interest. In his relations with the established supply departments, he needs the full backing of the Prime Minister and the Cabinet for his decisions.

The Disestablishment of ARP

It is nearly a year since this country underwent large-scale air-raiding, and, as the table on page 566 shows, the number of civilian casualties has steadily declined. The cost to the country of locking up valuable manpower in the civil defence services is, therefore, becoming increasingly obvious. It would certainly be a mistake to assume that the time will never return when civil defence will be undermanned rather than overmanned; but at the moment the need is not only for the full mobilisation of the nation's manpower, but also for its full utilisation after it has been mobilised. Thus, the scheme for allowing civil defence workers to do other war work, full details of which were given by Mr Morrison at the end of last week, is welcome. Mr Morrison has agreed to the release of about one-third of the total number of whole-time civil defence workers and about one-sixth of the members of the National Fire Service for employment in war industries. This will mean an addition to the country's labour force of some 80,000 pairs of hands, and the first to go—after the volun-

teers—will be those fitted for professional and skilled work. The advantage to Mr Bevin is obvious, but how seriously will it affect Mr Morrison? There is, first of all, the general proviso that those released will be under an obligation to return to whole-time civil defence in the event of serious air-raids in their districts. Secondly, they will be required to do part-time civil defence work if they are transferred to factories in their own districts and possibly if they are transferred elsewhere. Thirdly, the whole-time paid staffs remaining in the casualty and rescue party services will be reorganised and trained as composite units to work over a larger area—at last, the rigid segregation of civil defence workers in their respective boroughs is breaking down. Lastly, Mr Morrison said that more persons will have to undertake part-time civil defence, which, if it means anything, foreshadows the extension of the compulsion on men to do fire-watching duties to other branches of civil defence—and, it is to be hoped, to all persons between 16 and 60. Now that women are being conscribed into the Forces and directed into industry, it seems foolish to exempt those who escape the net from the obligation, except in special circumstances, to do part-time civil defence work. A further extension of the principle of using the manpower of civil defence workers is the temporary release of some of those who are not transferred to war work. Some will be given temporary employment in war industries for periods of not less than a week, for which they will be paid at the ordinary industrial rates. Others will be used for rush jobs for the Government, local authorities or for private employers; but in such cases they will still rank as civil defence workers and will serve under their own officers for civil defence pay. The sort of jobs that the Ministry of Home Security has in mind are clearing snow or delivering coal, the kind of work for which the pay does not exceed the basic pay of civil defence. The question arises whether civil defence workers, injured while doing these jobs, will be granted compensation at the rates for war service injuries. Presumably they will, because the definition of civil defence is to be widened to include any essential work necessary for the prosecution of the war or essential to the life of the community. Together with the decision to widen the duties of the Home Guard by using it to man anti-aircraft sites, at first in London, but gradually, it is hoped, all over the country, and thereby releasing AA gunners for field formations, the new policy is another illustration that the country's period of sitting passively on the defence has passed. And in this present stage of the war, when mobilisation has gone so far, manpower is far too scarce for any activity, including all the Services, to escape combing-out and rationalisation.

The Daily Mirror's Shareholders

One of the charges unofficially levied at the *Daily Mirror* during its recent appearance in the limelight was that the ownership of the paper was controlled by Mr Randolph Hearst. This was effectively denied, and it was claimed on behalf of the *Daily Mirror* that there was no controlling group of shares held by any one person, but that it was managed by a board of directors and chairman, acting for a large number of small shareholders. In answer to a Parliamentary request, Mr Morrison has circulated the names of the large shareholders in *Hansard*. The ordinary share capital of the company consists of 5,600,000 shares of 5s. each, and it is quite true that the large shareholders, that is, those with 15,000 or more ordinary shares, only account for 1,245,350. Mr Frederick G. Burt and Sir John Ellerman head the list, with 153,725 shares between them, and there are a number of other individual shareholders with holdings ranging from 30,000 shares to 92,672. One then comes to the nominee holding, and it is worth noting that Drummond's Branch Nominees Ltd. hold 250,000 and C.O. Nominees Ltd. 222,740, their aggregate holdings equalling in number the total held by the large individual shareholders. Altogether, the proportion of the shares held by nominees is about 12 per cent of the total ordinary share capital and about 60 per cent of that held by large shareholders. There is, of course, nothing inherently wrong or suspicious in this—any more than in the fact that 1,800 of the 1,920 shares of *Truth* are held by Lloyds Bank nominees. But it is generally accepted that the principle of concealing names of shareholders under nominee holdings is a bad one for any so-called public company; it is far worse when it is adopted by a Press which prides itself on its candour and independence.

Mexican Oil: A Decision?

The joint commission representing the United States and Mexico, which had the job of working out the value of the American oil companies' properties expropriated in 1938, have now reached agreement. Mr Morris Cook and Señor Zebada have set the value of the properties at 24 million dollars, of which over 18 million goes to Standard Oil of New Jersey and over 3 million to Standard Oil of California. This valuation is very much nearer the Mexican Government's previous finding—between 10 and 15 million dollars—than to the original oil company claim of 150 to 200 million dollars. In fact, the discrepancy is so great that there is no guarantee that the oil companies will accept the verdict, unless Mr Roosevelt decides to make it a matter of state. The two Governments are, of course, committed to an understanding, in the interests of hemisphere solidarity. President Roosevelt and President Camacho exchanged telegrams on the publication of the experts' findings and both messages threw significant light on the policy of their Governments. President Roosevelt's cable gave the essence of his Good Neighbour policy—"that the most difficult international problems can be satisfactorily solved when approached with goodwill and in a spirit of fair-play." President Camacho used the occasion to emphasise the moderate line he is pursuing in consolidating the gains of the Mexican Revolution. President Camacho is the "middle way" man, and while he is as determined as his predecessor, President Cardenas, to prevent the improper exploitation of his country, yet he greets the experts' report as a "confirmation of the attitude of my Government in its desire to grant ample guarantees to the participation of private capital, national or foreign, in the exploitation and development of the material resources of this Republic."

Waste of Bread

Last week-end, Lord Woolton again drew attention to the widespread waste of bread. He emphasised his unwillingness to ration bread, but suggested that if waste went on he might have to do so. Actually, there are deeper reasons which may favour bread rationing. There is a considerable popular prejudice which tends to prevent the matter from being discussed on its merits. Because in the past, in other countries, a bread ration has often been associated with conditions of actual starvation, there is a general assumption that it must always portend a food situation which is already desperate. Actually, bread could be rationed in this country now without involving any hardship and with the undoubted advantage that waste would be cut to a minimum. On the other hand, the fact that bread and potatoes remain unrationed provides the rationing system with a buffer which ensures the absence of actual hunger. And, as an alternative to rationing, considerable economy and flexibility could be achieved by adulterating bread, with a mixture of potatoes or other substances. So long as the individual consumer can get as much as he wants of buffer foods, the task of the Ministry of Food is confined to ensuring a fair distribution of other foods and providing variety and vitamin content. The need to ration bread and

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potatoes is not actually inescapable until rising consumption, stimulated by shorter supplies of rationed foods, causes a run on the buffers. But, obviously, if the introduction of rationing were left until this state of affairs had appeared it would cause alarm and fears of starvation. If it were introduced earlier, to anticipate and forestall the worst stress, the ration could be so large that these effects could be avoided. At any rate, it is extremely important that the public should be brought to realise that bread rationing is not necessarily a desperate measure; and that there are arguments for introducing it simply to extend the control of the Ministry of Food in the interests of to-morrow's diet as well as to-day's. There is every reason for saying that the step should not be delayed until it is inevitable—unless, of course, it is quite certain that the need can never arise.

Petrol Allowances

The saving of petrol likely to result from the suspension at the end of June of the basic ration to owners of private cars will depend on the conditions in which special allowances are granted. In applying the needs test, two considerations must be borne in mind: no petrol should be granted for journeys which are either unnecessary or can be done by other means of transport. On this definition motoring for pleasure will be prohibited; motoring for business will only be allowed if no other transport is available; inhabitants of rural districts will only be given petrol in exceptional circumstances; but doctors, civil defence workers and the Home Guard will be given a small allowance for essential purposes. The saving on business journeys, for which supplementary, and often liberal, rations have hitherto been given, should be quite substantial. If the test is applied properly, at least one-half of the cars licensed should go off the road. There is no indication, however, that the issue of special petrol rations after June will in fact be governed by these strict conditions. On Friday last week, an official of the Petroleum Department is reported to have stated that the local petroleum officers will have discretion in dealing with cases of urgent domestic need and that, in rural areas, people with inadequate transport services will be allowed small rations for essential shopping journeys. Actually, it should often be possible to save petrol even in some of these cases by the pooling of orders at, and deliveries from, the nearest town. But the official spokesman did not attempt to define the conditions in which petrol will be issued for business purposes. It is essential that all categories of users of private cars should be informed of the conditions in which petrol will in future be issued, and that these should be stringent. Moreover, it is difficult to understand why motor cycles have been exempted from the needs test; the advance in their prices suggests that many car owners intend to use them for purposes for which no petrol will be issued for cars, namely, for unessential purposes.

The Laval Cabinet

The really remarkable thing about the Laval Cabinet is the number of unremarkable people in it. It is composed almost entirely of Laval's creatures or of men who have not even that distinction. The new Prime Minister is clearly determined to have no competition in his immediate entourage. The Déats and the Doriot, who might have been rivals, are conspicuously absent. Pierre Cathala, Dr Grasset and René Bousquet are in a special way Laval's men. Abel Bonnard and Jacques Bérard probably stand nearest to the Doriot group. Lagardelle is an admirer of Mussolini, while Admirals Auphan and Platon, Lucien Romier, Benoist-Mechin and possibly Barthélemy are the Pétainists. A full list is given below:—

Ministers:	
Head of the Government, Minister of Foreign Affairs, Information and Interior	PIERRE LAVAL
Minister of State without Portfolio	LUCIEN ROMIER
Minister of Justice	JOSEPH BARTHELEMY
Minister of Finance	PIERRE CATHALA
Minister of Agriculture and Supplies	JACQUES LEROY-LADURIE
Minister of National Education	ABEL BONNARD
Secretaries of State:	
For War	GENERAL BRIDOUX
For the Navy	ADMIRAL AUPHAN
For Air	JANKEYN
For Labour	HUBERT LAGARDELLE
For Communications	GIBRAT
For Agriculture and Supplies	MAX BONNAFOUS
For the Colonies	GOVERNEUR-GENERAL BREVIE
For Hygiene	DR GRASSET
For the President of the Council	FERNAND DE BRINON
For Information and Propaganda	ADMIRAL PLATON JACQUES BENOIST-MECHIN PAUL MARION

General Secretaries:	
General Commissioner for Sports	COLONEL PASCOT
For the Police	RENE BOUSQUET
For the Ministry of the Interior	GEORGES HILAIRE
General Delegate for Franco-German Economic Relations	JACQUES BARNAUD
Special Secretary to the Head of the Government	M. JACQUES BERARD

Shorter Notes

Malta is the first British garrison of the war to be decorated collectively. The precedent is there, for Ypres and Verdun received the MC in the last war. The choice of the George Cross for Malta recognises the part that the civilian population has played in the island's defence. Malta's stand is not only due to the steadfast AA men and the gallant band of RAF pilots. How is it that the night bombers can still operate from Malta and the day fighters still take off? Because, before the enemy bombing is done, a civilian army is on the job, levelling the airfields and filling in bomb holes under the blast of the next bomb.

The following table gives the number of civilian casualties in air-raids since September, 1940:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept.-Dec., 1940	21,669	30,556	52,225
1941:—			
January-June	18,698	20,451	39,149
July	501	447	948
August	169	136	305
September	217	269	486
October	262	361	623
November	89	155	244
December	34	55	89
1942:—			
January	112	61	173
February	22	21	43
March	21	13	34
Totals to date	41,794	52,525	94,319

Of those killed in March, 18 were men and 3 were women.

Considerable gratitude will be felt that Mr Bevin is revoking, from May 3rd, the Order permitting the maximum hours of work by juveniles in the pottery industry to be extended from 48 to 53 a week. This welcome concession to public opinion will not affect output, since it appears that the industry has adjusted itself to the new situation without a general resort to overtime. But in any case it is probably true that excessive hours, especially by juveniles, would in the long run have had a worse effect on output than retaining them at their pre-war maximum, and it is to be hoped that Mr Bevin will revoke the Order relating to the cotton industry, which raises children's maximum hours from 48 to 52 a week, before signs of fatigue appear instead of waiting until they are general.

In reply to a parliamentary question, Sir Kingsley Wood circulated in *Hansard* of April 21st, the following statement showing how the £5,687 millions, borrowed by the Government between the outbreak of war and March 31, 1942, was made up:—

(£ '000)	
3% Funding Loan	120,000
3% National Defence Loan	120,000
3% War Loan	302,527
National War Bonds	1,316,327
Savings Bonds	666,026
Defence Bonds	432,227
National Savings Certificates	452,901
Tax Reserve Certificates	191,515
Other Debt—External	109,616
Internal	46,036
Floating Debt	2,144,795
Less pre-war debt paid off	5,901,970
Total war budget deficit borrowed	214,910
	5,687,060

In the table showing expenditure out of the Exchequer on page 531 of *The Economist* last week, the figure of estimated total ordinary expenditure in 1941-42 should have read £4,960,185,000, not £4,688,185,000, which was the estimate for the supply services only. In the same table it will have been noticed that in the self-balancing items there is no estimate for broadcasting in 1942-43. This is because in the current financial year the broadcasting vote has been included in the civil votes under ordinary expenditure; similarly, wireless licence revenue is now included under ordinary revenue.

AMERICAN SURVEY

Information, Please

(From Our Washington Correspondent)

March 28, 1942.
WHEN the grape vine flourishes like the green bay tree, it is likely to be for want of more adequate sources of information. The President's warning against "sixth columnists"—those who repeat the tales manufactured by the fifth column—should therefore, perhaps, be coupled with a review of the adequacy of existing sources of facts on the war and the conduct of the war.

The inevitable reorganisation of the five existing information services was noted in a previous letter; a current related tempest in the Washington teapot concerns the erection of a new building (on one of the few remaining green spots in the city) to give a central location to the Office of Government Reports. A new facet of the problem concerns the loss of time from the war effort occasioned by the current operation of Congress's information service—the Congressional committee hearings.

Defects of the Committee System

In spite of the reorganisations of the 1920's, both Houses of Congress have a large number of standing Committees—thirty-three in the Senate and forty-seven in the House. Most of these parallel each other—appropriations, military and naval affairs, foreign relations, and the like. Administrative officers are, of course, subject to call by these committees. They are also subject to call by the considerable number of special or select committees, set up by resolutions in either house. The special committees serve a number of political purposes. Because of the importance of seniority in the standing committees, whereby members who have been persistently re-elected to Congress rise to key chairmanships, irrespective of capacity or even of particularly close contact with the Administration of the moment—several anti-New Deal Democrats are currently most strategically located—special committees sometimes serve as a means of by-passing historic landmarks. Established with a special frame of reference, they often continue for a considerable period, adding new topics for investigation as they go. At times, the special committees assume a competitive relationship to each other: if one group is felt to be leaning pro- or anti-industry another may be set up with a membership that will lean pro- or anti-labour; and the political kudos of having set up a committee is thereby spread.

These committees are chief among the links between Congress and the Executive. The testimony presented at their hearings is the major formal means of Congress informing itself on the day-to-day progress of the war. But

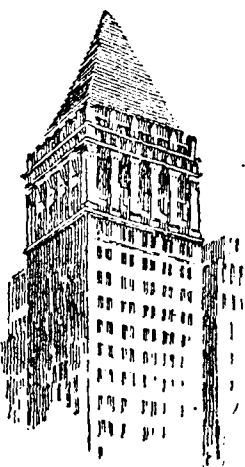
when all of the committees are active, the number of man-hours of executives of the War Production Board or the military departments spent waiting to testify on the Hill, or testifying, adds up to a formidable total. The information requested by the committees, moreover, generally reflects the fact that the special committee hearing made its way into constitutional procedure as a means of investigating abuses sufficiently flagrant to put the rather ponderous Congressional machinery into action; and even the sessions of the standing committees have been important chiefly in respect to appropriation measures, where the members have been cast in a watchdog-of-the-Treasury rôle. Persons testifying have therefore usually been greeted with either a bark or a bite; this approach is hardly the best means of Congress finding out how the war effort is going on.

The case for regularising Congressional contact through some centralised means is strong. The reception of progress reports at scheduled intervals would take proceedings out of an atmosphere in which those testifying must give proof that they are not wrongdoers. Problems could be brought up in general form before they become critical cases—an example is the dollar-a-year-man problem, currently being investigated in connection with the protest resignation of a WPB official.

The establishment of a permanent joint committee on the war would have its own problems. Most obvious is that of Congressional competition for place. Most far-reaching is that of the relation of members of such a committee to the Administration. If the committee were bi-partisan, as it normally would be, what kind of opposition would be forthcoming from the Republican members? Would the Democratic members be regarded by their colleagues as men who had lost their independence. The importance of a well-informed Congress is two-fold: in respect to its future decisions as the Great Debate progresses on the policy of the United States as a world power; and in respect to the information of its constituents.

General MacArthur at his first press conference on reaching Australia said:

There has been nothing more astonishing in the progress of war, which is really the application of the mechanics of force to human nature, than the place that public opinion occupies. One cannot wage war under present conditions without the support of public opinion, which is tremendously moulded by the press and other forces of propaganda. Men will not fight and die unless they know what they're fighting for and what they're dying for.



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The Dangers of Silence

This raises the question whether there are not two classes of information in wartime: information that the public should not have because its distribution would help the enemy; and information which the public must have if it is to have the will to beat the enemy. The old scissors technique is not enough—again to quote MacArthur:

"If the people don't know, their confidence is reduced. Silence will begin to react against you."

So far, not much has been done with information as a positive weapon. The MacArthur saga is growing upon the kind of bold forthrightness that gave Churchill's blood-and-tears speech and Roosevelt's first inaugural a place in history. But statements by top leaders are necessarily occasional. What of the day-to-day work of the information service? How can the feeling of urgency of those at the centre, in the know, be generalised through the country so that the directives that are centrally issued are not blunted by indifference at the point where they should take effect? Three stories in current circulation show how the grapevine flourishes:

1. Disregard of priorities by steel companies is curtailing deliveries to shipyards; and companies without priorities are chiselling supplies by the ancient device of Congressional pressure.

2. Tyre rationing is a joke—why, there is an old lady in the X apartment building who has five cars, and the spares she's laid in for them block the store room so that the other tenants can't get their trunks out.

3. Announcement of rayon diversion has caused a run in the stores on rayon garments, yet the diversion actually applies to materials that won't reach the retail market for a year. And big department stores are currently hiring warehouses to bed down cloth for next winter.

These are plainly false reports. Could a functioning information service evoke either self-control or decentralised community control in these matters?

American Notes

The End of Obstruction?

The adoption by the Republican National Committee of a resolution recognising the international obligations of the United States after the war means the end of out-and-out isolation in any party platform. Vaguely worded as the resolution was, it is undoubtedly a victory for the more progressive wing of the party under Wendell Willkie, whose position on foreign affairs has been closer to that of the President than that of some members of the Democratic party. The occasion for the statement is the opening of the primaries, in preparation for the November elections, at which the whole House of Representatives and one-third of the Senate will undergo re-election. In the primaries, the candidates of each party are chosen by the registered members of that party, generally under the control of the party machine. The return of two ex-Isolationists in the Illinois primaries, one with a particularly unsavoury record, is not a happy omen. But it is to be hoped that the success of Republican progressives at the centre will result in an improvement of the quality of the candidates to be selected. The President has urged that the Congressional elections should not be fought on party lines, but on the candidates' records on the defence and war programmes. It is essential that the President should have more support—as well as more responsible opposition—in Congress. Many of the present members have afforded neither. The last elections to Congress took place in November, 1940, and in many respects it has failed to keep pace with the temper of its constituents.

Native Nazis

It is good news that action has finally been taken to bar *Social Justice* from the mails, as part of a programme of silencing the more outrageous home-grown Fascist movements. *Social Justice*, founded by Father Coughlin, of the Shrine of the Little Flower, in Michigan (its ownership has now been prudently transferred to his parents), has been notoriously anti-Jewish and has publicised ideas hardly distinguishable from those of the Nazis. In his letter to the Postmaster-General, Mr Biddle alleged that on one occasion portions of a speech by Goebbels were published

with practically no changes, and with no identification of the source. Another would-be Gauleiter has been rounded up in the person of William Dudley Pelley of the Silver Shirts; George E. Deatherage, of the Knights of the White Camellia, has at last been removed from a 25,000,000 dollar secret naval construction job; and it seems unlikely that Lawrence Dennis, author of *The Coming American Fascism*, will ever receive the captaincy in the US Army for which it was announced he was qualified. There was a mushroom growth of these native Fascist movements during the hungry thirties, and while their importance should not be exaggerated, they are far more dangerous than purely German organisations, such as the German-American Bund, because they speak in the native American idiom, despite their links with Berlin. The most dangerous of all is undoubtedly the Coughlin "Christian Front," directed at America's 18,000,000 Catholics—her largest and most highly organised religious group. Even after Pearl Harbour, its speakers continued to denounce Great Britain and Russia; to throw mud at the Administration; and to support the Isolationist demand that American forces—particularly the Fleet—be brought back to the United States. The influence of these groups has been greatly reduced, but it would be folly to allow them to attack national unity, particularly among the Irish and Italian Catholics, and to continue to act as a ready-made sixth column for Goebbels.

Priorities Reform

Substantial progress is being made toward modifying the priorities system, and substituting for it the allocation of specific amounts of scarce materials to manufacturers. The outstanding defect of the priorities system has been that it placed no limit on the amount of raw materials a manufacturer might secure, and, on the other hand, even the possession of a high priority did not necessarily assure supplies. The result was that some firms obtained more than their share while other equally urgent work was slowed down because of lack of material. It is noteworthy that material shortages are mentioned as much the most important single cause of delay by defence manufacturers in a recent *Fortune* poll. The main difficulty in establishing a system of allocating specific amounts of material to specific undertakings has been lack of information, both as to supply and demand. Work on supply figures is being completed, and as more and more industries are required to file applications for material under the Production Requirements Plan, a picture of demand is emerging. This will make it possible in the coming year to eliminate much of the chaos which has been caused by competition for supplies and the abuse of high priority ratings. The system which is emerging is a compromise; that is, priority ratings will be retained, but they will be attached to a specific amount of goods. A manufacturer may have an A-1 priority for copper, but instead of being able to buy all that he can lay his hands on, he will be assured of a certain amount, but will not be able to secure more than that. In effect, this is rationing of raw materials.

Patent Policy

Patents relating to the production of magnesium have been freed as a result of suits under the Sherman Anti-trust law brought against the Aluminum Company of America and the Magnesium Development Company, a subsidiary owned jointly with the German Dye Trust. Further appropriation of patents controlled by enemy aliens, even though registered in the names of neutrals or American citizens, is expected as the result of a survey being undertaken by the Alien Property Custodian. Many patents have already reached the Government through this source, and are being made available to American producers. Patents appropriated during the last war were eventually returned to the original holders, but President Roosevelt has stated that this will not occur again. A Bill now before the Senate Patents Committee provides that, whenever the President finds that the use or sale of any commodity is in the interests of the nation, he may license patents at a reasonable order or require them "by donation, purchase, or taking." There is practically no doubt that the Government will be granted wide powers to force the freeing of patents during the war; what is less certain is whether there is to be a permanent revision of patent policy. Public opinion has been aroused by disclosures as to the way private ownership of patents has endangered American security.

Letters to the Editor

Coal—A Reply

TO THE EDITOR OF THE ECONOMIST

Sir,—In your issue of April 11th you devoted one and a half pages to an article containing a severe attack on all of the parties who have responsibilities in connection with the war effort of the coal industry, and this was followed on April 18th by an article of one page sketching a plan for what is called "mobilising the industry."

Let me first deal with the plan. It is proposed that the Government shall assume technical and financial responsibility for the conduct of the industry. One of the principal objects is to be a concentration of production in the mines where output is highest. Another important object is to test the often repeated assertion that labour would work far more efficiently if the profit motive were removed.

The last question can be answered without making the organisation of the coal industry the subject of a major surgical experiment in the middle of a war. The Government took control of the industry in the last war at the end of 1916. In the year before control, 310,000 days were lost through disputes. Under control, the figure exceeded a million in each of the first two years, and in the two post-war years of control the figures were 7½ millions and 17½ millions. Moreover, in the present war, it will hardly be contended that performance in the Royal Ordnance Factories is better than in privately managed establishments.

As regards the effect of Government control on output and efficiency, the following figures of output of saleable coal per shift on the last occasion should convey a warning. As compared with the figure of 19.41 cwt in 1916, which was the last year before control, the figures in the years of control were 19.08, 17.23, 14.96 and 14.36 cwt. The figures for the last two years were affected by the introduction of the seven hour day as from the middle of 1919; but, by 1922, the industry under private management had restored the rate of output per person per shift under the seven hour day to 18 cwt.

As regards concentration on the more productive pits in view of the restricted labour force in war time, the writer is wrong in imagining that the financial interests of individual concerns constitute a bar to action in this direction. Concerns with outputs so low that the men could, with advantage to production, be transferred to other pits are usually in financial difficulties, and therefore constrained to apply to the Central Council under the War Emergency Assistance Scheme for the means to continue in operation.

Assistance can only be given so far as it is in the national interest that the pit shall continue in operation. Where the men can be transferred to neighbouring pits with advantage to production assistance is refused. Assistance is made subject to compliance with such condition as to working methods and otherwise, as may be laid down as the result of the technical and financial investigations which are made. The scheme is rigorously administered and many applications have been refused. The difficulty which has been experienced has been rather that of objection from the labour side to closure and transfer.

Moreover, in a number of cases in which men have been transferred to pits with higher rates of output, additional output has not in fact been obtained. How far this is due to dissatisfaction at having had to transfer, how far to unfamiliarity with different conditions of working, how far to being accustomed to produce simply a certain amount of coal, and how far these considerations may be of temporary effect, it is not easy to say. I have before me, however, a recent article by a miners' leader in one district which is largely devoted to a protest against the closure of certain uneconomic pits.

Whatever more it may be possible to do in the way of concentration and increased efficiency, the necessity for replenishing the diminished labour force of the industry is evident and urgent in the view of both sides of the industry. It is suggested in the "plan" that this step should be deferred until we have tried out once again the experiment of temporary nationalisation. The adoption of such a course would spell disaster.

The premises on which the necessity for the plan is based are contained in the earlier article. The attack on

management is particularly virulent. I can only give examples, but they are typical of the whole.

I take first the statement that—

Before the war provision was made for the appointment by the Mines Department, in each of the 17 districts, of a Coal Supplies Officer who was to represent the Department in all matters relating to the production of coal. But, in order to make certain that this machinery of control should be ineffective, the offer was made to appoint the nominee of the Executive Board of the District (i.e., the body set up, representing the owners only, to operate the Act of 1930), provided the Executive Board relieved the Government from all financial liability on account of the official or his office.

The statement goes on to say that the Coal Supplies Officers have retained their position under the District Selling Scheme and been wholly remunerated by the owners, and that it is hardly surprising in the circumstances that these powers have been only rarely and ineffectively used.

The suggestion in regard to the appointment of the Coal Supplies Officers was made by me personally, when consulted by the Mines Department in 1938, and was made for the purpose of securing that, by utilising the experience of the existing Sales Controllers, instead of setting up a duplicate authority without practical knowledge, the machinery of control should be as efficient as possible. The baseless insinuation as to motive I disregard, but I may add that the request that the Executive Boards should continue to be financially responsible came from the Mines Department, and not, as stated, from the coal owners.

The suggestion that, because the Coal Supplies Officers are remunerated by the owners, they have refrained from using their powers is equally unworthy. The fact that the vast changes in the flow of coal that war conditions have called for have been effected by them through the industry's ordinary machinery of sales control, and without the necessity for the exercise of special powers under the Defence Regulations, is the best evidence of the efficiency of that machinery, of the soundness of the advice tendered to the Department in 1938 and of the co-operation of the industry in furthering the war effort.

The statement that the colliery owners "are adamant in refusing to treat with any organisation of merchants" is equally preposterous, and I have the permission of the Chairman of the Chamber of Coal Traders to associate him with this refutation. There is in existence a National Joint Advisory Committee of the colliery owners' and distributors' organisations.

I turn now to the general statement as to the colliery owners' "industrial attitudes," which is illustrated by the statement that—

They accepted with a bad grace even the gift of monopoly selling powers pressed on them by Mr Shinwell's (which should read "the late Mr William Graham's") Act of 1930, and the subsequent Conservative legislation.

The selling powers in the Act of 1930 were simply in the nature of "enabling legislation," incorporating schemes which had already been worked out by the colliery owners themselves, and had the approval of about 90 per cent of the industry. When the Bill was introduced, there were some who still considered it preferable to constitute the schemes on a voluntary basis, but the great majority of the industry welcomed the powers.

The "subsequent Conservative legislation" refers to the central sales control schemes of 1936. The writer of the article will doubtless be surprised to learn that the suggestion for the adoption of this policy as the most effective method of assisting the industry to meet its wages problem was originally made to the Department in 1935 from the industry, with an assurance that it would be welcomed by the industry, and that later the Secretary for Mines conveyed an expression of his appreciation of, and thanks for, the big effort which the industry had made and the hard work which had been done in getting the sales control schemes formulated and put into operation.

I have not space to refute the many other mis-statements. It must suffice to say, in conclusion, that the article is as misleading in the general picture which it draws of the management of the industry as it is incorrect in its individual statements.

Yours faithfully,

W. A. LEE,

Director of the Mining Association of Great Britain.

The RAF and United Command

TO THE EDITOR OF THE ECONOMIST

SIR,—The important editorial entitled "United Command," which appeared in your issue of March 21st, and your notes of April 18th discussed the best method of employing the armed forces of the Crown in the present war. No one, it is safe to say, will quarrel with the idea of a great General Staff, and a centralised striking force of all arms. But, as you suggest, there are misgivings in the Royal Air Force as to the real motives which inspire some of those who have recently (in the House of Lords, for example) put forward views which are at first sight similar to your own.

The development in the views of such writers and speakers has been a curious one. For some years before the present war, and in the earlier stages of the war itself, these (in many instances self-appointed spokesmen of the two older Services) consistently depreciated the importance of air power. They denied the ability of aircraft to sink warships, except in most exceptional circumstances: they suggested that reconnaissance was still the main function of military aircraft. (These views were adopted and taken to their most extreme lengths by the French Higher Command, with the results which we all know.)

The first great engagements of the war, both on sea and land, clearly made these views quite untenable in their old form. Those who held them appeared to make a complete about face. They now not only recognise, but heavily emphasise, the decisive importance of air power, both at sea and on land. They emphasise, and even exaggerate, the impotence of sea and land forces without air support. But this total change of emphasis conceals an underlying continuity in their conclusions. Just as when, in the past, they were belittling the importance of an air force, they concluded that this minor and auxiliary weapon ought to be put under the command of the naval and military authorities, so now, when they are emphasising the decisive role of aircraft, they conclude that the Navy and the Army cannot possibly fight, unless our aircraft are put under the command of admirals and generals! The logic of this argument is not apparent to those responsible air officers who, alone, have given their lives to the professional study of the new, complex, and rapidly developing question of the role of aircraft in modern warfare.

Yet this curious argument has, perhaps from the sheer frequency of its repetition, influenced you. For you write, "the immediate problem is air co-operation with the Navy

and Army respectively." Surely this way of putting it carries the implication, unmistakable even if quite unconscious on the part of the writer, that the Air Force is, or at least ought to be, auxiliary to the two older services? But is not this a most topsy-turvy conclusion to reach from an enumeration of all the victories and defeats of the Allies in which the air has proved to be the decisive element? When Japanese shore-based aircraft sank the *Repulse* and the *Prince of Wales*, we were told that their success proved that half the Air Force ought to be put under the Navy, although the admiral who came to his gallant and tragic death in the *Prince of Wales* was the strongest opponent, in theory and practice, of the view that aircraft could sink capital ships. When, in entirely different circumstances, our bombers failed to sink the *Scharnhorst* and *Gneisenau*, this, too, we were told, only showed the necessity of splitting up the Air Force. Thus instances of either the failure or the success of aircraft are alike grist to the mill of these critics. Was there ever a better example of having it both ways?

No spokesman of the Royal Air Force has ever suggested that the numerous examples given by you, in which air power has proved decisive, teach us the lesson that "the immediate question is naval and military co-operation with the Royal Air Force," or implied that the Army and Navy ought to be made into auxiliaries of the Royal Air Force, under the command of air marshals. Nor will they suggest any such thing. Nevertheless, and however shocking it may seem to minds trained in the older Services, is it not probable that the long-term trend of warfare is in the direction of the emergence of aircraft as the essential striking force, while sea and land forces may gradually tend to become means for transporting aircraft to within range of their targets and of defending their necessary bases? If there is a long-term trend in this direction, would it not be a fatally retrograde step to split up the Air Force in order to make it an auxiliary of the other two armed forces?

This is the real consideration which lies behind the objections voiced by air officers to these apparently benevolent proposals for the "unification" of the services. These objections are often misunderstood and misrepresented as the reflection of a narrow and obscurantist attitude. But I ask you, Sir, to pause before you lend your support to proposals the effect of which would almost certainly be to subordinate the Air Force to the other two Services. Rightly or wrongly, many persons believe that the very existence of this country as an independent nation would be imperilled if such a development took place. That is why air officers consider it their duty to oppose with all their strength any proposals which would have this effect.

Yours faithfully,
X. Y. Z.

THE WORLD OVERSEAS

From Debtor to Creditor

(From Our Ottawa Correspondent)

A REVISION of financial relations between the United Kingdom and Canada is one of the great historic consequences flowing from this war, altering the traditional debtor position of the Dominion. The document that embodies this revision most clearly is Mr Ilsley's United Kingdom Financing Act, 1942. It provided a fresh start with the temporary expedient of granting the Government of the United Kingdom a billion dollars. The purpose of the gift, in the words of the resolution of the Minister of Finance, was to enable "the purchase in Canada of aircraft, tanks, mechanical transport vehicles, guns, ammunition and other munitions of war, foodstuffs, raw materials and other commodities and supplies essential to the conduct of the war and the maintenance of the people of the United Kingdom and to assist in enabling the Government of the United

Kingdom to defray other expenditures incurred in Canada for war purposes."

At the present rate of British procurement in Canada, this sum will last for something less than twelve months. An extension of the gift policy can be foreseen when the amount is exhausted, unless in the meantime an arrangement by which pooling of production surpluses of the United Nations is then in operation. Conceivably, the Canadian surplus might then be pooled and drawn on by the United Kingdom and other allies under terms not yet executed. Other heavy customers of Canadian war materials at present are Egypt, India and Australia in the sterling area and Russia and China outside it. The new Canadian proposal is designed to avoid the growth of an unmanageable war debt between Canada and Britain. Logically it should apply to other allies who share access to Canadian war

output. There is a growing sentiment at Ottawa that an Allied pooling arrangement should be effected speedily. Negotiations with Washington and London are leading to some such arrangement.

The End of a Phase

The billion dollar gift is, therefore, an interim arrangement. It marks the end of a phase of wartime financial relations in which Canada accumulated a heavy sterling balance. The transfer of gold by the United Kingdom to Canada, in the period prior to Lend-Lease, ended in December, 1940, when a total of \$250 millions had been reached. The repatriation of Canadian securities mobilised by the British Government will be limited to the completion of existing operations, with the further transfer of Dominion Government and Canadian National Railway securities held by the British Government, estimated to be \$295 millions. The repatriation account will close at approximately \$714 millions, with an additional amount of \$126 millions financed by the discharge of private Canadian debts to the United Kingdom and sales in the Canadian market of securities vested in the British Treasury.

To complete the settlement of the British deficit in Canada, estimated at \$1,870 millions from the start of the war to March 31, 1942, \$700 millions from Canada's sterling balance will be converted into a long-term loan, with rate and term to be decided after the war, and a balance of \$80 millions will be deducted from the new gift account.

The settlement may be set out as follows:—

(million dollars)	
Net cash deficiency to March 31, 1942	1,870
U.K. sale of gold to Canada	250
Official repatriation	714
Private repatriation	126
Conversion of sterling balance to loan	700
Conversion of sterling balance to gift	80
Total	\$1,870

With the deduction of \$80 millions, the \$1,000 millions gift left a balance of \$920 millions to Britain's credit at the start of 1942-43. "This should provide sufficient funds," said Mr Ilsley, "to take care of Britain's dollar deficit until sometime early in 1943."

Idealism and Business

The Canadian policy has been a mixture of idealism and what Mr Coldwell, the Co-operative Commonwealth leader, called "hard-boiled business." There was considerable pressure in Ottawa for a more thorough and sweeping recall of Canadian securities from Britain than has, in fact, occurred. The temptation to repatriate Canadian Pacific Railway securities may be felt by an exponent of railway amalgamation, just as the desire to repatriate distillery securities may be felt by the advocate of direct Government control of liquor. The balance of British investments in Canada has, in any case, shrunk significantly in recent years, owing to wartime repatriation and other factors. It was approximately \$2,500 millions in 1937, and it is now reduced to \$1,000 millions. Mr Ilsley's estimate was that at present Canadian dollar securities still held in the United Kingdom amounted to \$700 millions, and sterling securities on Canadian property and enterprises amounted to \$300 millions. "That is all," he said, "as far as we know that is left."

Yet the Canadian Finance Minister laid down the principle of preserving for Britain a financial interest in Canada, and the continuance for Canada of a financial interest in Britain. There would be no attempt to cancel all Canadian obligations to Britain against obligations to Canada. He said: "The mutual financial interest which will remain is bound to strengthen the other economic ties between the two countries, which have been of such great value in the past, and will continue to be of great value in the future. The fact that both countries will now be creditors in relation to one another, as well as debtors, reflects the growing economic maturity of Canada."

The fact that Britain has been Canada's best customer in the past, and, as the Conservative leader, Mr Hanson, said that Canada should look to Britain again as a customer in the post-war period, has been a governing factor in the recognition of a limit to the policy of repatriation. Yet the fact that the Minister of Finance felt impelled to defend this view as warmly as he did may be taken as evidence of nationalistic stirrings in Ottawa which, in this connection,

would favour liquidating mutual financial interests more thoroughly. Along with a minority group, which would require more collateral from the British Government, there is a school of thought whose reluctance to see Canada acquire a substantial claim in sterling arises from fear that the post-war settlement would involve a vast increase of competing imports. As Mr Ilsley said, "Experience has shown that countries will accept these payments in the form of imports only to a limited extent on balance, if at all."

The Opposition View

The view expressed bluntly by Mr Coldwell from the opposition benches was that Canadians should have no illusions about the altruism of Canada's gift to Britain. He said: "We are making this gift not only because we want to do something to assist in maintaining the morale of Great Britain, and the winning of the war, but because under a capitalistic economy we dare not allow our best customer to get into our debt." He described as "hard-boiled economic imperialism" Mr Ilsley's argument that the revision of financial relations would preserve for Britain a continuing interest in Canadian prosperity. He would like to see that kind of thing removed from Canadian relations with Britain after the war.

But, except in the extreme Quebec nationalist wing, there has been no opposition to the gift of a billion dollars' worth of supplies to Britain. It satisfies the Canadian feeling that Canada should exceed in generosity the terms granted by the United States in its Lend-Lease Act. There is no doubt that the Canadian proposal does so. It would be unthinkable, as Mr Ilsley said, that any shortage of Canadian dollars would make it impossible for Britain to secure in this country the munitions and supplies she requires. The mingling of practical business considerations with idealism came in his further argument that the new financial arrangement will ensure that the balance of international indebtedness between Britain and Canada will remain on a reasonable and manageable basis.

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Venezuela's Oil Trade

[BY A CORRESPONDENT]

March 25th

THOUGH a comparative newcomer to the ranks of oil producers—its petroleum industry is a product of the last two decades—Venezuela is now third on the list, closely following the Soviet Union. As might be expected, therefore, oil is the most important of all Venezuelan exports and the industry forms a highly important branch of the national economy. In the last year before the war, over one-third of the United Kingdom's oil imports came from this source; and, as the nearest accessible supply centre except Trinidad, it still plays a prominent rôle in supplying British oil requirements.

The importance of the oil industry to Venezuela needs little emphasis. It provides employment for a growing volume of native labour; it brings in much foreign exchange; and it makes a handsome contribution to the national exchequer. Indeed, about one-third of the state revenues is derived directly from imports on minerals, and to this total the oil industry contributes the lion's share. But from the national standpoint it is not an unmixed blessing. In the first place, the oil trade is peculiarly vulnerable to international political and economic disturbances. The consumption of petroleum products within the country—estimated at only 2,300,000 barrels in 1940—normally represents little more than 1 per cent of crude oil production. There is thus no buffer to soften the impact of any fluctuations in the demand for Venezuelan oil on the world market, which may consequently have serious repercussions on the employment position and the national finances. This is one danger. Another is the fact that the oil industry is almost wholly financed with foreign capital—the Royal Dutch-Shell and Standard groups being the most important holders, though a number of other American concerns are also represented. Nationalist sentiment in Venezuela is naturally anxious lest these foreign holdings in the country's most important industry should be used as a lever for exerting political pressure.

The oil industry's vulnerability to external disturbances has been well illustrated during the course of the war. The principal pre-war outlets for Venezuelan oil were the countries of western Europe, though the fact is not obvious from an examination of the trade returns. About three-quarters of the total exports are consigned, in the form of crude oil, to the Dutch West Indian islands of Curaçao and Aruba. The finished products were then shipped abroad, mainly to Europe. So far as direct exports from Venezuela are concerned, the United States took about 13 per cent in 1940, the United Kingdom 4½ per cent and France 2 per cent. The remainder went in very small quantities to Canada and parts of Africa and South America. With the Nazi victories of 1940, and the inclusion of virtually the whole of Continental Europe within the scope of the British blockade, Venezuela lost some of its most important markets; total exports of mineral oil consequently fell by 10 per cent—from 198 million barrels in 1939 to 178 millions in 1940. But if these Allied losses in the west affected Venezuela adversely, the closing of the Mediterranean and the enemy's threat to the Middle East had an opposite effect, since it inevitably increased the British call for Venezuelan oil. In addition, larger quantities of Venezuelan petroleum (mainly crude and fuel oil) were imported by the United States—which, although the world's largest oil producer, has a sizeable import trade. Venezuela's exports consequently showed a progressive recovery during 1941. Final figures are not yet available, but the improvement over 1940 (and even over 1939) was substantial.

As has already been pointed out, the bulk of the country's oil exports is in the form of crude petroleum, the proportion being as high as 96 per cent in 1940. Though a home

refining industry has been developed in recent years, its main function is still to supply the domestic market. The reason is that the largest producers—Shell and Standard—operate, on the islands of Curaçao and Aruba, some of the world's largest refineries, and these are run mainly on raw material from Venezuela. This position is not wholly to the liking of the Venezuelan Government, which is anxious, for various reasons, to develop a larger refining industry at home; but little change in the present position seems likely in the near future.

Developing Production

Since practically the whole output is marketed abroad, production is naturally closely correlated with the trend of exports. Crude oil production in Venezuela, which had shown an uninterrupted advance since 1932, reached a peak of 206 million barrels in 1939, but fell back to 185 million barrels in 1940. Last year's output is estimated at 228 million barrels, 23 per cent above that of 1940 and easily the highest in the country's history. This compares with an estimated output of 235 million barrels in the USSR and of 1,392 millions in the United States. The most important producing fields are groups around Lake Maracaibo, the oil-bearing strata extending out under the sea. By erecting the derricks inside reinforced concrete caissons, the producing companies have been able to exploit these underwater deposits and are now working as far as seven miles off the shore.

Though the bulk of the current output comes from these north-western fields, the main hope for future expansion lies in the fields of eastern Venezuela, which are regarded as the south-westward extension of the Trinidad oil structure. Development work was naturally retarded while the export outlook was so uncertain, but is now forging ahead again. A number of companies are working in eastern Venezuela, where four new fields are being developed. These are at Santa Barbara in northern Monagas; north-east of the well-established Oficina field; at Santa Rosa, east of the recently opened El Roble field; and at Guarío, adjoining Santa Rosa and El Roble. The existing pipe-lines from these eastern fields to the Caribbean export terminals are being extended to provide adequate outlets for the growing production of eastern Venezuela. Besides the development of known pools—a good deal of "wildcatting"—drilling in unproved areas—is now going on in this part of the country as well as in central Venezuela; prospects appear to be encouraging.

Friendly Mexico

[BY A CORRESPONDENT]

March 25th

THE comprehensive agreement signed between Mexico and the United States last November, and the subsequent diplomatic reconciliation of Great Britain and Mexico, gave promise of a period of co-operation all the more welcome because of the misunderstandings and bitterness of the thirty years that have passed since the fall of Díaz.

The friendship of Mexico is worth winning. Among the Latin American states, it is only exceeded in size by Brazil and Argentina, and it is second in population. Its importance in metal production is usually thought of in terms of silver, but though some 80 million ounces of silver are produced annually, and some £8 millions worth of gold, Mexico is also a large producer of lead, zinc, antimony and copper. For all these metals there is a big Allied demand, but there are considerable practical difficulties to be overcome before the various products can reach the consumer. These difficulties can be summarised as lack of capital equipment, lack of roads, lack of railways and lack of machinery.

There is a general idea that the virtual embargo on Mexican oil exports imposed by the United States and Great Britain in 1938 knocked the bottom out of Mexican oil exports. This is not the case. In the five years 1936-1940, oil exports averaged 6.8 million cubic metres, and petroleum output averaged 6.9 million, which suggests that the diversion of supplies to other markets was not unsuccessful—a deduction borne out by the figures for the first nine months of 1941.

There has occurred, however, a serious deterioration in the balance of trade. Mexico, in spite of the elbow-room given by the cessation of interest payments on its overseas debt, requires a considerable export surplus to preserve an even balance of payments; but in 1941, so far from this being achieved, there was an excess of imports. The figures

for the full twelve months are not yet available, and the best method of illustrating Mexico's plight is to compare its position with that of certain other Latin American states during the first half of the year:

	JANUARY-JUNE Percentage Change in Imports and Exports; 1941 values compared with 1940	
	Imports	Exports
Argentina	-39	-21
Brazil	-14	+15
Chile	+2	+18
Peru	-5	+22
Mexico	+15	-37

This table clearly reveals Mexico's trading weakness. With the exception of Argentina, it is the only one of the states shown whose exports decreased in value, and, unlike Argentina, the country was unable to rectify matters by cutting imports. In view of the large part played in Mexico's exports by mineral products, perhaps the country with which it should be compared is Chile, and here the figures give the full measure of Mexico's weakness.

A Check to Recovery

This adverse tendency, which was still visible in the autumn of 1941, constitutes a serious check to Mexican recovery. The carefully acquired gold reserve is placed in danger, and an analysis of imports reveals an unsatisfactorily great preponderance of consumption goods. Mexico cannot hope to put its house in order if imports of tractors and tools—and if the newsprint and other consumption goods are financed by bank credit, as is often the case, so much the worse.

Fortunately, the increasing concentration of the United States on essential production will discourage the unhealthy speculative imports of superfluous commodities, and the credits which are being granted as a result of the November agreement will increase the demand for capital goods. Some further improvement in the workers' standard of life will be demanded by the unions, however, for they are in a strong position, and the scope for such improvement is great and fully realised. The dangers are plain to Mexican bankers, who fear a further devaluation of the peso, but it looks as if the workers will have to learn by experience that they may in the long run have to pay the debt arising from an unfavourable balance of payments.

Petroleum Products in Portugal

[FROM OUR LISBON CORRESPONDENT]

April 11th

YESTERDAY'S arrival of a Spanish tanker, the first of three vessels coming with petrol, crude and gas oil to Portugal should correct the extreme shortage felt recently. By drastically cutting down all pleasure driving, and by the strict rationing of supplies to every class of road transport, the Government has ably tided this country over a difficult moment. Further chartering of French tonnage is reported, so that the worst is probably over. The whole situation lends interest to the figures of the SACOR returns for the year ending December 31, 1941. This "Soc. Anon. Concesionária de Refinação de Petróleos em Portugal" closed its year with gross profits of \$31,761,517 (approximately £317,000), or a little more than its present capital of £310,000, which was increased during the year from £250,000. Sales figures give some idea of the scope of this concern; for 1941 they were as follows: petrol, 34,482 tons; petroleum, 21,394 tons; gas oil, 23,087 tons; fuel oil, 12,072 tons; lubricants, 5,091 tons. Through a small subsidiary, known as CIDLA, it also supplies a little butane gas for household use, but as yet this business is trifling. For SACOR the net profits were \$8,135,891—say, £82,000. Special privileges and certain implied obligations make the position of this concern unique in Portugal. It has not, however, yet shown its ability to meet the purpose it was primarily meant to fill. That was the safeguarding of Portugal's petroleum supplies—all products—in the event of just such a position as has arisen during the past twelve months. Had private enterprise been untrammelled by fear of uneconomic competition, it is safe to say that storage facilities and consequent stocks would have been far greater than is the case today.

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THE BUSINESS WORLD

Company Control by Publicity

AN article in *The Economist* of April 11th drew attention to the need for a new attitude, on the part of directors and auditors, towards the information to be given in company accounts. The contentions advanced were that the information at present required by law falls far short of what is necessary to enable the shareholder to judge the value of his investment; and that, in addition, certain information ought to be made public in the national interest, even if the shareholder does not demand it, and even if he feels that its disclosure may threaten his rights. If this latter suggestion appears revolutionary to some, it should be borne in mind that the whole system of private enterprise is under fire. The only way to remove misapprehensions, and to remedy abuses, is to make the facts plain. In matters of business, as in public administration, the great engine of democratic control is the utmost publicity.

Whatever economic structure may emerge after the war will still rest in large measure upon private enterprise financed on the joint-stock principle. But the individual contributions to their finance are likely to come increasingly in smaller units from a larger number of people who are less well equipped to exercise effective control over the management of their property. Originally, those who provided the finance were in a position to oversee its use. Now actually they are not, and the only substitute for oversight, under modern conditions, is adequate publicity. Shareholders will then have the assistance of skilled advisers acting upon reliable information; the publication of adequate and truthful accounts would at once raise the

standard of criticism applied to company affairs by bankers, brokers and the press. It would furnish a reliable basis for the assessment of past performance by statisticians and students of industrial affairs, whether they were working for the industry itself, for a Government engaged in planning or in the pursuit of truth for its own sake. It may, of course, be objected that the Government could obtain the details without their being made public. It is essential, however, that, in so far as it is necessary for Government to take part in industry, or to create public boards to provide specific services, Parliament should insist on the fullest publicity.

The main grounds for complaint concerning published accounts in the decade before the war were three; those associated with holding companies, including companies which both hold and operate themselves; lack of information, as regards all companies, about depreciation, tax provisions, and the trading account, associated with an extreme woolliness in statements purporting to explain what figures are given; and, finally, lack of uniformity, both in the material provided and the use of words.

As was indicated in a note in *The Economist* of April 4, the position of the holding company needs drastic revision. In the matter of accounts, if subsidiaries are wholly owned by the parent, all should have the same accounting period. Granted that, it should suffice if the true profits and a statement of assets are incorporated in a consolidated profit and loss account and balance-sheet. In the case of partly-owned subsidiaries and associated companies, either the parent's share should be so incorporated, or it should be made clear where its full accounts may be found. The rule of an identical balance-sheet date should also be enforced if possible. Whatever rules are laid down for companies directly owned by the public would of course be applicable to these concerns also. In the case of large concerns, engaged in a variety of different types of business, it would be desirable to show separate totals in consolidated accounts for each main industrial division. This would indeed be essential if adequate statistics were to be prepared.

The complexities of the tax position and an outline of suggested remedies were given in *The Economist* of December 13, 1941. The position with regard to depreciation is similar, if rather less involved. The ideal would be that the assets should be valued, on a clearly-defined basis laid down by law, at the beginning of the period of account. There should then be shown the cost of new acquisitions and the value realised by sales. The full amount of depreciation should be disclosed, together with the portion of the total allowed for purposes of taxation on account of renewals, repairs, etc. If a similar series of figures were supplied for stock-in-trade and debtors, and if the market value of stocks of materials and of investments were invariably given, it would be possible to determine the true distributable profit, and it would be apparent how much capital was really being ploughed back into the business. This would tend to accelerate the flow of capital into industries where the reward was high and to avoid over-investment in those where it was low or falling. It would also provide a measure of the real return on equity shares, and an indication of how much of the national capital was invested in any given industry. All this information is valuable in any system. It will become essential if the direction of industrial development is to be the subject of control by a national or international body. It is also desirable that the distinction which is frequently made between investments in gilt-edged stocks, in other securities and in holdings associated with the company's business should be made general. In the interests both of the proprietors and of the public, it is desirable that the publication of a trading account should be made obligatory. This should show, as a minimum, what is spent on wages, as well as on commodities, the latter being already required for the details of the stock position.

If all these particulars about assets were given in full, the mystery which surrounds changes in the reserves

of many companies would disappear. But it would still be possible to confuse the issue, to a great extent, by lumping under an omnibus item such different things as trade creditors, reserves for contingencies, tax appropriations, dividend payments falling due, and time deposits. There is no reason why, at least in time of peace, these items should not be stated separately; and, although all these details are perhaps not necessary for the guidance of the owners of the business, they should be available in order to make possible a more complete statistical survey than has hitherto been possible.

If all companies were required to publish the information suggested above, in addition to that already laid down, it would be possible, with a modicum of skill, to interpret accounts, despite the flagrant lack of uniformity in their form and in the language used to describe the various items. There would appear, however, to be no reason for not insisting upon uniformity of form and language once uniformity of information were prescribed. This wider uniformity would tremendously simplify the work of all concerned. It would doubtless be impossible to draw up one form of accounts which would be suitable for a bank, a railway, a manufacturing concern, a rubber plantation company or an enterprise giving advice on industrial management. But it should be possible to prescribe one form for each, and the more complete the information demanded the easier it is to draw up the prescription.

While the above requirements will probably suffice for the normal manufacturing, extractive or plantation company, something more will clearly be needed from public

utilities, especially where these enjoy the special privilege of complete or partial monopoly. It is evidently impossible to give even an outline of the information which should be demanded in these cases; but it is important to establish that monopolies must work in the full light of day. It might very well be the case that concerns enjoying this special privilege should have their accounts examined by an independent public body charged to report to Parliament on the efficiency of the administration—and to report with less delay than has commonly been associated with such bodies in peacetime.

The immediate justification for the demand that light should be let into the dark places of the history of company finance is to overcome the disabilities associated with absentee ownership, to remove abuses and to re-educate the suspicious. The ultimate need for information is even more compelling. Whatever share Government may have in post-war industry and commerce, it can scarcely be imagined that there will not be changes in the method of their direction and management; the field over which it is possible to achieve success by the old, well-proved but much fallible system of trial and error, aided by flair, is now rapidly contracting as that in which scientific assessment is possible expands. It is all but certain that there will be some state dictation of industrial and commercial objectives in the future. A system of uniform and readily intelligible accounts, probing deeper as the degree of privilege conferred increases, is not a heavy price to ask in return for the benefits of limited liability, right of association and legalised monopoly.

Finance and Banking

The Fiduciary Circulation

The further increase in the fiduciary circulation, indicated as imminent after the publication of last week's Bank return, was duly announced on Wednesday of this week. It is the customary £50,000,000 jump which takes the fiduciary issue to £830,000,000. Since the outbreak of the war, when the gold in the issue department of the Bank of England was transferred to the Exchange Equalisation Account and the fiduciary issue was accordingly adjusted to the figure of £580,000,000, there have been five increases of £50,000,000 each, the average length of time separating them being about 6½ months. In 1941, however, the rate of expansion in the fiduciary issue increased appreciably; the life of the £680,000,000 figure was little more than four months before it was raised to £730,000,000 on September 3rd of that year, and a mere three months elapsed before a further increase of £50,000,000 was required. The interval between the latest increases in the fiduciary circulation has widened to about 4½ months; this is an indication of some flattening in the curve measuring the currency expansion, though the rise is still steeper than for the war period as a whole. There is no special new explanation to account for the persistent rise in the circulation. The total wages bill is still rising, and, despite the curtailment in goods available for civilian consumption, the purchasing power mopped up by savings and additional taxation is not increasing as fast as the money income of the nation is expanding.

The Bank Return

The Bank return showing the position on the close of business on Wednesday gives an almost exact picture of the changes following the increase in the fiduciary issue. This is because the items such as notes in circulation, bankers' deposits and public deposits show only negligible alterations over the week, namely, increases of £36,000 and £786,000 and a reduction of £1,419,000 respectively. Government securities to the amount of £50 millions were transferred from the banking to the issue departments following the increase in the fiduciary note issue, and the Bank return shows the Government securities held by the former to have fallen by £52,240,000, while those in the issue department were up by £50,144,000. As more of the notes created this week go into circulation, the securities of the issue department will be allowed to re-expand, thus neutralising the contrasting effect of the larger circulation on the volume of bank cash. The total of bankers' deposits, at £128,668,000, continues to reflect the moderate ease of credit conditions in the short loan market. Most of the banks have been buyers of July bills this week, though they still show a preference for mixed parcels of June and July bills. Money is abundant, and a fair amount of non-clearing money has been available at ¼ per cent. The banks were called upon to pay £40 millions in Treasury deposit receipts. This compares with nominal maturities of £50 millions, though it may be assumed that owing to pre-encashments the actual maturities were appreciably below the fresh payments.

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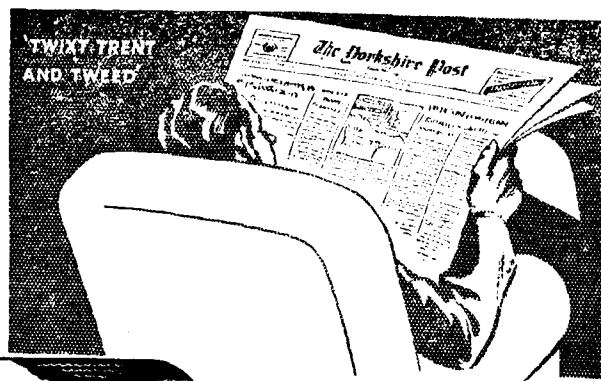
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Agricultural Mortgage Corporation

The prosperity of agriculture brings no grist to the mill of the Agricultural Mortgage Corporation. The experience of the Corporation over the year to March 31st last can best be summarised by the following comparison of balance sheet and profit and loss items:—

	March 31, 1941	March 31, 1942
First Mortgage Loans	8,462,518	8,073,268
Improvements Loans	81,682	76,863
Investments	2,801,809	3,261,255
Cash	374,266	350,132
Net Profit	326*	6,060

* Allowing for £10,000 grant by Minister of Agriculture and Fisheries.

The AMC thus remains more "under-invested" than ever. Its agricultural loans fell by £394,069 during the year, and conversely its unnecessarily large holding of cash and gilt-edged securities rose further by £435,312. It is true that, owing to some improvement in the commissions and fees earned and to larger net income from the agricultural properties owned by the Corporation, there was no need last year for the income to be supplemented by a direct grant from the Ministry of Agriculture. But, even so, the income was barely sufficient to pay the heavy cost of the Corporation's debenture charges, and the ordinary capital, subscribed by the Bank of England and most of the joint stock banks, remains dividendless, as it has been in all but two years since the AMC was formed in 1928.

Heavy Debenture Burden

The burden of its debenture capital has been one of the gravest handicaps of the AMC. The policy of the Corporation has been to mobilise resources well in advance of making its loans to agriculture. The timing of these operations proved most unfortunate. The Corporation issued £5,000,000 of 5 per cent debenture stock at par in June, 1929, another £3,500,000 of the same stock in May, 1930, and £2,000,000 of 4½ per cent stock at 95 in April, 1932. All its financing was thus done on the eve of the big slide in interest rates which began with the War Loan Conversion of 1932. In its early years, the AMC had showered upon it a fair volume of the joint stock banks' frozen agricultural loans. But the joint stock banks whose primary concern in the early 1930's was to increase their liquidity are now equally concerned at the persistent decline of their loans and advances. The joint stock banks, though they do not purport to lend on long term, and thus compete directly with the AMC, are in effect offering the farming community all the credit it requires, confident that, given the present prosperity of the industry, the loans they are making will be adequately secured and of short-term and self-liquidating

character. In effect, therefore, the banks are competing with the AMC which now finds itself almost devoid of new borrowers. The tendency, in fact, is for existing borrowers to repay their AMC loans. Small farmers are probably finding the wherewithal for repayments from the exceptional and modestly taxed profits they have been making; the larger farmers would find it possible to repay AMC loans from the proceeds of cheaper borrowing. The basic long term rate for AMC loans is 4½ per cent, while joint stock banks appear to be prepared to lend on short term at a lower rate than this. Unfortunately for the borrowers, however, the loan contract with the AMC provides for gradual repayment over a long period—ranging up to 60 years—and it is only in special cases approved by the directors that repayments other than those provided by the mortgage deeds are allowed. Such permission is being more readily given, and last year, of the £642,172 of mortgage loans repaid, £547,677 represented special operations approved by the directors. None the less, the restrictions on repayments, though fully in keeping with the letter of the contracts between the AMC and the borrowers, are at the present time galling in the extreme to the latter and it cannot be said that the good will of the Corporation is being improved by the present state of affairs.

Future of Agricultural Credit

It is most unfortunate that circumstances should thus have conspired against the AMC, for there can be no doubt that an important rôle awaits it in the post-war reconstruction of British agriculture. In some respects, that construction is taking place at this moment through the improvements to agricultural land brought about by the ditching and drainage schemes now under way. But in common with all other sections of British industry, agriculture is suffering from a considerable depreciation of its permanent assets other than land. Cottages, milking sheds and barns are falling into sorry disrepair, and whereas industry in general began this inevitable wartime running down of its equipment from a relatively high standard of efficiency, that was not, on the whole, true of farming in this country. In this work of renovation, there will obviously be need for long-term credit. If, after the war, it is thought desirable to subsidise British agriculture, there are few channels through which such subsidisation could be more effectively granted than through the extension of really cheap long-term credit for capital works of this character. The AMC would seem to be the obvious vehicle for granting such assistance. But if it is to perform any important rôle in agricultural finance after the war, it would be dangerous to allow the functions of the Corporation to become unduly atrophied during the war. The process of revivification may well demand an immediate downward adjustment of interest rates in the long-term loan contracts of the AMC and the consequent increase in the subsidisation which it receives from the Government.

Investment

Approaching Equilibrium

The stock market continues to suffer from inactivity, with the number of bargains marked not much more than two-thirds that of the period of relatively brisk business which characterised the second half of last year. They are, however, still well above the level of a year ago. In these circumstances, the very natural disappointment at the smallness of turnover cannot be accepted without modification. No doubt, the lack of an agreement with India is a factor making for caution, as are doubts about what the spring is to bring. But in the past these considerations have not been decisive because others of a financial character were dominant. If price movements are to continue small, this must be because the relative values of different classes of security have become adjusted, and because there is no longer any definite pressure of money driving prices up. A study of the figures suggests that the latter is certainly not true. The index of fixed interest securities, compiled by *The Financial News*, fell back to 131.6 in mid-December, and has since touched 135.3. In the corresponding period prior to the entry of Japan into the war, the rise was from 129.8 to 132.5, whereas a year ago it was even less, from 126.8 to 129.0. There is no sign here of any collapse in the stimulus of cheap money. In the case of equities, the move-

ments are rather more complicated. In the sixteen weeks after December 2, 1941, this index lost the whole of the improvement of the preceding 18 weeks, falling back to 74.8. It is now 76.3, having risen slowly, but with few interruptions, for over five weeks. Between early December, 1940, and mid-April, 1941, there was a fall of 3.7 points in the index to 66.3, or almost half as much as the net decline in the corresponding period of 1941-42. In point of fact, market conditions are not very different from those of a year ago, except that there would appear to be rather less to go for, in that equity yields are now more nearly adjusted to the long term fall in the rate of interest than was the case at that time. For this reason, it would perhaps be unwise to look for a repetition of the recovery in both values and business which occurred from June, 1941, onwards. Against this, there is the fact that the next few months may produce developments of even more decisive importance than the entry of Germany into Russia on June 22nd appeared to be at that time. Subject to special developments, particularly in the Indo-Pacific area, it seems reasonable to look for parallel movements in the general run of equities and fixed interest stocks. It can only be hoped that events will be such as to ensure that the direction will be upward.

Strong in Service

(extract from Annual Report and Statement of Accounts)

The Co-operative Permanent Building Society serves the public in England, Scotland and Wales through a network of Seven Regional Offices, Thirty Branches and Five Hundred and Forty-eight Agencies.

Over 60,000 homeowners and 95,000 investors have 164,000 open accounts in the books of the Society.

Funds invested in	
Trustee Securities	£2,356,000
Cash in Post Office	
and Banks	£1,297,000
Share Capital	- - - £22,052,000
Assets	- - - £31,174,000

In support of the Nation's War effort the Society subscribed £853,000 in aid of War Weapons and Warships weeks throughout the country. (To date these investments exceed £1,342,000.)

On the vital question of reconstruction after the war valuable Research work is being undertaken with the help of well-known experts.



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Member of the Building Societies Association

New 3 per cent Savings Bonds

The latest development in the Treasury's campaign to push down the rate of interest consists in turning off the tap for the existing 3 per cent Savings Bonds, 1955-65, at the end of the month, and offering a new series on the following day. Like the old issue, these will be sold and repaid at par, but the redemption period is September 1, 1960-70. The ability to borrow for three years and eight months longer than was possible in January, 1941, represents an adjustment to the improvement in gilt-edged stocks over the past sixteen months. It is also an attempt to consolidate the ground already gained, doubtless in the hope of making it the basis for a further advance. It was, of course, inevitable that while the bonds were on tap at par their market price should be par offered. The mere announcement of the new issue sufficed to raise this to par bid, with the result that considerable sales, which had been on hand for weeks or months, were effected. It is likely to take some time to clear off such sales, but once that is done the terms of the new issue will presumably have some effect, although a small one, on the general level of the Funds, and through that on the general return on all securities. There is no need for surprise that the Savings Bonds should be altered while National War Bonds remain unchanged, for the latter have twice had their terms stepped up since they were first issued. The minimum application for both Savings Bonds and National War Bonds is, from May 1st, reduced to £50 for normal applications and to £10 on Post Office and Trustee Savings Bank applications. At the same time, the brokerage on handling National War Bonds, but not Savings Bonds, is halved. The former change is obviously to make it easier for the small man to take up these securities; it is possible that the latter is designed as much to discourage applications, with the intention of an early re-sale, as to reduce the payment to the broker as agent for handling applications.

Railway Receipts and Expenditure

The long-awaited White Paper, showing the incomings and outgoings of the main line railways and the LPTB for last year is at last available, and the forces of obscurantism have been routed to the extent that it gives similar figures to those provided in previous years. Full comment must wait until next week, but, meanwhile, these are set out below. The figures are not strictly comparable, as nothing is charged for War Damage in 1941. Owing to changes in rates and costs, no valid conclusions can be drawn except as to the money sums involved. The figures for 1939 are obtained by multiplying those for the final four months by three.

	1939 (£ millions)	1940	1941
Receipts:			
Passenger.....	90.8	104.8	132.1
Freight.....	120.7	140.5	158.8
Miscellaneous.....	1.7	2.7	2.9
Total.....	213.2	248.0	293.8
Expenditure.....	174.4	203.5	226.6
Net Receipts.....	38.7	44.5	67.2
Ancillary, net debit.....	1.0	1.7	2.1
Available.....	37.7	42.8	65.1

It will be noted that, whereas in 1940 the rise in total traffic occurred mainly under the head of freight, last year the principal expansion was in passenger takings. Further, the rise in expenses was much less steep than that in gross traffic receipts. The net amount available, at £65,125,000, compares with actual payments under the new agreement of £43,469,000. In view of the importance which the companies attach to keeping the conception of the standard

revenue alive, it is interesting to note that 1941 earnings exceed that figure by almost exactly £8,000,000.

Publication of EPT

In an article entitled "Directors and Auditors" in the *Economist* of April 11th, reference was made to "the existing ban on the publication of figures before EPT." That expression does not give a strictly accurate picture of the position, which is that, for reasons of security, certain companies, whose contribution to the war effort is very substantial, are subject to a number of limitations in their published accounts and statements, of which one effect is to conceal their EPT provision. Actually, other companies avail themselves of this encouragement to practise secrecy, and for all practical purposes it is not far from the truth to say that earnings before this tax are concealed for one reason or another. An apology is due for any inconvenience which may have been occasioned by a rather loose use of words; but the matter is taken up again less for this reason than to challenge the validity of the assumptions underlying the prohibition in so far as it does exist. There are evidently cases in which secrecy is desirable, but they are believed to be very few. In a general way, it is very difficult to see what information of use to the enemy could be disclosed by stating that the profit of an industrial firm had risen by 50 per cent before EPT. And to publish the figure would give very valuable information to the investor and make possible an extensive revaluation of equity shares on the basis of the post-war refund, the extent of which is likely to be a matter of outstanding importance. Many factors, other than turnover, enter into trading profits, and the dispersal of industry has been carried to a point where the mere fact that a company had done exceptionally well, or had failed to come up to expectations, would be just as likely to mislead those who were searching to discover the result of past attacks or to locate new objectives, as to help them. This suggestion will be violently challenged, but some of those who would hold it most foolish are prepared to go to the length of suppressing all information which could conceivably furnish the slightest clue on any subject of military or economic importance. That would, in fact, amount to suppressing everything but opinions, which, without a basis of facts, might well prove more dangerous through its effect on morale than the provision even of useful information to the enemy.

Inter-Exchange Consultation

A further development from the agreements reached between London and the twenty-two Associated Stock Exchanges a year ago is about to come to birth. This is the formation of a joint advisory committee, with equal representation for both parties, including a chairman, appointed by the members. The function of the committee will be to study any problem of interest to London and the provincial exchanges, and presumably any member of either will be at liberty to put forward suggestions. Although the body is purely advisory, it will clearly be of tremendous influence if suitably staffed, and it should be well occupied in preparing for the adaptations, which the post-war period will almost inevitably bring to stockbroking, as well as in promoting the general improvement in status which was the ultimate objective of last year's agreement. For the sake of completeness, it is a pity that the Provincial Brokers' Stock Exchange, representing individual brokers who have no exchange, cannot take part, since it has not yet accepted the agreement. It seems inevitable that, by staying out, its members will deny themselves opportunities of presenting their point of view, which may place them increasingly at a disadvantage as co-operation between their bigger brethren becomes closer.

Gas Stocks and Rationing

The passing of dividends for last year, not only the ordinary but on all classes of preference capital of the Gas Light and Coke Company, confirms the worst fears of the unfortunate investor in this one-time gilt-edged class of security. The result was not unexpected, since other concerns with very large interests in central London and the nearer suburbs had done the same. These concerns have not only had to face bomb damage and rising costs,

but they have lost a considerable part of their customers, without receiving a compensating demand from new industries. Further, the raising of charges was considerably deferred. The first five months of last year were a period of heavy raids, which have so far been absent this year. It is also the case that the lag in the adjustment of charges to costs has been reduced. For this reason, there was every reason to hope, that given immunity from bombs—a considerable assumption—1942 would bring better fortunes to holders of London gas stocks than did last year. Now, however, a whole set of new considerations has been introduced by the forthcoming rationing of coal, coke and gas, as well as their alternatives. For the country as a whole, the object of the scheme is to rebuild stocks, while providing for increased industrial production. For concerns whose main outlets will be the sale of gas and coke to rationed consumers, the effect can hardly be other than a fresh setback in earnings, unless profit margins per unit can be increased. The mere absence of outside disturbances will of course have that effect, but it is a nice question which factor will weigh more heavily. In the absence of accounts and informative statements, the investor can only hope for the best. Certainly, current quotations do not suggest that any material improvement is expected for some time.

Company Notes

Cunard Steam Ship Outlook

In the absence of particulars about the trading results of subsidiaries, the accounts of the *Cunard Steam Ship* for last year are not very enlightening. Income is increased from £505,339 to £1,022,287. This includes the maiden dividend of *White Star*, amounting to £500,000 gross, and a further special payment from another subsidiary, which is designed to help in the debenture repayment and the covering of preference dividend arrears. How far these sums were earned in 1941 is far from clear. Against the rise in revenue, the omnibus item of expenses is up from £89,024 to £365,441, largely as a result of providing taxation on the increased receipts, and after meeting debenture charges and depreciation, and setting aside £145,000 against £175,000 for taxation—mainly EPT—there is available

£229,701 compared with £146,111. Two years' arrears of preference dividend, paid during the year, call for £75,000 net, and the payment of last month, extinguishing the remainder of the arrears, will have absorbed the whole of the balance of earnings of the years 1940 and 1941, together with some of those of the current year. The next stage is to deal with arrears of second preference dividend, which will amount to £345,000 net by December. Although the market was disappointed that no scheme was submitted to deal with these, it appears very satisfactory that the chairman, Sir Percy Bates, should be able to express the belief that they can be met in cash this year, and that the company will enter 1943 with a clean sheet. This indicates a considerable further expansion in distributable profits, some part of which will be provided by the repayment of the 5 per cent debenture stock in February last. Of the £3,683,615 held available for this purpose at the end of last year, no less than £3,300,000 was borrowed from subsidiaries, mainly the *Port Line* and *Thos. and Jno. Brocklebank*. In his statement to shareholders, Sir Percy makes no reference to immediate prospects, but he throws out some rather alarming suggestions about post-war possibilities. They add little, however, to the general proposition that the ordinary shareholder, and possibly those who rank before him, will have to rely upon a world in which trade, and the movement of individuals, are made easy, for the receipt of a fair return on his capital. In one matter, however, he carries his argument of last October a step forward, namely when he says that the company will probably have to enter the air transport business in one way or another. Given reasonable freedom of trade and no favour, he believes that the sea will hold its own over a large field, but he evidently anticipates air subsidies. The ordinary stock of £1 fell a trifle on the report to 15s. 3d., while the second preference fell two points to 126½, including 33 points of net dividend up to June 30th next.

Coats' Dividend Reduced

Despite market disappointment, which suggested that the position had not been fully discounted, there was every reason to expect a reduction in the 1941 Coats ordinary dividend. The cut in the final payment of 1½ to

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5 per cent, making 8½ against 10 per cent for the six preceding years, is necessitated by the movement in available profits. The net figure, after tax and depreciation, is reduced from £1,884,852 to £1,631,816, which gives equity earnings of £1,301,816 against £1,544,852, representing 8.9 against 11.1 per cent. The small surplus is devoted to raising the carry forward from £444,514 to £455,705. The reduction in earnings finds ample explanation in the introduction of clothes rationing and in rising costs. It is, however, clear that the company must have been forced to provide against damage to its extensive foreign assets and must also have suffered a further sharp reduction in the export trade last year. The American assets were, of course, pledged with the Reconstruction Finance Corporation, a necessity which may imply some loss of income from this source also. It is not improbable that the war will make some further reduction in the ordinary dividend inevitable, but the post war prospects of the concern remain excellent, and the market value of the shares quickly recovered the initial loss of 9d. on the publication of the preliminary figures. The £1 ordinary stock at the current price of 34s. 6d. yields £5 2s. 11d. per cent.

British Oxygen Accounts

Consolidated profits of British Oxygen, which in 1940 reached the record level of £1,897,508, last year suffered only a very moderate recession to £1,863,352. The accounts show no appreciable rise in charges against profits, an increase in United Kingdom income tax from £404,228 to £518,598 being compensated by a reduction of £100,000 to £500,000 in the transfer to reserve for EPT, income tax and war contingencies. Thus, equity earnings at £264,875 against £306,313 represent 14.7 against 15.7 per cent, while the ordinary distribution is correspondingly reduced by one point to 14 per cent. After writing back £20,768 adjustment on income tax on the final dividend to the carry forward of the previous year, the current carry forward is raised from £54,975 to £67,478.

	Years to December 31,		
	1939	1940	1941
Consolidated profit	1,387,995	1,897,508	1,863,352
Depreciation	422,053	451,108	460,061
U.K. Income Tax	304,162	404,228	518,598
Retained by Subsidiaries	99,292	86,703	76,506
Preference dividends	55,578	49,156	43,312
E.P.T., Income Tax and Contingencies	134,100	600,000	500,000
Ordinary Shares:—			
Earned	372,810	306,313	264,875
Paid	318,709	291,596	252,372
Earned %	116.5	15.7	14.7
Paid %	114	15	14
Carry forward	140,258	54,975	67,478

These highly satisfactory results suggest that the company has been able to minimise the effects of wartime difficulties and that output has continued to expand. The balance sheet shows a fall in the surplus of liquid assets over current liabilities from £641,080 to £310,806, for which the rise in creditors, including taxation and contingencies, of nearly £500,000 to £1,723,767 is largely responsible. There is an increase in stock of some £230,000 to £963,613 and in debtors of some £130,000 to £969,622, while cash holdings are reduced from £467,886 to £222,215. The statement also shows a substantial rise in loans to subsidiary companies from £240,464 to £367,122. The value of the accounts is considerably impaired by the absence of a consolidated balance sheet. The outlook for stockholders remains promising, although a further moderate reduction in the ordinary payment this year is not improbable. The £1 ordinary stock at 67s. 9d. ex dividend yields £4 2s. 8d. per cent.

NORANDA MINES LIMITED

DIVIDEND NOTICE.

Notice is hereby given that an interim dividend of One (\$1.00) Dollar per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable June 15, 1942, to shareholders of record at the close of business, May 20, 1942.

By Order of the Board.

April 17, 1942. J. R. BRADFIELD, Secretary.
Toronto, Canada.

De Havilland Report

The fall in net profits of De Havilland Aircraft from £260,527 to £108,108 in 1940-41 does not represent a completely accurate comparison, since only in the latter year are profits struck after all tax, including tax on dividends. On a comparable basis there is, however, a reduction in earnings, after tax and depreciation, from £218,027 to £108,108, and, after halving the transfer to staff funds at £10,000, in equity earnings from £188,423 to £92,174. With no bonus on ordinary capital, shareholders receive 10 per cent, against 12½ per cent in the three previous years, covered by a rate of 23.0 against 40.9 per cent. There is no transfer to general reserve, against £75,000, but the transfer to investment reserve is maintained at £50,000 and the carry forward raised from £27,083 to £29,257. The balance-sheet reflects a marked expansion in output which, according to the chairman, Mr A. S. Butler, has reached a new record level. The surplus of liquid assets over current liabilities is rather higher at £793,766, against £737,627, despite a rise in bank overdraft from £419,466 to £875,954. Stock is some £800,000 higher at £2,374,670 against £1,545,528, and cash holdings have fallen from £10,113 to the exceptionally low level of £7,618. The chairman points out that the decline in the total of shares in subsidiary companies and investment in an associated company is due in part to a transfer from investment reserve and in part to the sale of shares in a certain company. The fall in net profits itself is, of course, due mainly to the incidence of higher taxation and rising costs. The £1 ordinary shares, at 36s. 3d. ex dividend, offer the conservative yield of £5 10s. 4d. per cent.

John Summers Profits

The preliminary statement of John Summers for 1941 shows a recovery in trading profits from £553,590 to £874,934, compared with £879,429 in 1939. There is no increase in ordinary dividends, which remain at 6 per cent on "A" ordinary and 2 per cent on "B" ordinary capital, to which they were reduced from 8½ per cent and 4½ per cent respectively in the previous year. Whether, after taxation and depreciation, there will be a substantial rise in the cover for equity payments is not yet clear. Provision for taxation fell from £302,162 to £265,905 in last year's accounts, from which the management was able to deduct £107,000 estimated as recoverable from the 1939 transfer. In any case, it is probable that the management would prefer to devote an increase in the free surplus to raising the transfer to general reserve which fell from £400,000 to £100,000 in 1940. The improvement in the balance on trading account must be especially satisfactory for shareholders after the previous year's setback, which inevitably raised doubts as to whether the new strip mill could be used to capacity in war conditions. Approximately one-third of the "A" shares are held by United Steel. The £1 "A" ordinary stock at 16s. 3d. yields £7 13s. 7d. per cent.

Union Corporation

The full accounts of Union Corporation for 1941 show profits, after general expenses and taxation, of £644,661, against a comparable figure of £637,370, or £664,558 before general expenses. Earnings for dividend are up from £611,512 to £621,381, representing a rate—unadjusted for income-tax—of 64.5, against 63.5 per cent. Shareholders receive the usual 64 per cent, and the carry forward is raised from £122,150 to £127,531. These results were achieved despite certain reductions in dividends from the gold mines in which the Corporation is interested, for which the incidence of higher South African taxation was partially responsible. The directors state that provision for contingencies has been made by writing down certain holdings in the balance-sheet below cost and below market price—in no case are securities valued above market price. Thanks in part to the significant improvement in market valuations which took place last year, the balance-sheet figure of £3,089,597, against £3,186,439, must be considered to conceal an appreciable reserve. The statement shows no striking change other than the reduction of cash holdings from £6,086,679 to £3,036,054, in order to raise the corporation's holdings of British and Dominion Government securities from £602,200 to £4,502,200. The position of the corporation is clearly very strong, and there is every probability that the dividend can be maintained. The 12s. 6d. ordinary shares, at 122s. 6d. ex dividend, offer a yield of £6 10s. 7d. per cent.

Industry and Trade

Design and Speed of Merchant Ships

The appreciation of the part shipbuilding must play in equipping the United Nations with adequate offensive power is reflected in a more critical attitude towards this part of British war production. Some of these criticisms were discussed in *The Economist* of April 4th and 11th. Others deal with the types and design of new merchant ships. It has been suggested that standardisation could be carried further; that the speed of the ships should be increased; and that output should be concentrated on small, fast ships. The merchant shipbuilding programme comprises general cargo carriers of about 10,000 tons deadweight and moderate speed; various types of cargo liners with speeds from, say, 14 to 17 knots; tankers of about 11,000 and 14,000 tons deadweight; a smaller type of tramp ship, or general carrier, with a capacity of approximately 4,700 tons deadweight; coal carriers for the coastal trade of 2,500 and 4,000 tons deadweight; smaller coastal ships carrying general cargo; and auxiliary vessels such as tugs and barges. The proportions in which the various types are built have had to be altered from time to time to meet the requirements of the import programme and changes in sources of supply and to make the best use of production facilities. It is known, for example, that recently a higher proportion than before of refrigerated cargo liners was being constructed. Some of the ships are being built directly for the Government and others have been ordered by shipowners, but in both cases design and equipment have been simplified to assist rapid production. It is probable, however, that simplification could be carried further, particularly in the higher class of tonnage being built privately, without materially detracting from the comforts of the crews, who fully deserve the consideration that is shown them.

The fact that such vessels, which take longer to build, are being constructed at all is not in itself evidence of inefficiency from the standpoint of war demands. They may be better suited to the facilities of the shipyard and to their particular service than a simpler design of ship; they will be able to make more voyages in a given time and they may be able to sail without convoy owing to their greater speed. The last two arguments have often been used to support the case for abandoning the construction of comparatively slow tramp ships in favour of faster vessels. But it is often overlooked that it may be quite impossible for the boiler and engine-makers to supply sufficient machinery of the higher power. Priority for such machinery must be given to naval vessels. The same problem has arisen in the United States, where 8,000,000 tons deadweight of merchant ships are to be constructed this year and, according to General G. C. Marshall, 15,000,000 tons in 1943, against the 10,000,000 tons envisaged by President Roosevelt in his message to Congress on January 6th. The Chairman of the United States Maritime Commission has made it clear that the decision to instal relatively low-powered, old-fashioned engines in the majority of ships being built in America today was governed by the supply of marine engines. It was arrived at reluctantly, for it represented a reversal of American practice, but it was judged to be the best course in existing circumstances. A smaller vessel than the 10,000-ton tramp ship which is the main component of the British shipbuilding programme would have the considerable advantage of presenting a smaller target to the enemy, both ship and cargo. But, in relation to cargo capacity, the smaller ship would take longer to build and would be more extravagant in steel, crew, fuel, equipment and machinery, both main and auxiliary.

Unemployment Statistics

An innovation has been made in the statistics of the numbers of unemployed persons registered at employment exchanges in Great Britain. The figures now given do not include men who have been classified by interviewing

panels as unsuitable for ordinary industrial employment, or women classified as unsuitable for normal full-time employment. The table below shows the corrected figures for February 16th and the registered unemployed on March 16th:—

	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
February 16, 1942			
Men	62,935	10,426	8,654
Boys	10,485	238	9
Women	48,663	6,255	311
Girls	11,519	348	1
Total	133,602	17,267	8,975
March 16, 1942			
Men	58,353	4,110	5,621
Boys	9,084	57	6
Women	44,154	3,926	253
Girls	10,055	143	...
Total	121,646	8,236	5,880

To compare the figures with previous months, 26,508 "unemployable" men and 2,065 women should be added to the wholly unemployed on February 16th, bringing the total to 162,175. This makes the grand total for February 188,417, compared with the revised figure of 159,844. On March 16th, the number of persons classified as unsuitable for industrial or normal full-time work was lower; 25,973 men and 1,709 women were so classified. It may be that some had found employment, though many would cease to appear on the registers for one reason or another. Nevertheless, for the March figures to be comparable with earlier figures, 27,682 men and women would have to be added to the total, and this would raise the number in the total unemployed in all categories from 135,762 to 163,444. On both bases of calculation the decline in unemployment from February 16th to March 16th is over 24,000—a larger drop than any recorded in any one month during the winter.

Part-Time Workers

The organisation of part-time work which, in the aggregate, could add appreciably to war production, is still defective. While in certain localities such as the belt round North Western London, the opportunities for women part-time workers definitely exceed the supply of available women, there are many other districts which suffer markedly from the opposite form of maladjustment. In the administrative area of East London stretching roughly from Bow to Barnet and Tottenham and from there to Dagenham, some five thousand women recently registered for part-time work as a result of a recruiting campaign, and there is reason to believe that some thousands more could be found. Yet only a few hundred of those who have registered have been absorbed. There is no evidence of a serious shortage of materials and the proportion of factories in this area working twenty-four hours a day probably does not exceed forty per cent. There is reason to believe that many managements are still reluctant to take on part-time workers, especially in the smaller type of business. It is to be hoped that the promised grouping of small undertakings will bring some improvement. Experience has shown that the solution of the problem might be assisted if foremen and charge hands, instead of participating in bonus payments, were remunerated by a generous flat rate. Where such men participate in the bonus, there is a strong tendency for them to resist the upgrading of a competent

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

worker who might be removed to some more responsible position and make room for part-time workers.

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On the part of the public, there is a great deal of unco-ordinated effort and enthusiasm for shouldering part of the industrial burden. Thus an interesting experiment is being made by Messrs Harrods to find a form of work which volunteers from their staff can perform on the premises in their spare time. There are also plans elsewhere for organising simple assembly work in such a manner that it can be contracted out to home workers. This system has been known in the Midlands for a very long time. It is not favoured by the more up-to-date types of management because of the technical difficulties and disadvantages. Even so, experiment should be encouraged. A rather less successful move is the encouragement given to its members by the Metropolitan Police to seek part-time work in factories after working hours. These men often cannot give more than two or three hours a day, and it is for this reason almost impossible for an employer to make use of them. The result of the action of the police authorities seems, in many cases, merely to have been to overburden the posts with applications, and to induce a sense of frustration. But the problem of finding work for the police and persons in similar positions deserves further examination.

* * *

Cotton Cloth Prices Controlled

The Control of the Cotton Industry (No. 32) Order, issued last week, provides for the control of the prices of cotton cloths on the basis of fixed margins. The announcement caused some initial confusion in Lancashire, but traders will soon settle down to the new conditions. The first impression was that numerous difficulties would arise in putting the scheme into operation, but after certain points were made clearer it became apparent that on the whole it would be beneficial to manufacturers and would lead to stabilisation and the end of ruthless internal competition. It is laid down in the Order that all contracts are to be net for payment within 14 days of delivery. No discounts are allowed and $\frac{1}{2}$ per cent interest must be charged for each month after 14 days. Buyers pay delivery expenses, as the price provides for delivery at sellers' premises or nearest railway station. No allowance in excess of one per cent can be made for faults or late delivery. Manufacturers may pay one per cent commission to an agent ($1\frac{1}{2}$ per cent if the account is guaranteed), but any commission paid must not be added to the cloth price. The system of calculating controlled prices has met with considerable criticism. Some anomalies have been discovered, but it is reported that the Control office is prepared to deal with any representations and a promise has been made that any injustice will be removed. Throughout the industry the principle of controlled fixed prices has been accepted. The opposition has been almost entirely centred on important details which relate to the working out of prices and comparisons between one cloth and another. As a result of discussions between various parties there should be no difficulty in finding ways and means of reaching agreement on desirable amendments to the scheme.

* * *

Efficiency in Farming

The great depression of 1930-35 provided a considerable stimulus to increased efficiency in English farming. Studies of farm costs indicate that, in East Anglia for instance, the volume of output per person employed (including farmers) rose by some 25 per cent between 1931 and 1936, while the value of output per worker increased by about half, owing both to the rise in farm prices and to the changed character of the output. It appears that the present shortage of labour, coupled with the rise in farm wages, is likely to have a somewhat similar effect. Between 1939 and 1941 the area of tillage in Wales increased from about $3\frac{1}{2}$ to 9 acres per person employed, while the numbers of stock were well maintained, with the exceptions of pigs and, to a smaller degree, of poultry.* Even on the relatively

* "The Supply and Use of Farm Labour in Wales." *The Farm Economist*, Vol. IV, No. 1, Jan.-Mar., 1942.

small and steep Welsh farms, therefore, the fuller use of tractors and other types of modern machinery has led to greater efficiency in the use of that scarce factor, labour. It is true that there has probably been some scamping of maintenance work during the war years, and that the rush periods of spring cultivations, hay-making, and harvesting have led to the working of exceptionally long hours. But even with these allowances, it is clear that the pressure of war conditions has led to what is likely to be a permanent increase in the output per man employed in Welsh farming, and there is no reason to expect that the same trend has not appeared in other parts of the country. This fact is clearly of the greatest importance in any plans for post-war farming. For whatever volume of output British agriculture is called upon to produce after the war will be provided by comparatively few men (judged by pre-war standards), enjoying a comparatively high standard of life. That is clearly a national advantage, since the efficiency of British farming, as of other industries, is better measured by the output per worker than by the total number of workers employed, as some advocates of peasant farming recommend.

* * *

Merchant Shipping Losses

In July last year, the Government decided to suspend the publication of monthly statistics about British, Allied and neutral merchant shipping losses, "because valuable information is by this means given to the enemy." At the same time, it was announced that the publication of losses would be considered from time to time. Apart from an uninformative statement made by Mr Churchill some months ago and from his more recent allusion to a serious increase in losses since last December, no facts have been given since June last year. The Government's decision to stop the issue of shipping losses immediately after the month during which they occurred cannot be questioned; but the objection to delayed publication, say after a lapse of two to three months, is more difficult to understand. True, especially as naval losses continue to be announced, as the United States has since entered the war, the publication of merchant shipping losses has become a concern of the authorities in that country, but the maintenance of a complete statistical blackout might do more harm than good.

* * *

The Production Engineer

British engineers have long been among the best in the world. But in modern industry it is no longer enough to design new and better tools with which to make new and better products, such as motor cars and guns in war times of peace, and tanks, machine guns and guns in war. In order to reduce unit costs of production, the design of the tool must be closely related to the design of the product; both must be as simple as possible; and, especially in large-scale production, the factory must be regarded as one single machine whose many parts must all be carefully adjusted to yield maximum returns. The need, therefore, arose for the production expert, whose main task is to secure the highest possible output from the men and materials at his disposal. To meet this need, which involves careful training and intensive research, with special reference to methods of production, the Institution of Production Engineers was founded after the last war. In a recent review of the record of the Institution, the Rt. Hon. Lord Sempill, its deputy-president, had no difficulty in justifying its existence. In one sense the production engineer has become the key-man of the modern factory, and, somewhat belatedly in comparison with the United States and Germany, where greater emphasis has hitherto been placed on methods of production than in this country, his importance has now come to be recognised. Apart from its contribution to education and research in production engineering, the Institution has prepared a number of useful memoranda containing suggestions designed to speed up the output of war equipment. The latest of these memoranda, which has been submitted to Mr. Lyttelton for consideration, deals with the utilisation of machinery, simplification of designs, rationalisation, and improvements in manufacturing methods. In view of the need for a spurt in production during the next few months, the suggestions of the production engineers would seem to deserve careful examination.

COMPANY MEETINGS

SUN LIFE ASSURANCE SOCIETY

SIR WILLIAM GOSCHEN'S STATEMENT

The annual general meeting of the Sun Life Assurance Society as held, on the 21st instant, at 63 Threadneedle Street, London, C. 2.

The Hon. Sir William H. Goschen, KBE, chairman of the society, issued a statement to shareholders, which took the place of the address usually made at the meeting.

In outline the statement is as follows:—

CHANGES IN DIRECTORATE

My first duty is a sad one, for I have to record with deep regret the death of two members of the directorate. The passing of Lord St. Just after nearly 39 years' service on the board has deprived us of the advantage of his wide experience and intimate financial knowledge which has proved invaluable in our deliberations.

Mr Scott Murray, who died with tragic suddenness, served as director for 32 years, and he will be sadly missed.

It gives me pleasure, however, to refer to the appointment of Mr Otter-Barry as a director of our society. I am confident we shall derive much benefit from his wide legal knowledge and insurance experience.

NEW BUSINESS

I will now deal with the annual report and accounts, and will proceed later to a consideration of the valuation report. You will see from the former that our total funds at the end of the year amounted to over fifty million pounds, a figure which itself marks yet a further stage in the progress of the society. The life assurance new business secured during the year consisted of 12,564 policies for sums assured of £7,055,000.

FUNDS, INCOME AND OUTGO

Turning to the accounts, the life assurance fund has increased by over £1,700,000 during the year, and the renewable premium income, which description, of course, excludes single premiums, was £5,077,000. This figure is slightly larger than that of the preceding year, and it is gratifying that the new business secured during the year has enabled us so to maintain our premium income. The gross rate of interest earned was £4 4s. 11d. per cent. per annum, compared with £4 8s. 6d. per cent. per annum in the previous year. The fall is, of course, largely due to the support which the society has given to the new War Loan issues which bear rates of interest lower than the average rate earned in 1940 upon the funds as a whole.

On the other side of the account death claims are £1,621,000 as against £1,519,000 in 1940, and include war claims amounting to £274,000. Claims by maturity were £2,095,000. Surrenders at £327,000 were less than two-thirds of those of 1940; this reduction would seem to indicate a commendable recognition by our policyholders of the value of their life assurance in present conditions.

REVIEW OF ASSETS

Turning now to the assets of the assurance funds, an important feature has again been the expansion in our holdings of British Government securities, which at £15,351,000, show an increase during the year of over £1,900,000.

In accordance with their policy in recent years, the directors have again made no new investments outside the British Empire and have taken steps as opportunity offered to reduce the society's holdings of foreign securities. I am glad to be able to tell you that no less than 88½ per cent. of the assets is invested in Great Britain, while a further 8 per cent. is represented by other securities within the British Empire.

I am sure you will agree that it is a matter for satisfaction that the assets stand in the balance-sheet at sums which are considerably below their aggregate market value at the close of the year, and I do feel that whatever problems may lie ahead of us our investment portfolio will continue to justify our present confidence.

QUINQUENNIAL VALUATION

I now come to the report upon the quinquennial valuation.

The life assurance business consisted of over £153,000,000 in sums assured and bonus additions upon which the premium income amounted to over £5,000,000 per annum. These figures are substantially higher than those at the preceding quinquennial valuation.

The total liability was £45,927,488, and this figure is approximately £995,000 greater than it would have been if the bases employed at the previous quinquennial valuation had been adopted on this occasion. The total funds were £49,698,719 and the net surplus was £3,771,230.

Whilst no general distribution of surplus is to be made on the present occasion, a further valuation will be made as soon as possible after the cessation of hostilities.

INTERIM BONUSES

The interim bonus regulations for the year 1942 will, however, safeguard the interests of those policyholders whose assurances either become claims or are surrendered during the present year, and it is intended to make similar regulations in future up to the date of the next valuation. I need hardly say that our object will be to safeguard, as equitably as changing conditions permit, the interests of continuing and discontinuing policyholders alike.

STAFF

The complexities and problems created by the war have weighed heavily on the management and depleted staff. I am sure it is the desire of the shareholders to be associated with the directors in paying tribute to the efficiency and loyalty that has been displayed by the staff under very trying circumstances. To Mr Edwards, our general manager, I would record our sense of gratitude for his untiring efforts.

In conclusion, I would like to assure the large number of our staff now serving with the Forces that our thoughts are constantly with them and we wish them God-speed.

B. MORRIS AND SONS, LIMITED

SATISFACTORY RESULTS

The annual general meeting of B. Morris & Sons, Limited, was held on the 22nd inst. in London.

Mr. Arthur James May (chairman and managing director) said that the profit on trading was £19,107 and interest and transfer fees £180. On the other side, rent, rates and taxes showed an increase of £435, insurance an increase of £1,541 and against pre-war insurance an increase of approximately £3,900—a very heavy expense. The other items in the profit and loss account were much the same with one exception. The balance of profit carried to balance sheet showed an increase of £9,407 at £12,086, this being the profit for the year, and was due to increased demand for their cigarettes and tobaccos and marked increases in the sales of their brands of cigars and whiffs.

Great consideration had been given to the question of allocating the profits for the year. These were exceptional times and the directors felt that if it was possible, all shareholders should have some return on their investment. Should their recommendations be accepted, with the arrears of preference dividends out of the way and presuming the company's trading in 1942 turned out as well as expected, a very substantial reduction of the debit balance on the profit and loss account could be looked for next year. No one could prophesy in these days, but he might say that 1942 had opened very well.

A large amount of money had been spent in the past in establishing the business, and there was nothing on the assets side of the balance sheet for goodwill or values of brands and trade marks. In view of the year's results, those items must have a considerable value.

The report and accounts were unanimously adopted; and a dividend on the cumulative preference shares at the rate of 7 per cent per annum for each of the years 1937, 1938, 1939, 1940, and 1941 and a dividend on the ordinary shares at the rate of 3 per cent per annum for 1941 were approved.

ROYAL EXCHANGE ASSURANCE

222nd ANNUAL REPORT

INCREASED LIFE PREMIUM INCOME

RECOVERY IN FIRE DEPARTMENT

STATEMENT BY THE RT. HON. LORD BICESTER, GOVERNOR OF THE ROYAL EXCHANGE ASSURANCE, ON THE OCCASION OF THE PUBLICATION OF THE ANNUAL REPORT AND ACCOUNTS OF THE CORPORATION FOR THE YEAR ENDED DECEMBER 31, 1941

Following the procedure adopted last year, in order that stockholders may be kept as fully informed as possible of the current affairs of the Corporation, I am now enclosing a statement on the year's work, to enable it to be received at the same time as a copy of the annual report and accounts of the Corporation for the year ending December 31, 1941. In view of this, I do not propose to address the stockholders at the annual general court which will be held, on the 29th instant, at the Royal Exchange.

No changes have taken place on the court of directors. From the executive staff, Mr A. L. Kavanagh, our home fire manager, after 37 years of much valued service to the Corporation, has unfortunately had to retire owing to ill-health, and Mr R. R. Hilton has been appointed in his place.

LIFE DEPARTMENT

The premium income of our life department amounted to £1,383,000, being some £6,000 higher than that received in 1940.

The net new sums assured under policies issued in 1941 at approximately £2,715,000 show an increase of £500,000 over the figure for 1940; I attach some importance to this increase as evidence of a remarkably healthy spirit prevailing in the public mind, and as showing a steadiness of outlook towards the future of this country.

Equally, it is satisfactory to record that fewer policyholders have found it necessary to surrender their contracts during 1941.

The gross rate of interest earned during the year 1941 was £4 6s. 8d. per cent. per annum, or 3s. 1d. per cent. per annum less than the corresponding figure for 1940.

On the other side of the account, the amount paid in claims by death shows a decrease, but as was the case in 1940, the amount paid was somewhat heavier as a result of the war. If allowance is made for the premature claims arising directly from war causes, the experience in comparison with the most modern standard tables for assured lives is satisfactory.

BOARD'S WARTIME POLICY JUSTIFIED

Those responsible for the business of life assurance were faced at the commencement of the war with the very grave problem caused by the complete uncertainty as to the possible extent of casualties which might occur among the civilian population from attack by air. I would recall that the Royal Exchange was one of the offices which took the lead in deciding to continue to include cover against the risk of death as a result of enemy action in this country at the normal rate of premium on new policies for approved civilian lives, and it is a source of great satisfaction that this extended service to the general public has so far not imposed the heavy liability which its adoption might quite possibly have laid upon us.

I shall have occasion to refer later in this report to the support the Corporation is affording to the needs of war finance, but I feel that it will be of interest to you to know that the investment reserves behind our life fund are today greater than they were even in the preceding year.

In viewing this result against the background of total war, waged at a cost that is infinitely greater than any the world has yet seen, and in circumstances of stress and strain without parallel in the financial sphere, we decided to pursue a very conservative policy in the investment of the funds committed to our care.

That such a policy must necessarily find some reflection in a further lowering of the gross rate of interest earned on our life investments follows as a matter of course.

ANNUITY BUSINESS

In the annuity department the purchase money and premiums amounted to £92,000, reflecting an appreciable decline in that

particular form of business, following the adoption of a considerate policy of your directors, and the same trend is observable, though to a lesser extent, in the capital redemption account.

It will be noted that one item appears in both the life and annuity accounts for the first time, being sums of £35,906 and £6,599 in respect of War Damage Act contribution. Making together £42,505, this represents the statutory liability arising from the Corporation's investments on both life and annuity accounts in property and mortgages.

The trustee and executor business of the Corporation shows little change from the results which were produced for the previous twelve months. The work of this department, through its nature, is naturally complicated by present conditions, and I feel sure the beneficiaries and others whom our trustee department is designed to serve will recognise the added difficulties, which are not lessened by the loss of so many trained members of our staff who are of national service.

FIRE BUSINESS

The year's business undertaken by our fire department has, as I am glad to say, shown a marked recovery, resulting in a transfer of £133,000 to the general profit and loss account.

This recovery has been made largely in respect of the home business. But it is equally satisfactory to report that in spite of the loss of business from enemy and enemy-occupied countries the results from our overseas trading, other than in the United States of America, have been attended with no less success than that achieved in the previous twelve months. We are, however, in a like position with other British offices operating abroad in being faced with increasingly severe demands for taxes both from Dominion and foreign territories. It is true that at present the increasing tribute is rendered necessary by the cost of the war more especially so far as our Dominions and Colonies are concerned, but it should never be lost sight of that British insurance comprises an integral part of the composition of industrial and commercial affairs, a service which surely merits a modicum of reward.

Conditions in the United States of America have naturally become more difficult, and our trading results there still remain disappointing.

MARINE AND ACCIDENT DEPARTMENTS

Last year in reporting to you on the results of our marine department, I emphasised that the marine market would, during a state of war, be faced with many special difficulties. With Japan fighting against us such difficulties are materially increased. Faced with this harder task, the splendid co-operation which has been apparent in the market as a whole has if anything become closer knit, with the result that means continue to be found to meet new and urgent problems as they arise.

The figures shown in our marine department indicate a further improvement in the condition of that account, and your court now feels that a transfer to the general profit and loss account of £35,000 is justified, and leaves the surplus materially higher than a year ago. Our marine fund now stands at £950,000 being 165 per cent. of last year's income.

Our accident department has had another satisfactory year. The profit of £106,000, although not so high as was reached in the two preceding years, is, nevertheless, good, and completes for the first time in the history of our accident business a cycle of three years each producing an annual profit in excess of £100,000. Much of our accident business overseas is now more difficult to control, and it would seem, at any rate in the motor car section, that our home business is bound to suffer still further from war-time

restrictions. But viewed in proportion these are small matters when weighed against the nation's needs, although it is our hope that while helping the national interests to the fullest extent of our ability, we may also preserve in the highest degree possible our continued service to our policyholders.

IMPORTANT NATIONAL SERVICES

Following on a survey of our departmental results, I should like to refer to certain tasks which have been undertaken by the Corporation in connection with the great struggle in which the nation is now engaged. The Royal Exchange, together with other insurance companies, in spite of a great depletion in personnel, is rendering very important services to the Government.

We have for some time past been acting as their agents in operating the war risk commodity insurance scheme. Now the Corporation's war risk department has also to handle the very large number of insurances which are effected with the Government under the War Damage Act, Part 2, which deals with the contents of business premises and private dwellings.

Schemes for war risks insurance have been introduced in various parts of the Empire, and, as in this country, the liability under these schemes is assumed by the Government concerned. The services of insurance organisations have been utilised for the purpose of issuing the policies and otherwise operating the schemes.

Added to all this, committees have been set up throughout the country for dealing with other sections of insurance work entrusted to us by various Government departments. The Corporation is rendering all these services to the country gladly, but our stockholders will appreciate that such work is making large demands upon the energies and time of all those left to carry on the business of the insurance industry.

FINANCIAL SUPPORT FOR GOVERNMENT

In meeting the financial demands of the war, the Corporation is also playing no small part. It is obvious that from every point of view it is imperative for business institutions such as our own to accord the utmost support to the Government's financial needs.

The result of our efforts in this direction can be seen in the altered figures in our balance-sheet for this year, where it will be found that the Corporation's holdings in British Government securities have risen from £3,302,000 to £4,354,000, an increase of over one million pounds.

Whatever effect this almost total support to the monetary needs of the nation may have upon our future investment income is at present of no matter. No other path is open to us, for without victory the labours of the Corporation for over 220 years would prove to have been in vain.

In dealing with the items of the general profit and loss account, it will be seen that in comparison with the previous year, a satisfactory increase in the transfer from the fire department has occurred, while, as I have already mentioned, the continued improvement in our marine business has now permitted us to take an amount of £35,000 into our accounts. The combined figure for the four departments at £283,000 is some £70,000 better than in 1940.

On the expenditure side, the only figure that shows a greatly increased amount is the provision for taxation, which this year requires £110,000, against £45,000 in the last account.

Altogether, after charging the dividend paid during the year, the balance on our general profit and loss account shows a slight increase.

DIVIDEND 30 PER CENT.

A dividend of 11 per cent. (less income tax) was paid in November last, and the directors are recommending at the annual general court on April 29th a further payment of 19 per cent. (less income tax), making a total of 30 per cent. paid on our capital stock for the year 1941.

It has been my custom to refer to the results of our associated and subsidiary companies. Conditions, especially relating to motor car business, which will naturally be influenced by the gradual diminution of private motoring, have not been so favourable either to the Car and General or the Motor Union companies; but in spite of this both have achieved satisfactory results for the period under review. The State company has shown improved figures.

This brings me to the conclusion of my brief review of the Corporation's work during the past year. It has been a hard and difficult time. War inevitably complicates business; total war multiplies such complications in geometric progression. The Cor-

poration has always been proud of its place in the international field of British enterprise; but it has been manifestly impossible for it to escape from the effects of the varying of our Empire's fortunes over the past two and a half years. Nevertheless, I am happy to say that neither the change in Far Eastern affairs nor the savage devastation which is slowly corroding Europe, has inflicted any grievous harm to the strength of the Royal Exchange as an international commercial concern.

I am sure you would like me, on your behalf, to convey to all those connected with this Corporation in our Dominions and Colonies our warm appreciation of their endeavours. They are constantly in our thoughts. At the same time I would wish to take this opportunity of expressing to our friends in the Dutch East Indies, China, and elsewhere, our sympathy in their trials.

TRIBUTE TO STAFFS

It is with this picture in mind that I wish on behalf of the court of directors and the stockholders to express our very sincere thanks to our staffs both at home and abroad for the magnificent way in which they have seen to it that the business of the Corporation has been carried on with the least amount of dislocation, and the utmost measure of efficiency.

Over 400 men from the Royal Exchange staff at home and abroad are now serving with the Forces, and in other national services, and to them we send our heartfelt good wishes and our appreciation of their endeavours. Eight of their number have fallen in the service of their country. To their relations and friends I wish to extend on your behalf our very deep sympathy.

The continual drain on the man-power of our organisation increases very considerably a problem already acute, but recently there has been the added necessity for the younger women to be allowed wherever possible to join either the women's services or to be enrolled for munition work. For those who remain there are many added duties.

The main burden is therefore falling more and more upon our executive both at home and abroad, but perhaps no better tribute to their conduct of affairs can be paid them than the very satisfactory results, which, through their endeavours, your court is now able to lay before you.

BRITISH TYRE AND RUBBER COMPANY, LIMITED

PLANT FULLY OCCUPIED

The annual general meeting of the British Tyre and Rubber Company, Limited, was held on 23rd inst. at Herga House, Vincent Square, S.W., Sir Walrond Sinclair, KBE (the chairman), presiding.

The following are extracts from the chairman's statement circulated with the report and accounts: The net profit for the year (subject to taxation) amounts to £337,460, to which must be added £72,915 brought forward, making a total disposable balance of £410,375. From this total we calculate it is necessary to set aside £200,000 for taxation and prudent to allocate a further £25,000 to contingencies reserve, which in consequence will now stand at £150,000.

Having regard to the uncertain future outlook, we have this year stepped up to £25,000 the writing off of goodwill, trade marks, brands, &c., thus accomplishing one of our main objects in eliminating from the balance sheet this intangible but nevertheless most valuable asset, which originally stood in the books at £205,000. At the same time, a further £25,000 has been added to the general reserve, which now reaches £275,000.

An interim dividend of 3½ per cent. (less tax) was paid on July 25th last on the ordinary shares. In order to distribute dividends as evenly and regularly as circumstances permit, your directors decided on February 11th this year to pay a further interim dividend of 4½ per cent. together with a cash bonus of 3 per cent. on the ordinary shares.

Throughout the period under review the greatest possible activity has been maintained over the entire field of the company's operations, all the available capacity at the factories, including those of the subsidiary companies, being fully occupied.

The volume of your company's business continued at the abnormal high level during the earlier months immediately following the close of the financial year, but the introduction of Government restrictions in the consumption of crude rubber became fully effective throughout the manufacturing industry on February 7th last. The report was unanimously adopted.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

SATISFACTORY INCREASE OF NEW BUSINESS

At the annual meeting of the Clerical, Medical and General Life Assurance Society held, on the 22nd instant, at Hamilton House, Victoria Embankment, London, E.C., the following address was submitted by the chairman, Sir Francis E. J. Smith:—

The total net new life assurance business completed in 1941 amounted to £1,096,380, an increase of more than £250,000 upon the figure for the previous year. This satisfactory result affords evidence that the attractions of the exceptionally generous cover provided by the society's contracts are becoming more widely recognised.

Turning now to the accounts, may I first refer to two outstanding features—an increase in the total claims by death and a fall in the amount of interest income brought into account? Both reflect, from different angles, the effects of war-time conditions.

The claims by death, including about £92,000 in respect of war service deaths and civilian casualties, amounted to over £663,000, the largest total ever recorded by the society. The two war years, 1940 and 1941, have presented the common feature that although the claims were heavy in amount the character of the normal claims was favourable, and the inclusion of the war deaths produced only a small mortality loss.

The total interest income received by the society during 1941 was appreciably lower than in the previous year—an adverse feature rendered almost inevitable by the trend of recent events. Out of the interest income received various sums were set aside as internal reserves, thereby further reducing the amount of interest shown in the revenue account. For this and other reasons the published net yield of £3 1s. per cent., applicable to the total funds, does considerably less than justice to the earning powers of the society.

THE SOCIETY'S ASSETS

The customary detailed investigation of the assets by the directors disclosed a satisfactory position, subject to the general hazards of war. The total book value of these assets amounted, at the end of 1941, to about £16½ millions, consisting, apart from minor items, of £7 millions of mortgages, loans and deposits, £5½ millions of Stock Exchange securities, £2½ millions of property investments, and £1 million of shares in subsidiary companies.

The only significant changes in the distribution of the assets have been a reduction of over £650,000 in mortgages and loans, by complete or partial repayments, and an almost compensating increase in the society's holdings of British Government and Government-guaranteed securities which rose, during the year, by £680,000 to £2½ millions. The society's subscriptions to new Government issues since the outbreak of war amounted at the end of 1941 to about £1,700,000, a sum far in excess of the current growth of funds, and it is the intention of the directors to continue this support to the extent of available resources.

SUBSIDIARY COMPANIES

The results of the General Reversionary and Investment Company for the year 1941 have been highly satisfactory, and the shares show, upon the very conservative basis of valuation adopted, a margin of about £150,000 over our book value of £850,000. The true margin of value is, undoubtedly, considerably in excess of that figure.

The Lands Improvement Company has found its new business severely curtailed during the past year by difficulties of supply of materials, but a highly satisfactory standard has been maintained in the collection of interest and principal repayments upon existing advances. The year's working resulted in a reasonable profit, but with a view to further strengthening of reserves the customary dividend, although earned, was not paid.

INTERMEDIATE BONUS

As the result of the society's transactions during the past year a substantial addition was made to the surplus of £1,000,000 carried forward a year ago, the new surplus having been earned upon a scale appreciably in excess of the bonus cost implied by the recent distribution of profits. The directors are pleased, accordingly, to announce that these results justify the continuance until otherwise determined of the scales of intermediate bonuses previously payable upon policies becoming claims by death, maturity, or surrender.

RHODESIA RAILWAYS LIMITED

MODIFICATION OF LEGISLATION

The forty-fourth ordinary general meeting of the Rhodesia Railways, Limited, was held, on the 22nd instant, in London.

The following is an extract from the statement of the chairman, Mr Arthur E. Hadley, CBE, issued with the report and accounts:—

The gross revenue for the year ended September 30, 1941, amounted to £4,970,098, an increase of 10.9 per cent. over that of the previous year. The operating expenditure was £4,506,881, less. As a result of the year's operations there was, therefore, a surplus of gross revenue over working expenditure of £1,920,881, an increase of £533,978. In addition to the operating profit there was an income of £215,184 from investments, a profit of £12,000 from the realisation of certain investments and the annual subsidy of £10,000 payable by the British South Africa Company. There was also transferred £176,327 out of the amount of £547,200 provided during the year for depreciation and renewals towards the annual sinking fund payments for the redemption of the debenture stock. There is £2,335,324 to meet debenture interest £909,069, sinking fund £191,633 and income-tax £555,521, leaving a profit of £679,101 as compared with £332,882 in the previous year.

We have come to an agreement with the Governments of Southern Rhodesia, Northern Rhodesia and the Bechuanaland Protectorate for the temporary modification of certain clauses of the railway legislation in those territories. A dividend of £125,000, less tax, was paid on June 25, 1941. Your directors now recommend that a further £125,000, less tax, should be distributed in respect of the year ended September 30, 1940.

As regards the financial year which ended on September 30, 1941, our traffic continued to be heavy and the approximate results were as follows: Gross revenue £5,730,678, working expenditure £3,204,781, surplus of gross revenue over working expenditure £2,525,897. The working results for the first three months of the current financial year are: Gross revenue £1,428,208, working expenditure £754,199, surplus of gross revenue over working expenditure £674,009.

The report and accounts were unanimously adopted.

BEIRA RAILWAY COMPANY, LIMITED

FAVOURABLE PROSPECTS

The forty-first ordinary general meeting of the Beira Railway Company, Limited, was held, on the 22nd instant, in London.

The following is a summary of the statement of the chairman, Mr Arthur E. Hadley, CBE, issued with the report and accounts:—

The gross revenue at £878,223, was £27,744 less than in the previous year, but expenditure was lower by £8,291, so that the net revenue declined by £19,453. Import traffic, on which we get higher rates than on export, again declined, due to the inevitable effects of the war; but export traffic was, on the whole, well maintained. The net earnings of the line amounted to £433,552, a decrease of £19,453. After the addition of miscellaneous revenue and balance of interest, there is a total net revenue of £452,724.

On the debit side, the item general charges—£6,601, includes a debit on the Savoy Hotel accounts of £6,055, but this is after charging £6,395 for maintenance and depreciation. The main tenance charge was exceptionally heavy, due to the repainting of the hotel, etc. The reserve for taxation—£220,000, is the amount considered necessary to provide for our liability to the date of the accounts, for British, Southern Rhodesia and Mozambique income-tax, and national defence contribution. The cash position is very satisfactory, and investments costing £695,501 were under market prices at date of the accounts.

The result of the year's working is a profit of £99,011, which, added to the amount of £48,534 brought forward from the previous year, makes an available surplus of £147,545. It is proposed to pay a dividend of 2s. per share, less tax at 6s. 2d. in the £, absorbing a gross amount of £105,000.

With respect to the current financial year, we have received at present traffic receipts for five months—October, 1941, to February, 1942. Net earnings for this period amounted to £187,077, as compared with £174,692 in the previous year, or an increase of £12,385. I am, of course, unable to forecast the prospects for the remainder of our financial year, though at present indications appear to be favourable.

The report was adopted.

CUNARD STEAM SHIP COMPANY, LIMITED

BRITISH SHIPPING PROSPECTS

SIR PERCY E. BATES ON POST-WAR PROBLEMS

Sir Percy E. Bates, Bt., GBE., chairman of the Cunard Steam Ship Company, Limited, has issued the following statement, dealing with the affairs of the company, to stockholders, along with the accounts of the company and the notice of the sixty-fifth ordinary general meeting to be held on the 29th instant:—

There are but few explanations necessary to enable the stockholders to appreciate the meaning of the 1941 accounts. These I will try to compress as much as possible. The real interest of the stockholders must lie in what I feel able to say about 1942 and the future.

PROFIT AND LOSS ACCOUNT

The report and balance-sheet I think are self-explanatory, but the first item on both sides of the profit and loss account needs a word or two. On the credit side the dividends have been increased, first by a maiden dividend from Cunard White Star, Limited, and second by a special dividend from another subsidiary company, designed to assist in the special tasks of debt redemption and dealing with arrears of preference dividend. The first item on the debit side includes the figures for income-tax appropriate to the dividends. £145,000 has been set aside out of the earnings of the year to cover possible claims for excess profits tax; the position, however, is still obscure. Apart from this, the new and special dividends together substantially account for the difference between the two years.

My previous statements, as well as the 1939 and 1940 accounts, form the essential background to the 1941 figures, and there is nothing in any of them that I would wish to correct. They are all beads on a string.

PEACE UNCERTAINTIES

As to 1942, it became clear that to negotiate any bargain fair to the first preference, second preference and ordinary stockholders, was out of the question in times of war, and consequently the arrears of dividend on the first preference stock have been paid in cash. My forecast is that the dividend on this first preference stock will be continued on its due dates.

With regard to the second preference stock, the directors hope to be able to adopt a similar policy before the end of the year, and the matter will be considered from time to time in the light of developments as they may occur.

In the absence of unforeseen developments, I expect to see our company enter 1943 with a clean slate, and to be free to consider what it should do with an anticipated margin of earnings in the future.

POSITION OF ORDINARY STOCKHOLDERS

The proper employment of that margin depends on the consideration of a number of factors. Ordinary stock is the interest which takes the ultimate risk and should receive the greatest reward for taking it. The measure of the risk is the appropriate measure for the reward; in other words, our ordinary stock is, and will remain, the speculative investment which it has been since its beginning. Personally, I hope it always will be, for safety means but a form of dullness quite ill-suited to the daring habit of mind which has put mankind, and not one of the lower animals or the more scientific insects, on top of the planet. That there are difficulties ahead of us—and I here refer to the ordinary stockholder—is undeniable. I dismiss the actual war, because, of course, we shall win it, but the peace does present some uncertainties, with which we are directly concerned. Unfortunately, while we know that we shall win this war, we do not yet know when or how or what may be the attendant circumstances.

POST-WAR TRAFFIC

For instance, we do not know whether there will be—as there should—a freedom for every man to go and live and work where he wishes; yet nothing is more pertinent to the future policy of

Cunard White Star than this question. The answer will determine the shipbuilding programme, passenger ships, cargo ships, or ships carrying cargo as well as passengers.

Take our Australasian trade, based on exports from here and on wool and refrigerated cargo homewards. Who knows whether we shall be able to afford refrigerated meat from abroad? We may have to live on dehydrated mutton; very good, I believe, but it would make our refrigerated ships an almost useless luxury.

These uncertainties, and others, are themselves based on another point if current talk and writing may be given any weight. There is argument as to who is going to do the trading! It is strange but true that there is an active collection of people sufficiently devoid of any responsibility in carrying on the war effort to have the leisure to plan a new earth, at all events, after the war is over. This irresponsible section is endeavouring by bland but blind assumptions of the possession of all real knowledge to make it appear that the continuance of State trading in this or that and the nationalisation of this and that is already inevitable, and that only the details remain to be worked out.

EXTRAVAGANCE OF STATE TRADING

It is all very pretty, but it is not common sense. No one has yet been able unaided to haul himself into the air by his own bootstraps; and as we cannot rely on any continuance of the Lease and Lend Act, the country is going to be returned to its normal necessity of paying its own way. This means that for the imported food we need to keep alive our 40 odd millions, we shall have to perform services and offer exports at prices which other countries are willing to agree in exchange. Under any form of nationalisation or State trading, political reputations and, of course, careers, will be at stake, to be lost or destroyed by mistakes. Therefore, the margins necessary for State trading will always be higher than those required by commerce. I do not think we can afford the luxury of these margins, which will entail having to work longer hours and for less money in order to provide them; yet that will be inevitable if we are to have State trading as opposed to commerce. This section of enthusiasts does the people a poor service in concealing the essential and unavoidable extravagance of State trading.

POSSIBLE AIR TRAFFIC COMPETITION

Then, too, we have the air. Just as with ships, so the war will end on a rising curve of production. True, the bombers will not make very good passenger planes for the Atlantic, but the development of production will enable good passenger planes to be produced, and probably fairly rapidly. There will also be many thousands of men accustomed both to flying planes and to their navigation. All this may promise competition from the new element. I think our company will need to enter this element in one way or another, even though given a fair field the sea can probably hold its own. But once the possibility exists it will be availed of, and in any case, there will be a passenger traffic created out of nothing by the new possibility and not in itself competitive with the sea. The situation would change if air traffic were to be subsidised to an extravagant degree, and there will be much pressure in this direction. I think we shall have to take to the air, or at the very least maintain a direct association with it.

It is against a background of this kind that the stockholders, especially the ordinary stockholders, have to regard the future.

TRIBUTE TO STAFF

To the staff on shore the stockholders owe a large debt of gratitude for work carried on with reduced numbers and at times under most difficult and dangerous circumstances. The sea-going staff deserve special congratulation for devotion to duty, involving not only protracted absence from their homes, but also the continuous risk of enemy attack.

LACRINOID PRODUCTS LIMITED

DIVIDEND INCREASED TO 9 PER CENT

SUSTAINED PROGRESS

The fifth annual general meeting of Lacrinoid Products, Ltd., was held, on the 16th instant, at 50, Pall Mall, London, S.W.1.

The secretary read the notice convening the meeting and the auditors' report.

The following is the statement of the chairman, Mr H. R. Thurlow Prior, which was circulated with the report and accounts:

We have passed through another difficult period, but I am glad to be able to announce a net profit for the year under review of £25,457, after making ample allowance for depreciation and general expenses, comparing with a net figure of £16,493 for the previous financial year. Excess profits tax absorbs a large proportion of the net earnings, and a reserve out of the year's profits has been made for taxation in the amount of £19,250, making a total tax reserve of £31,117.

The balance-sheet shows that the current position is satisfactory; current assets totalling £67,783 against current liabilities, including tax reserve of £39,189, leaving a substantial surplus of £28,594.

In view of this sound position, your directors recommend the payment of a final dividend of 5 per cent (less tax), which, with the interim dividend of 4 per cent actual (less tax) paid in September, brings the total distribution for the year up to 9 per

cent, as compared with a total of 7 per cent for the previous year.

VARIED USES FOR PLASTICS

Great progress has been made in the development of new uses for plastics during the last few years, in which this company has played an important part, and I can assure you that we feel that our products will be in great demand during the post-war period. We have achieved an enviable name for quality of design and excellence of service, and under present conditions we are naturally embarrassed that we cannot fill the orders of our many valued customers in the button and clothing industries, and in the building, furniture, electrical and other trades which we supply.

There have been many special problems which manufacturers have had to face during the past year owing to the restriction of supplies and markets and the demands of the war effort on our staff, but we can claim considerable foresight in the building up of stocks of raw materials, which is reflected in the sound condition in which we find ourselves.

The management, staff and workers have carried out their duties faithfully and diligently, and it is my pleasant duty to convey to them an expression of your appreciation of their loyalty in the interests of the company.

The report and accounts were unanimously adopted, the retiring director, Mr. A. Van Beugen Bik, was re-elected and the auditors reappointed, and the proceedings terminated with a vote of thanks to the chairman, directors, management and staff.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

The expansion of business which was expected to develop on the removal of the Budget uncertainties has failed to materialise, in face of the latest developments in France. With the additional factor of the impending German offensive acting as a further deterrent to business, it is not surprising that the past week has witnessed very little change from the conditions of recent weeks in the markets. Firmness in the gilt-edged market was not fully maintained in the early part of the current week, when after small improvements at the re-opening, Tuesday witnessed numerous declines of $\frac{1}{8}$, while Old Consols fell $\frac{1}{4}$. Turnover in the foreign bond market remained small, although the invitation for redemption tenders of the Argentine $4\frac{1}{2}$ per cent sterling bonds occasioned a slight improvement in that country's stocks. Earlier support for Brazilian bonds had little effect on prices which later remained unchanged in rather quieter conditions. Apart from South American issues there was little of interest. A few small declines reflected the general absence of support in the home rail market, Southern preferred lost $\frac{1}{2}$ on Tuesday when LMS 4 per cent preference eased $\frac{1}{2}$ point. Prices in the foreign rail market fluctuated narrowly in quiet conditions with Argentine stocks slightly irregular, but losses nowhere exceeded $\frac{1}{2}$ point.

The industrial market attracted but little business during the past week, price movements were narrow and determined by influences affecting particular shares, but in general the tone remains distinctly firm. Brewery shares enjoyed quiet support which occasioned several small improvements, although Tuesday witnessed a reversal of the trend. Losses, however, were restricted to a few issues, while Guinness continued to advance. In the motor and aircraft group, Rolls-Royce lost $\frac{1}{2}$ after the previous Friday's improvement of $\frac{1}{4}$, but in general most changes were slight. There was little movement in the heavy industrial group, although the sharp

reduction of the Millom and Askam dividend occasioned some dullness, Stewarts & Lloyds deferred and Bolsover easing slightly. Cunard issues again provided the chief interest in the shipping market. After steady support on the hopes of a second preference payment, the absence of any specific promise by the chairman led to a slight recession, but prices later recovered. Among textiles issues J. & P. Coats lost $\frac{1}{8}$ on the lower dividend, but some support was forthcoming for British Celanese issues. Tobacco shares were dull and Imps followed up a decline of $\frac{1}{4}$ before the week-end with a further loss of $\frac{1}{8}$ on Tuesday, when Carreras gained $\frac{1}{8}$. The miscellaneous group reflected the general tendency of the market and was without any feature, Dunlop Rubber weakening on Tuesday.

Sporadic buying by the Cape early in the week relieved the quiet conditions of the kaffir market and produced some small gains. In both the tea and rubber markets intermittent enquiry kept prices steady, tea shares enjoying several improvements of $\frac{1}{8}$. Despite the developments in Burma, Burmah Oil was particularly firm at the re-opening with a gain of $\frac{1}{2}$, while Shell improved $\frac{1}{4}$. Mexican Eagles, however, gave way on the announcement of the valuation of the expropriated properties, while Ultramar weakened slightly on the annual report.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices
April 16.....	2,442	1,938	76.3
" 17.....	2,705	1,511	76.3
" 20.....	3,192	2,089	76.3
" 21.....	2,758	2,602	76.3
" 22.....	2,515	2,222	76.2

July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942; highest 135.3 (Apr. 20); lowest, 132.2 (Jan. 5).

New York

CONCERN over the course of events in France occasioned some weakness on Wall Street before last week-end when declines up to three points were registered. The news of the raids on Japanese

cities gave rise to a better tone in the early part of the current week, and despite profit-taking, a small but general improvement followed.

New York Prices

STANDARD STATISTICS INDICES
(1935-36=100)

WEEKLY AVERAGES

	1942	April 1, 1942	April 8, 1942	April 15, 1942
Low	April 15	High	Jan. 14	
347 Industrials.....	64.6	75.0	65.9	66.9
32 Rails.....	60.2	71.0	61.7	63.0
40 Utilities.....	57.0	67.4	57.7	58.3
419 Stocks.....	63.2	73.3	64.4	65.3
Av. yield*.....	8.27%	7.65%	8.02%	7.96%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4.

DAILY AVERAGE OF 50 COMMON STOCKS

April 9	April 10	April 11	April 13	April 14	April 15
80.5	80.5	80.2	80.3	78.9	78.8

1942 High: 91.2, Jan. 5. Low: 78.8, April 15.
Total share dealings: April 16, 263,000;
April 17, 418,000; April 18*, 185,000;
April 20, 240,000; April 21, 270,000;
April 22, 257,000.
* Two-hour session.

Capital Issues

Week ending April 25, 1942	Nominal Capital	Conversions	New Money
By Permission to Deal.....	14,497	14,497	10,689
Particulars of Government Issues appear on page 590.			
Year†.....	631,045,489	627,053,430	402,545,544

1942..... 631,045,489
1941..... 402,545,544

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1942.....	626,806,634	195,308	37,488
1941.....	399,896,441	2,549,103	Nil

Nature of Borrowing (Conv. Excl.)
Year† Deb. Pref. Ord.
1942..... 623,535,066 157,423 3,350,941
1941..... 399,884,030 34,480 2,897,064
† Includes Government issues to April 7, 1942, only.
Above figures include all new capital in which permission to deal has been granted.

COMMODITY AND INDUSTRY NEWS

Heavy Chemicals Export.—Under the Export of Goods (Control) (No. 19) Order (SR & O 1942, No. 711), made by the Board of Trade, which came into force on April 21st, the control in respect of certain heavy chemicals has been withdrawn. Apart from certain destinations to which the exportation of all goods is prohibited, no licences will, in future, be required to export chalk, whether ground or not, including whiting; caustic soda; cement, calcareous, ground and unground; salt; sodium bicarbonate; sodium carbonate; sodium silicate; and sodium sulphate.

Distribution of Tomato Crop.—The Ministry of Food is making arrangements for bulk supplies of tomatoes to be moved from the principal surplus producing areas (Lea Valley and Worthing districts) to the main "deficiency" areas. These supplies will be allocated to distribution committees of wholesalers for sale to retailers in deficiency areas, and such supplies will vary according to the quantities produced locally. Tomatoes produced in areas which are considered self-supporting will not be permitted to be sold outside the area. This season's tomato crop is expected to yield as many tomatoes as were normally available in pre-war years.

Oils and Oilseeds.—Production of vegetable oils from recent arrivals of oilseed is fairly good, and both edible and technical industries continue to receive substantial allocations for essential and priority purposes. The outlook for the future is obscured by developments in the war situation affecting two main sources of supplies of raw material. Bombay shippers, however, are offering linseed for shipment from the west coast as freight space becomes available; their quotations show no important change. Calcutta is out of the market for a time. Plate linseed has advanced sharply and shipping is very scarce, and adversely

affecting exports. The Canadian Government is reported to be encouraging farmers to increase the area sown to linseed this season, with a view to the production of 500,000 tons of seed, against 160,000 tons harvested last season, possibly to help supply Great Britain's future needs. The harvest is well advanced in the Central Provinces of India and the condition of linseed is stated to be fair. Trading in oilseeds generally is slow.

Agricultural Wages Advisory Committee.—The Agricultural Wages Board, at the request of the Minister of Agriculture, has set up a standing advisory committee to advise him on matters affecting the conditions of agricultural workers employed by war agricultural executive committees and to act, when required, as a court of appeal on local disputes between workers and the committees. A representative of the war agricultural committees and of the women's land army have been co-opted as members of the advisory committee.

Pottery Exports.—By the Export of Goods (Control) (No. 18) Order (SR & O

1942, No. 707), which comes into force on May 1st, the Board of Trade is to extend export control to cover certain kinds of pottery, including articles of a kind used for domestic purposes, other than sanitary ware, garden pottery and toys. Control under the Order will be effected by the issue of bulk licences to nucleus manufacturers and licences will be required for export to all destinations.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Apr. 8, 1941	Mar. 30, 1942	Apr. 14, 1942
Cereals and Meat.....	93.0	66.9	96.5	110.0	110.0
Other food.....	70.4	61.1	93.1	99.5	99.5
Textiles.....	74.2	54.3	90.2	93.3	93.3
Minerals.....	113.2	95.4	129.8	130.7	130.7
Miscellaneous.....	87.0	77.6	113.6	118.3	118.3
Complete Index.....	87.2	70.3	104.3	110.3	110.4
1913=100.....	119.9	96.8	143.5	151.8	151.9

* Highest level reached during 1932-37 recovery.

NUMBER OF FOOD PROSECUTIONS

	Prosecutions	Number Successful	Percentage Successful
Oct., 1939-Dec., 1940	10,598	10,043	94.8
Total 1941.....	29,329	27,475	93.7
February, 1941.....	1,160	1,104	95.1
March ".....	2,141	1,994	93.1
April ".....	2,300	2,199	95.6
May ".....	2,537	2,410	94.9
June ".....	2,762	2,627	95.1
July ".....	2,846	2,679	94.1
August ".....	2,524	2,336	92.5
September ".....	2,501	2,280	91.2
October ".....	3,130	2,887	92.2
November ".....	2,400	2,228	92.8
December ".....	2,955	2,752	93.1
January, 1942.....	2,420	2,218	91.7
February ".....	2,670	2,535	94.9

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	April 16, 1942	April 17, 1942	April 20, 1942	April 21, 1942	April 22, 1942
Crops.....	115.0	115.0	115.1	115.1	115.1
Raw materials.....	172.7	172.7	172.7	172.7	172.7
Complete Index.....	140.9	140.9	141.0	141.0	141.0
	Mar. 31, 1937*	Mar. 31, 1939	Apr. 15, 1941	Mar. 23, 1942	Apr. 15, 1942
Crops.....	147.9	92.2	108.9	116.1	115.0
Raw materials.....	207.3	122.9	174.2	172.7	172.7
Complete Index.....	175.1	106.4	137.8	141.6	140.9

* Highest level reached during 1932-37 recovery.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

AUTHORISED CAPITAL - - - - - \$50,000,000
ISSUED AND FULLY PAID-UP - - - - - \$20,000,000
RESERVE FUNDS (STERLING) - - - - - £6,500,000
RESERVE FUNDS (HONGKONG CURRENCY) - - - - - \$10,000,000
RESERVE LIABILITY OF PROPRIETORS - - - - - \$20,000,000

Head Office, HONGKONG,
temporarily transferred to
LONDON OFFICE, 9, Gracechurch Street, E.C.3.
Acting Chief Manager: A. MORSE.
BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9 Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.
Full particulars may be had on application.

THE ALEXANDRIA WATER COMPANY, LIMITED
PAYMENT OF DIVIDEND.

NOTICE IS HEREBY GIVEN that a dividend of Ten Shillings and Six Pence per £5 Share will be paid without deduction of British Income Tax but less Egyptian Government Tax at 10½ per cent, making 9s. 4.77d. net on Coupon No. 107 on and after the 15th April, 1942, at the National Bank of Egypt in Alexandria at Rue Toussoun, or in London at 6 King William Street, E.C.4.
Net Profits for the year ended 31st December, 1941, £159,600.
(Last year £163,800.)
Dated, Alexandria, Egypt, the 9th April, 1942.

By Order of the Board,
T. D. KEY,
ROBERT WALTON,
Joint Managers.

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government) Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 3,894 Agencies at Post Offices in Australia.

As at 30th June, 1941:—General Bank Balances ... £130,752,179
Savings Bank Balances ... 150,553,865
Note Issue Department ... 77,144,818
Rural Credits Department ... 2,339,454
Other Items ... 19,795,546

A. H. LEWIS, Manager.

London Office: 8 OLD JEWRY, E.C.2.
Also at AUSTRALIA HOUSE, STRAND, W.C.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1
ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £77,000,000
CLAIMS PAID EXCEED - £140,000,000
(1941 Accounts)

NUNDYDROOG MINES, LIMITED

At a meeting of the Board of the Company held 10-day, the undermentioned dividend was declared, subject to audit:—

Final for the year ended 31st December, 1941, of 1s. per share (or 10 per cent. actual) less Income Tax at 6s. 4½d. in the £, payable on the 30th June, 1942, to the shareholders on the books of the Company at the close of business on the 23rd April, 1942, making 20 per cent. for the year.

Profit on Revenue Account (provisional) £151,169 (last year £184,198).

By Order of the Board,
C. H. D. GARLAND, Secretary.
85, Gracechurch Street, London, E.C.3.
23rd April, 1942.

Finance

GOVERNMENT RETURNS

For the week ended April 18, 1942, total ordinary revenue was £34,341,000, against ordinary expenditure of £97,896,000, and issues to sinking funds of £120,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £167,501,000 against £164,650,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to April 18, 1941	April 1 to April 18, 1942	Week ended April 19, 1941	Week ended April 18, 1942
ORDINARY REVENUE				
Income Tax	27,235	38,650	6,587	12,035
Sur-tax	3,220	3,370	530	910
Estate, etc., Duties	5,030	6,955	1,743	2,605
Stamps	737	1,728	181	480
N.D.C.	10,062	11,025	2,620	1,995
E.P.T.	10	50	10	40
Other Inland Rev.	46,394	61,848	11,671	18,065

Expenditure	Payments out of the Exchequer (£ thousands)			
	April 1 to April 18, 1941	April 1 to April 18, 1942	Week ended April 19, 1941	Week ended April 18, 1942
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	27,937	31,941	9,678	11,896
Payments to N. Ireland	...	...	...	...
Other Cons. Fund Services	277	33	244	...
Total Ordinary Expenditure	28,214	31,974	9,922	11,896
Supply Services	211,700	233,600	62,000	86,000
Total Ordinary Expenditure	239,914	265,574	71,922	97,896

Sinking Funds	Payments out of the Exchequer (£ thousands)			
	April 1 to April 18, 1941	April 1 to April 18, 1942	Week ended April 19, 1941	Week ended April 18, 1942
SELF-BALANCING P.O. and Broad-casting	3,250	3,900	900	1,200
Total	243,465	269,474	72,822	99,096

Total	Receipts into the Exchequer (£ thousands)			
	April 1 to April 18, 1941	April 1 to April 18, 1942	Week ended April 19, 1941	Week ended April 18, 1942
ORDINARY REVENUE	46,394	61,848	11,671	18,065
SELF-BALANCING P.O. and Broad-casting	3,250	3,900	900	1,200
Total	49,644	65,748	12,571	19,265

Total	Payments out of the Exchequer (£ thousands)			
	April 1 to April 18, 1941	April 1 to April 18, 1942	Week ended April 19, 1941	Week ended April 18, 1942
ORDINARY EXPENDITURE	28,214	31,974	9,922	11,896
SELF-BALANCING P.O. and Broad-casting	3,250	3,900	900	1,200
Total	31,464	35,874	10,822	13,096

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FLOATING DEBT

Date	Treasury Bills (£ millions)			
	Ten-der	Tap	Ways and Means Advances	Total Floating Debt
1941				
Apr. 19	855.0	...	Not available	...
Jan. 17	970.0	...	Not available	...
Feb. 7	930.0	1584.0	191.0	3493.7
Mar. 7	905.0	...	Not available	...
Apr. 18	905.0	1612.7	215.4	3432.3
May 18	905.0	...	Not available	...
Jun. 18	905.0	...	Not available	...
Jul. 18	905.0	...	Not available	...
Aug. 18	905.0	...	Not available	...
Sep. 18	905.0	...	Not available	...
Oct. 18	905.0	...	Not available	...
Nov. 18	905.0	...	Not available	...
Dec. 18	905.0	...	Not available	...

TREASURY BILLS

Date of Tender	Amount (£ millions)			
	Offered	Applied for	Allotted	Per Cent Allotted at Min. Rate
1941				
Apr. 18	75.0	161.8	75.0	30
Jan. 23	65.0	142.9	60.0	17
Feb. 6	60.0	144.6	60.0	20
Mar. 6	60.0	148.6	60.0	21
Apr. 6	60.0	139.9	60.0	26
May 6	60.0	153.7	60.0	31
Jun. 6	60.0	142.6	60.0	35
Jul. 6	60.0	139.4	60.0	38
Aug. 6	60.0	128.0	60.0	44
Sep. 6	60.0	121.4	60.0	50
Oct. 6	60.0	131.6	60.0	60
Nov. 6	60.0	147.2	60.0	34
Dec. 6	60.0	155.0	60.0	35
Jan. 6	60.0	147.5	60.0	36

On April 17th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted at about 36 per cent of the amount applied for, and applications at higher prices in full. £75 millions of Treasury Bills are being offered on April 24th. For the week ending April 25th the banks will be asked for Treasury deposits to a maximum amount of £40 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BONDS SUBSCRIPTIONS

Week ended	N.S.C. (£ thousands)			
	3% Defence Bonds	3% Savings Bonds	2% War Bonds	1949-51
Mar. 10	7,169	8,630	19,872	16,367
Mar. 17	9,649	6,890	18,597	14,347
Mar. 24	10,394	8,015	48,220	48,975
Mar. 31	11,415	9,936	34,110	31,324
Apr. 7	4,932	3,367	11,008	4,206
Apr. 14	4,810	3,203	7,372	4,566
Apr. 21	...	...	6,735	4,001

Totals to date... 518,778* 446,658* 691,840* 391,654*
* Including series "A." * Including Series "A" & "B."
† Interest free loans received by the Treasury up to Apr. 21st amounted to a total value of £47,808,455. Up to Mar. 31st, principal of Savings Certificates to the amount of £60,772,000 has been repaid.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Apr. 18th and Apr. 24th. (Figures in brackets are par of exchange.)

United States	£ 4-02-03		Canada	£ 4-02-03		Brazil	£ 4-02-03		Argentina	£ 4-02-03		Peru	£ 4-02-03		Chile	£ 4-02-03		Uruguay	£ 4-02-03		Bolivia	£ 4-02-03		Paraguay	£ 4-02-03		Venezuela	£ 4-02-03		Colombia	£ 4-02-03		Ecuador	£ 4-02-03		Panama	£ 4-02-03		Cuba	£ 4-02-03		Mexico	£ 4-02-03		Honduras	£ 4-02-03		Nicaragua	£ 4-02-03		Costa Rica	£ 4-02-03		Guatemala	£ 4-02-03		El Salvador	£ 4-02-03		Haiti	£ 4-02-03		Dominican Republic	£ 4-02-03		Curaçao	£ 4-02-03		Surinam	£ 4-02-03		Guyana	£ 4-02-03		French Guiana	£ 4-02-03		Martinique	£ 4-02-03		Guadeloupe	£ 4-02-03		Reunion	£ 4-02-03		Mauritius	£ 4-02-03		Seychelles	£ 4-02-03		Madagascar	£ 4-02-03		Mozambique	£ 4-02-03		Zambia	£ 4-02-03		Botswana	£ 4-02-03		Namibia	£ 4-02-03		South Africa	£ 4-02-03		Swaziland	£ 4-02-03		Lesotho	£ 4-02-03		Tanzania	£ 4-02-03		Zimbabwe	£ 4-02-03		Rhodesia	£ 4-02-03		Nigeria	£ 4-02-03		Ghana	£ 4-02-03		Sierra Leone	£ 4-02-03		Liberia	£ 4-02-03		Ivory Coast	£ 4-02-03		Upper Volta	£ 4-02-03		Mali	£ 4-02-03		Niger	£ 4-02-03		Chad	£ 4-02-03		Sudan	£ 4-02-03		Ethiopia	£ 4-02-03
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LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Apr. 14, 1942	Price, Apr. 21, 1942	Yield, Apr. 21, 1942	Prices, Year 1942		Last two Dividends	Name of Security	Price, Apr. 14, 1942	Price, Apr. 21, 1942	Yield, Apr. 21, 1942
High	Low	High	Low					High	Low					
82½	76½	83½	82½	British Funds							Iron, Coal and Steel			
113½	110	113½	111½	Consols 2½%	83½	83½	3 0 1	45/9	43/-	7 b	Babcock & Wilcox Ltd.	44/4½	44/4½	4 19 0
100	98½	100	99½	Consols 4% (after 1957)	113½	113½	3 10 3	50/3	46/6	3½ a	Bolsover Colliery Ord. Ltd.	49/4½	49/4½	6 1 0
100	98½	100	99½	Conv. 2% 1943-45	99½	99½	2 0 1	28/4½	26/9	17½ b	Brown (John) Ord. 10/-	27/3	27/3	3 19 0
103½	101	103½	101½	Conv. 2% 1944-49	99½	100	2 10 0	22/9	18/3	3 a	Colvilles Ord.	19/9xd	19/9	8 4 0
106½	102½	107½	105½	Conv. 3% 1948-53	102	102	2 13 9	20/8½	14/-	7 c	Dorman Long Ord.	15/-	15/-	8 5 9
108½	104½	105½	103½	Conv. 3½ (after 1961)	106½	106½	3 5 3	22/6	20/-	12½ b	Guest Keen & Co. Ord.	21/9	21/9	8 11 9
95½	91½	95½	93½	Conv. 5% 1944-64	103½	103½	3 0 0	27/9	25/7½	15 b	Hadfields Ord. 10/-	26/3	26/3	2 18 0
100½	97½	100½	98½	Funding 2½% 1956-61	93½	94	2 18 6	45/6	42/1½	14 b	Staveley Coal Ord.	43/1½	43/1½	5 6 0
101½	98½	101½	99½	Funding 2½% 1952-57	99	99	2 16 3	47/4½	45/3	12½ c	Stewarts and Lloyds Ltd.	47/-	47/-	6 6 0
116½	111½	116½	114½	Funding 3% 1959-69	100	100	3 0 0	35/0½	31/-	4 a	Stewart & Lloyds Ord.	31/10½	31/10½	6 18 0
101½	100	101½	99½	Funding 4% 1960-90	100½	100½	2 19 0	23/7½	22/1½	5½ b	United Steel Ord.	23/-	23/-	6 0 0
102	100	102	100½	Nat. Def. 2½% 1944-48	100½	100½	2 8 6½	17/6	15/5½	4 a	Vickers Ord. 10/-	16/6	16/6	6 0 0
100½	99½	100½	98½	Nat. Def. 3% 1954-58	101	101	2 18 0							
100	100	100	99½	War Bonds 2½% 1945-47	100	100	2 10 0	10/10½	7/-	Nil c	Bradford Dyes Ord.	7/3	7/3	Nil
100	100	100	99½	War Bonds 2½% 1946-48	100	99½	2 10 3	8/-	6/3	Nil c	British Celanese Ord. 10/-	6/6	6/6	5 4 3
101	100	101	100	Savings Bds. 3% 1955-65	100½	100½	3 0 0	39/1½	34/-	3½ a	Coats, J. & P. Ord.	35/1½	35/6	5 4 3
114½	110½	114½	112½	Victory Bonds 4%	113½	113½	2 19 9	36/3	31/-	2½ a	Courtaulds Ord.	32/9	32/9	5 17 3
101½	100½	101½	100½	War Loan 3% 1955-59	100½	100½	2 19 3	26/3	22/9	7½ c	Lanes, Cotton Corp. Ltd.	25/6	25/6	5 17 3
106½	102½	106½	104½	War Loan 3½ att. 1952	106½	106½	3 6 4				Electrical Manufactures	72/6	72/6	4 8 9
96½	89½	97	95½	Local Loans 3%	96½	96½	3 2 2	73/9	72/-	10 b	Callenders Cable, & Co. Ltd.	22/6	22/6	4 8 9
102	100	102	98½	Redemption 3% 1986-96	99	99	3 1 0	22/9	20/6	7½ a	Crompton Park, 'A' 5/-	40/-	40/-	5 0 0
101½	96	101½	100½	Austria 3% 1933-55	101	101	2 17 10	40/6	37/6	10 c	English Electric Ord.	82/6	83/9	4 2 9
				India 3%	101½	101½	3 8 6	83/9	78/4½	20 c	General Electric Ord.			
Dom. & Col. Govts.														
105½	101	102	101	Australia 5% 1945-75	101½	101½	4 12 8	38/9	34/6	3 a	County of London Ltd.	37/6	37/6	4 5 3
106	100	102	100	New Zealand 5% 1946	100½	100½	5 5 8	29/-	28/-	3½ b	Edmundsons Ord.	28/6	28/6	3 8 0
111	107½	109	107½	Nigeria 5% 1950-60	108	108	3 15 0	14/7½	12/7½	4½ c	Gas Light & Coke Ord. Ltd.	13/-	13/-	4 8 9
Corporation Stocks														
108½	106	108½	105½	Birmingham 5% 1946-56	106	106	3 7 4	39/10½	38/1½	2½ a	North-East Electric Ltd.	39/4½	39/4½	4 0 0
93½	84½	97	93½	L.C.C. 3%	96½	96½	3 2 2	40/6	39/-	3 a	Scottish Power Ord.	40/-	40/-	4 0 0
99	93	99½	98	Liverpool 3% 1954-64	98	98	3 2 7				Motor and Aircraft	15/7½	15/-	3 6 9
106	100½	106½	105	Middlesex 3½ 1957-62	105	105	3 1 6	17/3	15/-	10 c	Austin 'A' Ord. 5/-	21/-	21/-	10 4 0
Foreign Governments														
99½	77	100½	97½	Argentina 4½% Stg. Bds.	99½	100½	4 9 6	11/4½	10/3	7 b	B.S.A. Ord.	9/6	9/6	6 10 0
48½	31	55½	46½	Brazil 5% Funding 1914	55½	55½	4 10 1½	14/9	11/9	10 c	Aristol Aeroplane 10/-	12/3	12/3	4 18 0
27½	11½	28½	23½	Chile 6% (1929)	24½	24½	6 2 5½	26/4½	24/-	12 c	Fairley Aviation Ord.	24/9	24/6	13 5 0
84	71½	90½	83½	Egypt Unified 4%	85	85	4 14 2	13/1½	11/4½	6 c	Ford Motors Ord.	12/-	12/-	4 10 0
42	9	13	5½	Egypt Unified 4%	85	85	4 14 2	13/1½	11/4½	6 c	Hawker Siddeley 5/-	66/3	66/3	4 17 0
73	58	77	70½	Japan 5½% 1930	6½	6½		69/6	65/-	2½ a	Lucas (Joseph) Ord.	30/7½	30/7½	4 2 6
45	27	36	30	Portuguese 3%	76	77	3 17 11	33/-	30/-	17½ b	Morris Motors 5/- Ord.	91/3	92/6	4 6 0
				Spanish 4%	33½	33½	12 13 9	93/9	82/6	20 c	Rolls-Royce Ord.			Nil
Shipping														
16½	13/3	16½	13/3	Cunard Ord.	15/-	15/3	5 6 0	22/6	22/6	5 b	Cunard Ord.	22/-	22/6	5 6 0
25/-	21/6	25/-	21/6	Furness, Withy Ord.	22/-	22/6	5 6 0	22/6	22/6	5 b	Furness, Withy Ord.	27/-	27/6	5 8 0
28/10½	25/3	28/10½	25/3	P. & O. Def. Ltd.	24/6	24/6	20/7½	5 c	6 c	6 c	P. & O. Def. Ltd.	22/-	22/-	5 4 6
24/6	20/7½	24/6	20/7½	Royal Mail Lines Ord.	20/-	20/-	16/-	5 c	6 c	6 c	Royal Mail Lines Ord.	19/-	19/-	5 4 6
Tea and Rubber														
7/3	3/9	7/3	3/9	Allied Sumatra Rbr. Ltd.	11	11	14/6	6/-	4 c	4 c	Union Castle Ord.	19/-	19/-	5 4 6
14/6	6/-	14/6	6/-	Anglo-Dutch Java Ltd.	41	41½	9 12 10	32/-	17/6	7½ b	Allied Sumatra Rbr. Ltd.	5/-	5/-	20 0 0
32/-	17/6	32/-	17/6	Jokai (Assam) Tea Ltd.	114½	114½	4 7 4	21/1	9½	6 b	Jokai (Assam) Tea Ltd.	8/9	8/9	10 0 0
21/1	9½	21/1	9½	London Asiatic Rbr. 2/-	52	52	7 13 10	20/6	18/9	10 c	London Asiatic Rbr. 2/-	20/-	20/-	10 0 0
20/6	18/9	20/6	18/9	Rubber Pltns. Trust Ltd.	17½	18	11 2 2	1/8	9d.	9 c	Assam Tea Ltd.	1/-	1/-	5 6 9
1/8	9d.	1/8	9d.	United Serdang Rbr. 2/-	52	52	7 13 10				United Serdang Rbr. 2/-	12/6	12/6	1 15 0
53/9	34/4½	53/9	34/4½	Anglo-Italian Ord.	40½	40½	7 2 0	53/9	34/4½	5 c	Anglo-Italian Ord.	1/-	1/-	2 15 0
54/8½	27/6	54/8½	27/6	Burmah Oil Ord.	15	15	11 13 4	54/8½	27/6	10 b	Burmah Oil Ord.	35/-	36/3	10 4 0
56/3	34/4½	56/3	34/4½	Shell Transport Ord.	63½	63½	7 17 3	72/6	63/5½	5 a	Shell Transport Ord.	28/1½	29/4½	2 11 9
72/6	63/5½	72/6	63/5½	Trinidad Leaseholds Ltd.	71/3	71/3	4 18 3	54/0½	42/-	2½ a	Trinidad Leaseholds Ltd.	67/6	66/3	4 10 6
54/0½	42/-	54/0½	42/-	Assoc. P. Cement Ord.	5	5	8 0 0	43/6	36/3	10 c	Assoc. P. Cement Ord.	45/-	43/9xd	4 2 5
43/6	36/3	43/6	36/3	Barker (John) Ord.	378½	379	3 3 3	36/10½	30/6	24 c	Barker (John) Ord.	37/6	37/6	5 12 6
36/10½	30/6	36/10½	30/6	Boots Pure Drug Ord.	447	447	3 18 0	47/1	42/3	3 a	Boots Pure Drug Ord.	33/1½	33/1½	4 12 0
47/1	42/3	47/1	42/3	British Aluminium Ltd.	21/3	21/3	5 13 0	88/1½	70/7½	17½ c	British Aluminium Ltd.	43/1½	43/1½	4 0 0
88/1½	70/7½	88/1½	70/7½	Brit.-Amer. Tobacco Ltd.	75/-	75/-	3 14 6	68/6	64/9	7 a	Brit.-Amer. Tobacco Ltd.	71/3	71/3	4 2 9
75/-	68/6	75/-	68/6	British Oxygen Ord.	58	58	6 16 3	22/9	19/9	10 b	British Oxygen Ord.	67/6	67/6	4 17 0
58	6 16 3	58	6 16 3	British Plaster Board 5/-	48	48	4 10 6	69½	47	4 c	British Plaster Board 5/-	20/7½	20/7½	7 13 9
48	4 10 6	48	4 10 6	Cable & Wir. Hdg. Sks.	52/-	52/-	3 12 4	115/-	100/-	11½ a	Cable & Wir. Hdg. Sks.	5½	102/6	8 0 0
52/-	100/-	52/-	100/-	Carreras 'A' Ord.	62	62	4 0 0	33/1½	24/6	12 c	Carreras 'A' Ord.	25/3	25/-	4 7 3
62	4 0 0	62	4 0 0	Dunlop Rubber Ord.	66/6	66/6	4 10 0	15/1½	13/3	Nil c	Dunlop Rubber Ord.	13/9	13/9	5 5 0
66/6	4 10 0	66/6	4 10 0	Elec. & Mus. Ind. 10/-	460	460	3 13 11	25/-	22/-	12½ b	Elec. & Mus. Ind. 10/-	23/9xd	23/9	12 6 0
460	3 13 11	460	3 13 11	Gestetter (D.) 5/-	48/9	48/9	4 10 0	33/9	30/-	3 a	Gestetter (D.) 5/-	36/3	32/6	4 17 0
48/9	4 10 0	48/9	4 10 0	Harris & Cross, Def. Ltd.	80/-	80/-	4 10 0	33/9	30/-	3 a	Harris & Cross, Def. Ltd.	33/3	33/-	5 17 0
80/-	4 10 0	80/-	4 10 0	Imperial Chemical Ord.	25½	25½	3 10 6	34½	33½	10 c	Imperial Chemical Ord.	66	64	4 17 0
25½	3 10 6	25½	3 10 6	International Nickel n.p.	11½	11½	4 11 3	50/6	39/9	5 c	International Nickel n.p.	44½	44½	4 14 0
11½	4 11 3	11½	4 11 3	Lever & Unilever Ord.	86/3xd	86/3xd	4 1 0	39/1½	30/-	20 b	Lever & Unilever Ord.	25/7½	25/7½	5 0 0
86/3xd	4 1 0	86/3xd	4 1 0	London Brick Ord.	25½xd	25½xd	3 18 5	98/9	85/7½	12½ b	London Brick Ord.	42/6	42/6	5 6 0
25½xd	3 18 5	25½xd	3 18 5	Marks & Spencer 'A' 5/-	15½	15½	2 8 0½	22/-	19/6	2½ a	Marks & Spencer 'A' 5/-	92/6xd	92/6xd	4 2 9
15½	2 8 0½	15½	2 8 0½	Murex Ltd Ord.	14	14	4 5 6	65/3	58/9	12½ b	Murex Ltd Ord.	20/6	20/6	4 16 0
14	4 5 6	14	4 5 6	Pinchin Johnson Ord.	24	25	2 6 9½	64/6	60/-	3½ a	Pinchin Johnson Ord.	60/7½	61/6	4 12 0
24	2 6 9½	24	2 6 9½	Spillers Ord.	81	81	3 18 6	82/6	80/6	10 a	Spillers Ord.	62/6xd	62/6xd	4 16 0
81	3 18 6	81	3 18 6	Tate and Lyle Ord.	61	61	4 8 0	33/1½	32/6	12½ b	Tate and Lyle Ord.	61/6	61/6	4 12 0
61	4 8 0	61	4 8 0	Triplex Safety Glass Ltd.	144/6	144/6	2 14 6½	40/-	35/-	11½ a	Triplex Safety Glass Ltd.	30/-	29/10½	4 17 0
144/6	2 14 6½	144/6	2 14 6½	Turner & Newall Ord.	74/3	74/3	4 6 0	15/6	11/9	5 a	Turner & Newall Ord.	65/7½	65/7½	4 11 0
74/3	4 6 0	74/3	4 6 0	United Molasses Ord.	87/-	87/-	5 2 9	7½	7½	8½ b	United Molasses Ord.	81/10½	81/10½	3 16 0
87/-	5 2 9													

the ability of the Allies to find the ships. The shipping position has become severely more stringent, not merely or even mainly because of the rising curve of losses, but because of the new demands, delays and dangers brought about by the spread of Japanese power in the Far East.

The transport of a modern army, made mobile tactically by its mechanised equipment, is a tremendous task; strategically—at least when the sea must be crossed in face of opposition—its mobility is not high. There is a case for arguing that the bridgehead in Europe will have to be made by commandos, travelling light, and not by panzers; with the RAF, they will go first, and the armoured divisions will follow. But whatever means are contrived to ease the strain, ships remain the crux. Is Lord Beaverbrook prepared to state openly, from his own special knowledge, that the ships for an expeditionary force, as well as the weapons and aircraft, are available, and that it is only intransigence, or worse, on the part of the western Allies, that hold invasion back? These sugges-

tions add up to a capital charge, which should be made forthrightly or not at all.

It is the earnest wish of every Englishman—of every free man everywhere—that the manpower and the output of this country should be thrown in, at the highest price that will buy success, to decide the war this year. It is this year that counts, not next year. They ask for daring and for sacrifice as they have never asked before; they ask to face the ordeals that the Russians are facing for the same cause. The invasion of Europe will thrill England as no event has done since November 11, 1918, even though there will be long months of bitter fighting and heavy losses to follow. But it is a gross disservice to the high spirit of the people to suggest to them, from responsible official positions and without any evidence, that they are being misled, held back, and betrayed at the peak of their resolution—just as it would be a betrayal, indeed, of Russia no less than England, for the Government to prepare a larger and more disastrous Crete or Gallipoli under polemical pressure.

The Latest "Gamble"

THE German people have come to the end of a long and hard winter. In the course of it, they have achieved the great military feat of surviving a winter campaign in Russia. On the home front, the regime has, by a comparable feat in the field of mass psychology, succeeded in maintaining the unquestioning support of a great body of its citizens. Hitler is, for the time being, relieved of his worst fears in the east. The situation is not so critical as in December, 1941, when he made his last direct personal intervention. Nevertheless, one front—and a fundamentally important one—remains. Germany's survival now depends upon the maintenance of the present peak in war production.

It would be unwise to underestimate the stream of material which is still flowing from the German factories; but it seems certain that German industry reached its "all time high" in the autumn of last year, and the need to maintain production near that peak represents quite as serious a challenge as did the military situation last winter. Now that the American colossus has entered the race, Germany cannot set the pace much longer. The war must be won or driven to a stalemate this year. This implies, not only total victory in Russia, but sufficient reserves to make an Allied re-invasion of the Continent impossible. Neither can be achieved without an enormous accumulation and usage of war material. The question is whether, given the present economic position of German Europe, the necessary output can be achieved.

The failure to reach a decision against Russia in 1941 has meant that, for yet another year, the German war effort has had to rely on the production of Europe alone; and Europe's resources are not equal to the strain. The agricultural situation is unhealthy. Harvests were well below the average in 1940 and 1941, and the 1942 harvest promises to be unsatisfactory. The shortage of vital raw materials can be made good by the use of substitutes only at a very great expenditure of man-hours, fuel and plant. The chief bottleneck is labour. The labour force of Europe is working beyond capacity. A further intake of women is impossible without greatly extending day nurseries and kindergartens—which themselves swallow up more labour; the temporary demobilisation of soldiers to work in war factories has not been possible this winter because of the strongly sustained Russian pressure; to bring in more foreign workers would strain factory discipline to breaking point—its unsatisfactory state can be inferred from the greatly increased severity of the penalties imposed for absenteeism and slacking. There is only one possibility—to increase the efficiency of the war industries; but the slack that can be taken in here is probably small, and there is a point at which extra planning from the centre and extra directives to industry defeat their object by destroying flexibility and local initiative.

The situation can perhaps be best summed up in a series of dilemmas out of which some way must be found. Both the army and industry need more men. To bring in more workers from abroad means a decline in the agricultural output of their home countries—and Germany is getting shorter of food. To ration consumption goods still further might create a new margin of labour which could be transferred to war industry, but any cut below the present level would reduce the efficiency of the whole labour force. To rationalise industry further and to introduce a new nationwide drive to root out marginal inefficiency would arouse resentment and opposition in the managerial grades and probably frustrate its own purpose. All these and a host of other dilemmas spring from the fact that the Nazis are trying to make an instrument—in this case the productive capacity of Europe—do more than it can do. It is this combination of obdurate difficulties and sheer necessity that accounts for the latest personal intervention of the Fuehrer.

Since the autumn of last year, a number of significant changes have taken place in the organisation of the German economy. One of the first of these was the appointment of Wehrlein to supervise the transport system and to report back direct to Hitler. This was followed by the appointment of the Gauleiter of Thuringia, Sauckel, to take charge of labour supply. The decree appointing him was signed personally by Hitler and his wife—and rather vague—powers included the control of workers in occupied territory. Little publicity has been given to his activities, but the order prolonging school holidays into the autumn, so that all children over ten can help until the end of the harvest, probably comes from Sauckel's office.

The biggest changes have naturally come at the point where the danger of breakdown is greatest. The last months have seen what amounts to an unscrambling of the original structure of the armaments industry, and of the substitution for it of a new system, originating in decrees personally signed by Hitler soon after the death of Dr Todt. The problem was to combine an increase in efficiency with an increase in direct state intervention. Hitherto, the economic administration had fixed quotas, and allocated materials and labour, while the so-called "self-governing bodies"—in the main, the old cartels—dealt with production on a cost-plus profit basis. The new system, introduced by Hitler in his "Decree for Safeguarding the Armament Industry," is probably not yet fully in operation, but it hinges on the office and personality of Professor Speer, the new Armaments Minister. He is one of the Nazi young guard and before the war had the task of rebuilding Berlin and replanning the cities of Germany. His job in the new arrangement is to deal directly—with the assistance of picked bodies

of skilled engineers—with production problems, with rationalisation, the more economical use of men and materials, the closing of marginal factories and so forth. In a word, he takes over the sphere which was formerly more or less left to industrial federations. In return for abandoning their technical field, the cartels are, apparently, to receive greater administrative and executive freedom. The filling in of forms and the statistical reporting are to be drastically reduced; the allocation of materials and manpower is to be in fact transferred to the federations; it seems that the earlier state economic administration will "wither away" or its officials be absorbed among Speer's shock troops of production engineers, who will infiltrate the whole structure of industry as the representatives of the High Command of Wilhelm II's army infiltrated every military headquarters. It remains to be seen how the new system will work. It is hedged round by heavy penalties, including the death penalty, if false returns are made on the need for materials and man-power. And Speer has his check on this side of production by the provision that he can initiate proceedings against recalcitrant firms and, in collaboration with the Minister of Justice, determine what shall rank as new offences.

The significant point in all this experimentation and change is Hitler's direct intervention. The new officials are all personally responsible to him, they are all tried Party men; they carry with them the prestige of direct access to the Fuehrer. The technique is very similar to the one adopted by Hitler in December last year when he assumed direct responsibility for the army in Russia. Production is now the threatened front, and once again—and this time with the added prestige of success in the military crisis—Hitler is taking a hand. In December last, the military situation, and with it the unquestioning loyalty of the officer caste, was disintegrating under the stress of argument, discussion, dispute, doubts, fierce differences of opinion. The one thing a totalitarian system cannot survive, a breakdown in leadership, was on the horizon. Hitler was already Supreme War Lord, of course; but he chose in December last to underline his position of supreme authority in order to still the questioning and restore absolute discipline. It was a gamble. If the German army had broken, Hitler would have been broken with it. But it is not Hitler's weakness that he is a gambler. So far it has been his strength; he will never shirk a gamble when the alternative is defeat.

In the course of the winter, something resembling this situation has been developing on the production front. The business community has been fretting at inelastic controls and increasing pressure and friction. The Civil Service, which has lost its original Party purity through its vast wartime extension and consequent dilution with non-Party men, has become a hotbed of criticism and discontent. The totalitarian state can destroy all internal corporate activity save only the corporate

activity of the state itself—that is to say, the Civil Service. It is no coincidence that the Russian purges struck at the bureaucrats. The Civil Service is about the only group left in the absolute state capable of inspiring the solidarity that breeds independence of mind and, with it, criticism. Hitler cannot destroy it, any more than he could dismiss all his officers; but he can by-pass it; he can divide it up by splitting it into new sections—for example, the new committees and sub-committees of production engineers who are to work not by industry but by types of manufacture—tanks, aircraft and so forth. He can reinforce Party discipline; finally, he can exercise the magic of his personal intervention and responsibility.

It is against this background that Hitler's speech to the Reichstag must be read. Like the "taking over" of a military Supreme Command which he already possessed, the demand that the Reichstag should endorse powers which he has unquestionably possessed for the last nine years and has been using with a particularly personal emphasis in recent months is a dramatic gesture—a warning to the faint-hearted, an encouragement to the fanatic and the devotee. The speech itself is perfectly straightforward, seen in the perspective of the winter's reshuffling. The demand for full powers is preceded by the reminder that the terrific military ordeal of the winter has been overcome.

When nerves were at breaking point, obedience wavered, or where a sense of duty was lacking in mastering a task, I made stern decisions by virtue of the sovereign right which I believe to have received for the purpose from my German people.

Then Hitler turns to the production front. I have taken the necessary measures to prevent a repetition of a similar period of emergency. The German Reichsbahn will next winter discharge its duties better than during last winter—wherever we may be by then. Beginning from the locomotives and up to the tanks, tractors and motor lorries, our army in the east will be better equipped.

Finally he demands that the right of intervention which has worked such military miracles in the east shall be fully accorded in the sphere of production and on the home front generally.

"One thing I expect, that the nation gives me the power to intervene immediately and to act on my own initiative as circumstances demand . . . The Front and the homeland, the transport system, the administration and the judiciary must be governed by a single thought—to achieve victory.

Can the miracle be worked again? Is the screwing of an even greater productive effort from the overstrained machines and the work-weary labour force of Europe more impossible than maintaining an army unprepared for winter war through the rigours of the Russian cold? That is the question mark hanging over the Reichstag meeting. It would be folly if Hitler's enemies were to assume that this, his latest "gamble," is bound to fail.



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The Fuel Ration

SIR WILLIAM BEVERIDGE has been spitefully treated—by the Government, who presented his plan for rationing fuel prematurely and without any details or documentation; and by the critics who have shown themselves only too anxious to condemn the plan unheard. Largely, the extraordinarily violent opposition to this rationing scheme has nothing to do with the merits of the case. In part, it is due to the ham-handed way in which the scheme was presented; in part, to unjustified personal animosities against both Dr Dalton and Sir William Beveridge; and in part, more justifiably, to resentment against the mishandling of the coal situation in the past two years by both the controlling interests and the Government.

No one can deny some justification in some of these arguments. Last week, a letter in the columns of *The Economist* from the Mining Association, by its contention that nothing at all is wrong anywhere in the production and distribution of coal, demonstrated, by proving too much, that something needs to be done, by an impartial authority, to increase the productivity of coal-getting. The one commodity of which this country, potentially, has enough within its own frontiers is coal. It is a reflection upon the foresight of all concerned, and not least the Government, which probably took away mining labour in undue numbers for military service, that this crisis should have arisen. It is imperative that, if rationing is to be introduced, it should be accompanied by the most stringent guarantees that the utmost rationalisation of both output and distribution will be put through at once under strict and direct control by the Government. But these are arguments that the crisis should not have arisen; they do not say that there is no crisis to make rationing necessary; they say the precise opposite. Above all, perhaps, it should be stated that the personal elements in this controversy are deplorable. Dr Dalton is regarded, rightly, it is to be hoped, as a "strong" Minister, determined to impose his will upon the industries that come within his purview; Sir William Beveridge's main fault would seem to be the efficiency with which he does the manifold duties which are entrusted to him.

There are only two questions to be asked about this plan to ration fuel. Is rationing necessary? Will this plan work fairly and effectively? The first question has been answered, with some authority, by Mr Arthur Horner, President of the South Wales Miners, who said on Monday that

there are no measures now conceivable which could guarantee coal production on a sufficient scale to permit the free use of coal as in the past. I see no difference in principle in applying rationing to coal or any other commodity.

Sir William Beveridge's report, published on Tuesday, carries the argument further: none of the alternatives to rationing can ensure fair distribution; if there is no rationing, there will be increased domestic consumption because of increasing purchasing power, with gross inequities reflecting differences in income; it is desirable that rationing should be introduced when it can be mild and done without hardship even to the poorest; it is necessary to provide ahead, for 1943 as well as 1942, because the demand for coal as the war effort grows is bound to rise. Seldom have the right arguments for rationing been so rightly and relevantly stated. Rationing is needed now to prevent shortages and severer rationing in the future.

There is much to be said for the view that, ultimately, rationing of all, or nearly all, essentials is the unavoidable consequence of leaving increased purchasing power in the hands of consumers in face of diminished supplies.

It is a view which the trade unions, in other matters, have been only too ready to endorse. So, too, is the opinion, amply based on experience in the past two years, that "the public will prefer fair compulsion and will reject

appeals." Under rationing, the poorest will get as much as last winter, and in many cases more.

There are no real alternatives to rationing. There are three complementary ways of ending the coal crisis: to increase the efficiency of the industry, which can take effect only slowly; to release men from the Forces, which is especially difficult if hard spring campaigns are ahead; and to ration fuel, which is admittedly complicated. The only commonsense line of action is to apply a dose of all three methods. The point made by Sir William Beveridge to the Press is unassailable; manpower is the crux, and for any man to be getting or transporting coal for non-essential civilian use, when he might be getting coal for the war industries or serving in the Forces, is a gross waste in any circumstances.

With these issues made clear, it should be possible to look at Sir William Beveridge's plan fairly and reasonably. It is symptomatic of the unreasoned bias of some of the protesters that they still make ammunition of the fact that the plan involves the use of 15,000 clerks; they do not add that these are temporary clerks, likely to be required for no more than six to eight weeks. Sir William Beveridge frankly admits in his report the special difficulties of rationing fuel; unlike food, fuel is not consumed evenly week by week, and its consumption cannot be controlled at shops; fuel requirements differ from house to house, from family to family, and from person to person; and control is difficult. On the other hand, it is hard to imagine a plan better calculated to overcome these difficulties than the one now under fire. Necessarily, the scheme embraces all fuels, in a scheme of points rationing with interchangeable coupons. Biggest virtue of all, the double ration, household and personal, is based on present needs, not past consumption.

No scheme could be easy either to work out or to apply. But the one serious problem which the plan leaves only partly solved is the problem of control. What is to be the sanction if the ration of coal, gas or electricity is exceeded? In the last resort, of course, the sanction must be the cutting off of supplies. But the plan especially notes this as a last resort; and it is suggested that small or unintentional excesses should be adjusted to be reductions in the ration for the following period. One possible expedient the report does not mention. The device of selling power and light at a double rate, rising when a certain quantity has been consumed, is well known in commercial practice; it might be possible to apply a similar principle, involving deterrent charges above the ration figure, though obviously this would unfairly favour the consumers with the most money.

It must be admitted that the rationing of fuel, like the rationing of food, is a heavy responsibility. The health and will of the people at war depend at bottom upon the necessities of life. But the argument for fuel rationing is the same as for food rationing. The only way to prevent, not only a shortage of vital resources for the war effort itself, but also hardship and inequity for the workers, is to introduce a ration in time; and there is no time to lose if the fuel ration is to be effective for next winter. Sir William Beveridge has stated categorically that, even to obtain all the 10 million extra tons by civilian rationing need involve no hardship for the poorest consumers, if rationing is begun now. The suspicion in Parliament has been due to the fact that the Commons Select Committee on National Expenditure, having reported some time ago that rationing should not be necessary—which is very now to say that rationing is not necessary—which is by no means the same proposition. It is reported that the plan may be dropped or weakened. This would be irresponsible foolishness; and it is to be hoped that the Government, while showing the utmost sympathy and receptiveness towards suggestions for improvements in the scheme, will be resolute in its determination to carry the scheme through.

Colonial Commandos?

ONCE again British forces are being forced to give up British territory to an invading power. The campaign in Burma, it is true, has not met with the immediate and overwhelming defeat that occurred in Malaya; the Japanese advance is being steadfastly contested; the far too few British soldiers may be tired, but they are not "soft"; and there is real co-operation between them and their Chinese allies. Nevertheless, for the second time British troops have had to fight a losing campaign in the presence of a large native population, whose co-operation with its protecting power might have turned the scales, but which has instead for the most part remained aloof or given help to the invader. Once again, therefore, there is much criticism of this lack of resistance except by the armed forces.

Total war must be fought by more than the organised armed forces. It can be—even in the colonies, as the people of Malta have shown. The guerillas of China and Russia have proved that resistance can be prolonged, to the serious detriment of the enemy, long after the main armies have been driven back. There is no sign that any attempt was made to organise guerilla bands in Malaya, and it is probably too late to organise them in Burma. But there is still time in other parts of the dependent Empire such as the colonies of British West Africa, which have been threatened by Laval's assumption of power and his wish to collaborate with the Germans, who have again bombed the neighbouring territory of Chad.

It is in British West Africa that the organisation of guerilla bands seems particularly suitable, for the nature of the colonies, and especially their social structure, make any other attempts to obtain the active support of their people difficult. When people talk glibly about apathy or treachery, they are apt to forget that backward races, who have been conquered all their history, will still submit to *force majeure*. If, for instance, Vichy or German troops were to invade a Nigerian town, the normal reaction of many of the natives would be to disappear into the bush. Others would remain out of curiosity, and of these a large number would act as guides or porters for the enemy, not for any base reason or indeed for any reason at all; they would simply do as they were told, because they are accustomed to obey and it is not in their nature to reason why. A comparison with the much more advanced and civilised Filipinos is unfair; the Filipino has some idea of the issues at stake which the ordinary African, with his very limited outlook, cannot perceive.

In these circumstances, it is very difficult to enlist the co-operation of Africans in their own defence. So far, the only active policy pursued by the authorities is to encourage enlistment in the local military forces. In British West Africa, the local governments have met with considerable success in their recruiting campaign for the Royal West African Frontier Force. But, relatively to the size of the populations, the RWAFF has only mobilised very small numbers, and in any case it has not skimmed the cream. The only entry is through the ranks, but this democratic method of recruiting makes it impossible for men of native rank and position to enlist. It is not, perhaps, sufficiently realised how feudal and aristocratic is the social structure of most of the Gold Coast and Nigeria. It is probably more unusual and difficult for the son of a native ruler to join up as a private, than it would have been for the son of a noble British family before the last war. Possibly, this reluctance is wrong—it is certainly contrary to modern British ideas—and the British policy of bolstering up such a social structure may be mistaken. But, as the facts are at the moment, there would be a danger of upsetting the whole social and political organisation of the country if young men of noble families were coerced or persuaded into positions where they would be ordered to perform menial tasks by corporals who, in local opinion, might possibly be on the lowest rung of the feudal ladder.

On the other hand, it is these acknowledged leaders

of society who could form the core of organised native resistance to the enemy, and they ought not to be wasted. They inherit from their fathers traditions of raiding and fighting, and their position assures them active assistance whenever they may find themselves in their own territories. At this stage, it is too late to establish African cadet schools for the RWAFF, and in any case it is not certain that the influence and traditions of these men would be best utilised in a purely military framework. But the organisation of guerilla units under their leadership would be a different matter. These units would be formed by the chief, just as in former days his predecessor summoned so many horsemen from each of his villages in time of need, to form an army for defence or attack. Now, as then, the first loyalty of these bands would be to their leaders. Most Africans have no national consciousness yet; but they have a strong local pride, and it would be easier to rally them to fight for their own chiefs than for "democracy."

The main function of the bands would be auxiliary to the activities of the regular armed forces. They would operate as nuisance raiders behind the enemy lines both in defence and attack. The only military training they would need would be practice in the use of small arms, in laying land mines and so on. Obviously, there would have to be some co-operation with the military authorities, and it is suggested that this could best be achieved through District Commissioners, specially selected and seconded, who would command the respect of both the leaders and their followers, and who know the country, the people and the language. The point is, however, that the guerillas would not be immediately under military discipline; there would be no compulsion on them to wear a uniform which many regard as unbecoming to their dignity; and to a large extent they would be left to their own initiative. In organisation, they would be a sort of Home Guard; in function they would be Commandos—in the original sense of the word.

The West African terrain favours the operation of such bands, and furthermore they could live on the country and would be completely independent of lines of communication. Transport, too, would be easy. In some parts, there would be a plentiful supply of horses; in others, the bicycle, which most natives can ride and enjoy riding, would be used—the Japanese took Malaya on bicycles. The Burma campaign has shown that the equipment of an army can be carried too far in tropical countries, and the equipment of the colonial guerillas would be of the lightest. Fresh supplies would be available in caches which the nature of the country readily provides. Moreover, the bands would find it easy to disappear after a raid, and it is highly unlikely that their whereabouts would be betrayed by their countrymen.

This sketch gives only a tentative outline of the sort of scheme that might be adopted for making the best military use of colonial manpower. Obviously, the details would vary greatly from colony to colony. The essential element is to base the plan on the peculiar social structure that exists in each. It may be argued that, in the event, the operations which such colonial commandos could carry out would be insignificant in relation to the scale of modern warfare. But it is the very totality of the present war that makes success in waging it dependent on the active support of the great mass of civilians. Any small operation achieved by the commandos would have a manifold psychological effect on the local population. It would stimulate popular support and assistance for their work; and, above all, it would encourage their countrymen to imitate them by hindering the enemy's forces in a hundred and one ways instead of—as has sometimes happened in Malaya and Burma—collaborating with them because of the complete lack of an organised nucleus of popular resistance. In a very different context, there may be a lesson for India in this plan for local defence, fitted to the people's own ways and traditions.

NOTES OF THE WEEK

Leaven in India

Sir Stafford Cripps reported to the Commons this week on his Indian mission, and the House accepted his findings. His main conclusion was that he had left a new leaven at work in India, especially among the younger men. Already there are signs that this leaven is at work. In Madras, Congress leaders have advocated co-operation with the Moslem League, and have even spoken favourably of Pakistan. There are divisions of opinion nearer the Congress centre, and plainly the old intransigent crust is splitting. Sir Stafford Cripps believes that it was this intransigence, born of an old deep-seated distrust, which wrecked his mission. The occasion of the breakdown was the distribution of defence functions between Indian and British authorities. But this was not a real issue because, as the White Paper on the Lord Privy Seal's mission proves, the British Government in fact met the substance of the Indian suggestions. Only in the dying stages of the negotiations did the real reason for failure emerge, in the shape of the Congress demand for an irresponsible National Government at once; to make this demand was, in effect, to refuse terms. It is worthy of emphasis that, on one ground or another, every organised body of Indian opinion refused in the end—Congress on the National Government issue; the Moslem League on the issue of Pakistan; the Sikhs because of their wish for British protection; and the Depressed classes for the same reason. All the Indian groups either did not trust the British enough or did not trust each other. Sir Stafford Cripps is confident that the seeds of future success have been sown simultaneously with the failure of his venture. Several members in the House showed themselves anxious to help on the process, to give fresh proofs of British honesty of purpose, to reinforce the impression given to India and to the world by the recent offer. It is impossible to expect the British Government to court failure by early renewed proposals: it would be unwise and ineffective. But it is essential that no step should be ignored to increase Indian confidence, especially by the appointment to high posts in India of men with the tradition of sympathy and understanding which Sir Stafford Cripps has done so much to set on its way.

Second Front in the Air

As the Allied air offensive over Europe has been extended and intensified, the *Luftwaffe* has been forced to return to the attack in the west. The bombing of Bath, Exeter, Norwich and York marks an important departure from the German strategic habit of doing one thing at a time. It is improbable that the German High Command really wished to interrupt the long lull in the serious bombing of Great Britain on the very eve of the summer campaign. True, the number of German planes employed in the latest raids has not been large—twenty only are reported to have been used against York. The appreciable damage which they have achieved is the result of concentration on relatively small targets and the use of heavier bombs. The percentage of planes lost has been high—twenty-five per cent are claimed in the case of the York raid. Thus, it is not possible for the Germans to maintain severe raids even on small provincial towns without placing an appreciable strain upon their air resources. There can be no doubt that the resumption of German raiding over Great Britain is as great a triumph for the RAF in its recent crescendo of devastating attacks as the actual damage inflicted on Lubeck and Rostock, Augsburg and Kiel. The enemy has been forced to hit back. The British raids have had to be taken seriously both from the standpoint of damage to output and shock to morale. The matter has had to be discussed in the columns of the German press, and reprisal raids have had to be promised and carried out. There are several signs which indicate that the German reprisals are intended mainly for home consumption. "Baedeker raids" against plutocratic spas may sound impressive to the German people. But they are peculiarly suited to stiffen morale in this country, and it can only be supposed that the Germans indulge in them because they are unable or unwilling to spare air fleets for attacks on more serious targets—at bottom, the Germans no longer believe in bombing as a separate weapon against defended areas.

Advance to Lashio

The land fighting of the week has been chiefly in Burma, for the Russian front is bogging down everywhere in mud, even in the more wintry Svir sector in the north. The battle in Burma has taken a turn for the worse in the development of a new Japanese thrust up the Salween River, a front on which there has recently been but little activity. A fortnight ago it was reported that at least one fresh division had been landed at Rangoon, and presumably the new thrust has been made possible by the arrival of sizable reinforcements. The country into which the Japanese have advanced beyond Taunggyi is mountainous jungle with poor roads; strategically, however, it is of the first import-



ance. The advance has carried the enemy not only to the flank of Mandalay's defences, but has brought him to the gates of Lashio, a key city on the Burma Road, which is now in immediate jeopardy. Probably very little material is passing along the track now. The danger is that it will provide an entry point into the heart of Free China not for goods but for Japanese. The aim of the Burma campaign is, after all, to cut off China from the United Nations. This objective can be achieved more easily up the Salween River than up the Irrawaddy or the Sittang, where, for the moment, the enemy is held.

More Independents

Twice more the Government has been beaten at by-elections. Mr Brown (Independent), the demagogue of the organised Civil Servants, scraped home at Rugby by 679 votes. Mr Reakes (Independent), claiming that his victory was a victory for Mr Churchill, had a ten times bigger majority at Wallasey. The polls were small, at Rugby 40 per cent, at Wallasey 33 per cent. But the tide of events is significant. Any candidate who calls for a more vigorous prosecution of the war will get votes—though Major Cripps, eclipsed by Mr Reakes, forfeited his deposit at Wallasey; and the parties have not enough hold over the electorate to bring voters to the polls in support of the undistinguished candidates whom they set up as lay figures to symbolise national solidarity. The Labour party cannot even prevent its local following, as in both Rugby and Wallasey, from supporting the new opposition. Mr Reakes is an unknown quantity. Mr Brown showed his well-known wrongheadedness as soon as he was elected by prating about "the Government's political differences with Russia." But he, like Mr Reakes, also asks for a more active and efficient strategy. Mr Churchill is in no danger. The Government stands solid. These are only straws in the

wind. But the wind is important; and Ministers would do well to note two things: that the nation is ready and anxious for the most exacting tasks; and that the present official parties are distinctly *vieux jeu*.

Doubts in Italy?

It is difficult to assess the value of the reports which are circulating of a state of alarm and despondency in Italy so strong that King Victor Emmanuel—not noticeably a man of decision and action—is considering a change of government. For one thing, all the rumours come from across the Atlantic. For another, they are all based on the assumption that Hitler's Reichstag speech was that of a "desperate man." It is perfectly true that Italy has on the whole fought this war vicariously. Her triumphs have in reality been German triumphs, and she relies on Germany absolutely for victory. If there were serious signs of a German collapse, it would mean immediate defeat for Italy, and Italian diplomacy might then with its usual flexibility look about for ways of climbing on the bandwagon of the United Nations. But Hitler's speech rather forecast a more ruthless prosecution of the war, and the various consultations that are said to have been held in Rome—between the King, Mussolini, Ciano, Badoglio and others—while they may have pointed to a change of policy, may equally well have been designed to screw up Italy's war effort for the coming ordeal.

Unemployment Fund

The latest reports of the Unemployment Insurance Statutory Committee reveal further substantial increases in the disposable balances of the Unemployment Fund on general and agricultural account. All the trends which were in operation in 1940 were accentuated last year as the prosecution of the war brought full employment nearer. The loss of income to the Fund due to calling up of industrial and agricultural workers was more than balanced by new entrants into employment and by the changes introduced by the Unemployment Insurance Act, 1940, which both raised contributions and widened the scope of the scheme. The decline in unemployment was responsible for a substantial reduction in payment of benefit—from £25,894,000 to £8,874,000 on general account, and from £635,000 to £294,000 on agricultural account. The disposable balance to the credit of the General Account rose during the year to £54,534,577 from £79,805,751, and the Committee estimates that, at current rates of income and expenditure, the balance may be doubled during the current year. The disposable balance on Agricultural Account increased by more than £1,000,000 to £4,894,452. The Committee has decided to recommend that the automatic increase in agricultural contributions of ½d. a week, which was to take place next July (a reduction of ½d. a week was instituted for a period of three years only ending on July 6th this year, in order to reduce the accumulated reserve to £500,000), shall not take place, since the balance on Agricultural Account has continued to increase despite the reduction in benefits. No steps are recommended to reduce the balance on General Account, or to retard its growth, since the Committee hold that its accumulation is due solely to the abnormal conditions of war economy. Since no measures have been announced for the prevention of an unpredictable increase in unemployment after the war, there is at present no basis for calculating the expenditure which the Fund may be liable to meet, and the Committee's view is that it remains essential to build up a substantial reserve, rather than to raise benefits or to reduce contributions. Moreover, the Committee point out that it would be unfortunate to take any step which would place unemployment insurance further out of step with other forms of social insurance, at a time when social security as a whole is the subject of investigation by an Interdepartmental Committee.

Social Security

The reasons given by the Unemployment Insurance Committee for leaving insurance contributions and benefits unchanged have aroused some misgivings. It is argued that the phrase "whether or not it is controllable," applied to unemployment after the war, is unduly defeatist, and likely to cause alarm and despondency. The actual statement in the report is that whether or not it is controllable, the level of unemployment is unpredictable; and it is further argued that this is misleading because, if it is controllable, it is

also predictable. The objection is at once reasonable and unfair. It is reasonable because it should be practicable after this war, by planned demobilisation and a national investment programme, to maintain employment far more successfully than after the last war. Several Ministers have said so, and failure this time will be a political disaster of the greatest gravity. It is unfair because, at least until plans to this end are laid, this Committee within the terms of its responsibility for an insurance fund, must inevitably regard the course of events as "unpredictable." The argument in the report about the correlation of all forms of social insurance is also criticised. It runs as follows:—

The various forms of social insurance are or should be related to one another in respect of benefits. On the side of contributions, they are by nature inseparable. They draw upon common resources; the contribution which it is practicable to exact without hardship for the purpose of health insurance or pensions is affected by the level of contributions of unemployment insurance; the best use of the common resources available ought to be considered in relation to all forms of insecurity and not to one form only; it would be improvident now to commit ourselves to a scale of expenditure on unemployment benefit which made it impracticable later to meet more urgent requirements of another kind.

The fear seems to be that Sir William Beveridge, in his dual rôle as chairman of this Committee, and of the Inter-Departmental Committee that is at work on the future of social security, is too wedded to the insurance principle, with the result that now and after the war social security as a whole will continue to depend upon the financial and actuarial ability of a host of weak and expensively administered friendly societies—and not upon social need. Here again, the criticism is both reasonable and unfair. It is reasonable because it is impossible to establish social security, according to need, on an actuarial basis by the present insurance method, privately administered; it is unfair because the report's argument that, insofar as the insurance method is used, contributions to all forms of social insurance must be aggregated, and regarded as a single contribution from a single source, is perfectly sound. What the critics are getting at is twofold; in principle, that the insurance method is inadequate, and should be replaced or supplemented by state payments; and, in practice, that the employment of approved and friendly societies is hopelessly inefficient. There is no evidence that Sir William Beveridge is not giving the most careful attention to both these considerations.

Laval Has Been Warned

There have been few significant developments inside France in the course of the last week. Laval is settling into office. He has, no doubt, spent his time taking stock of the position and getting the feel of the reins of government. It is already obvious, however, that as far as possible, he means to steer clear of Vichy. The curious duality of power which has been established between the political and the military hierarchy is now to be doubled by an equally confusing geographical duality between Vichy and

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Paris. Laval will move between the two centres of administration, leaving his Ministers in Vichy—they are on the whole men who have already served under Pétain—and his secretaries—the newer, wilder lot—in Paris. The possibilities which are thus opened up for bamboozling the Marshal are infinite. The possibility has to be faced that, in spite of the dyarchy which gives Pétain control of the armed forces, Laval will find some way of embarking France on such very doubtful enterprises as “freeing” Syria or “defending” Dakar, in which case it is not diplomacy but force that will decide the relations between Vichy and the United States. The recent landing of American troops in Free French Caledonia was by invitation. The principle may have to be extended to colonies and bases where no invitation has been issued. The President has given Vichy fair warning. He has revealed the fact that American warships are operating in the Mediterranean, and has pledged the United Nations to “take measures if necessary to prevent the use of French territory in any part of the world for the military purposes of the Axis.” Such language is refreshing. It has the added advantage of being the only language Laval—or Abetz—understands.

* * *

New Caledonia and the United States

The political and strategic significance of the American landing in New Caledonia, one of the staunchest and oldest Free French territories, is obvious. Occupied by the enemy, it would be the most important advanced base for an attack on the industrial areas of east Australia and the north island of New Zealand, which are between 800 and 1,200 miles away. Apart from its strategic importance, however, New Caledonia is a source of two vital raw materials of the munitions industry—nickel and chrome. For nickel, the territory is the world's only important producing area outside of Canada. In 1940, the last period for which authentic figures are available, the New Caledonian nickel output reached 17,500 metric tons, that is, more than one-eighth of the world output. Since the fall of France, the whole of the Caledonian nickel has been acquired by the Australian Government, in co-operation with the International Nickel Co. of Canada, and something like four-fifths of the quantity involved in these purchases has been at the disposal of the United States munitions industry. The chrome ore output of New Caledonia in 1940 amounted to 55,790 metric tons, or just under 5 per cent of the world's total, but as the whole of this supply has recently been shipped to the United States, its significance to the United States munitions industry is far larger than this percentage suggests. If the New Caledonian nickel and chrome supplies had been allowed to fall under Japanese control, Japan would have become independent in these vital war materials of which it is at present seriously short. How far supply considerations have influenced the decision of the United States Government to land troops in New Caledonia is not known, but its action has the same effect as the landing of United States troops in Dutch Guiana late last year, by which United States bauxite supplies were protected.

* * *

War Damage

The main purpose of the War Damage (Amendment) Bill is to make provision for risks incurred after the end of August, 1941. In view of the uncertainty about the future scale and effect of air raids at the time of the passing of the original War Damage Act, it only provided for contributions up to the end of last August. An interim measure, the War Damage (Extension of Risk Period Act), 1941, provided for a risk period of a further year, but made no provision about future contributions. The main feature of the new Bill is the substitution of a single risk period, that is to say the duration of the war, for successive risk periods of one year. Since the contributions payable in respect of damage up to the end of August, 1941, have been spread over a period of five years, this change is a sensible one. There is to be no alteration in current contributions, either in amount or in number. This has been strongly criticised, but it is difficult to question the decision. The critics argue that the income accruing to the Treasury from contributions exceeds current disbursements, and that, in general, compensation will not be paid until after the war. But it is the total expected payments, the total liability, and not merely current disbursements that should be the yardstick. If the expected receipts from contributions ex-

ceed the total expected payments, then Parliament may reasonably take steps to reduce contributions. But, so far, receipts, inclusive of the Government's contribution of 50 per cent of the expected payments, can hardly have run ahead of the total liability. Apart from the new definition of the risk period and the decision not to alter the rate of contribution, the Bill contains no amendments of major consequence, though there are a number of adjustments which have been found desirable in the light of experience. For example, the Board of Trade is given power to make advance payments under the Business Scheme in case of hardship. Unfortunately, however, the Bill does not meet the criticism arising from the unequal incidence of contributions in respect of property; the argument that contributions should be made proportionate to the amount of the various financial interests in each property, or group of properties, is surely justified by reasons of equity.

* * *

Boots and Chains

M. Molotov's second Note on German atrocities committed on Russian territories differs from the first one (published in January, 1942), in that it puts the emphasis on the economic aspect rather than on the policy of physical terror. In a sense, the practice of plunder, described in the Note, is the enemy's indirect acknowledgment of the effectiveness of the Russian “scorched earth” policy. Thus, the enforced transport of Soviet civilians to Germany has, to a large extent, been due to the fact that Germany has not been able to exploit their labour on the spot—the industrial equipment has been either removed or destroyed. But this has been only one of the motives for the wholesale plundering. The main principle underlying the invader's policy has been, from the first, that the conquered peoples themselves must pay the cost of their conquest. The rule has been applied all over Europe; but, whereas in France plunder is still coupled with some appearances of civilised “book-keeping,” no such subtleties have been indulged in the “barbaric” east. And as the cost of conquest there has proved so much higher than in the west, the plunder has assumed prodigious proportions. Among the details enumerated by Molotov is the order issued by the German general Beier forbidding the wearing of boots by the civilians, who are forced to give up their footwear to the occupying authorities. This order will perhaps be quoted in future text-books as one that epitomises the “historic mission” of the Third Reich. It was said of Napoleon's soldiers that they freed the peoples of Europe from their feudal chains, but that together with the chains they pulled off their boots. Hitler's soldiers steal the boots—not metaphorically but literally—and put the chains on the bare foot.

* * *

Protest and Counter Protest

The incident of the ten Norwegian ships which sailed from Gothenburg on April 1st, in an attempt to run the German blockade, is in its legal aspect something of a storm in a teacup. The Reich authorities are apparently incensed by the ability of the Norwegian merchantmen to return the fire of German patrol ships, since it is known that they reached Sweden unarmed in 1940. A German protest to the Swedish Government has been followed by a Swedish protest to the British Government alleging that the arms were smuggled on board under cover of diplomatic immunity. It would be a thousand pities if the natural irritation which this incident has aroused were allowed to bulk disproportionately large. In point of fact, there is much solid, mutual understanding between Great Britain and Sweden. Obviously, the precarious foreign policy which Sweden has so far pursued with such great success demands a rigid and formal insistence on the letter of international law. There is little doubt, however, that of international legal institutions, will arouse a touch of cynicism in a country where the critical faculty is still very much alive. It is not so very long ago that the technique of formal protest was regarded as the main, and possibly the sole weapon, in the armoury of the effete democracies, while the successful gangster tactics of totalitarian governments dazzled the neutral world into believing them to be not so much outside the law as above it. The Swedish Government has rightly refused to allow its neutrality to be compromised through the mysterious circumstances which surround the dash which the ten Norwegian ships have made for freedom. So much is understood in this

country. No doubt it is equally understood in Sweden that the German protest, always supposing it to be soundly based, sounds pharisaical to British ears.

* * *

A Minister Looks Forward

When a member of the War Cabinet, who is first and foremost a successful business man, publicly sets out in simple terms his hopes for the post-war structure of business life, it is an important event. Mr Oliver Lyttelton's broadcast Postscript last Sunday was refreshing and enlightening. He made it plain that thought about the world after the war is part and parcel of the war effort itself. He refused to take sides in the present heated controversy between private enterprise and State control. Shrewdly, he pointed out that, in theory and in practice, there must be room for both—for private enterprise and individual initiative to bring about economic progress by experiment and effort; and for State control to ensure that all the essentials of decent living are made available to citizens and consumers, and to make certain that the powers of business are exercised, and the fruits of technique harvested, for the benefit of the community at large and not simply in the interest of producers' cliques and corporations.

* * *

Post-War Economy

The argument that Britain's economy will be ruined by the war, that it will take many years to recover the pre-war standard of living, has often been refuted by *The Economist*. Britain's main asset is the skill of its people, its productive facilities and capital equipment. Some of the capital equipment may be destroyed or fall into disrepair, but, unless the probable damage greatly exceeds present expectations, physical rehabilitation can be effected fairly quickly, probably within two or three years. But the loss of income from overseas investments and other sources of foreign exchange will be an important debt factor. It will involve an increase in the volume of exports required to obtain a given quantity of imports. The difficulties facing this country after the war should neither be underestimated nor overestimated. A pamphlet published by the (American) National Planning Association, on Britain's trade in the post-war world, perhaps tends to err in the direction of optimism. In its view, the United Kingdom will emerge from the war stronger than before from the “stand-point of technology”—which is probably true. Damage can be repaired in a relatively short time; new plants can be, in time, turned over to the output of the goods of peace; civilian industries, pushed out of obsolete practices, will emerge rationalised for optimum output. But when the writers of the pamphlet, having admitted the probability of a post-war dollar problem, go on to work out a post-war balance of payments, varying with the national income of the United States, they arrive at results which probably add up to too rosy a picture, and are, in any case, highly speculative. As a matter of fact, it is probably impossible at this stage to visualise post-war circumstances with sufficient accuracy to do sums like these usefully.

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Canada: No Change

It is difficult to see how the result of the Canadian plebiscite can give very much guidance to Mr Mackenzie King. Of the 4 million voters who were asked to “free” the Government from any restriction on the use of its powers—the relevant commitment is, of course, the undertaking not to impose conscription for service overseas—about 64 per cent have agreed to release the Government. This absolute percentage masks the real significance of the voting, for the great bulk of the opposition came, as might have been expected, from Quebec. Here 940,000 out of 1,370,000 votes cast were against release, and the situation now is almost exactly what it was before the plebiscite, with the bulk of the English-speaking Canadians supporting conscription for service anywhere and the bulk of the French speaking Canadians opposing it. Mr Mackenzie King has summed up the results of the plebiscite thus: “It is a national expression on a national issue. There can be no doubt about the significance of the vote.” Unfortunately, there cannot. The plebiscite has made no difference at all to the attitude of French Canada and now, as before, Mr Mackenzie King must either coerce a powerful minority—or work out some special status for them. The formal

expression of opinion elicited from Quebec by the plebiscite may even make the problem more difficult than it was.

* * *

Australian Taxation

The Premiers of the Australian States have rejected Mr Curtin's proposal that they should renounce their rights to levy income tax for the duration of the war. It is not yet certain what Mr Curtin will do, whether he will submit his proposal to the Commonwealth Parliament in its original form or modify it. His scheme would impose a uniform income tax all over Australia from July 1st, which would produce a sum equal to the amount at present collected by the Commonwealth and States. As compensation, the latter would be given £A34,500,000—the average income tax receipts of them all in the last two years. There are obvious administrative advantages in such a uniform tax, but much more important is the strength it would give to the Commonwealth's fiscal weapon for waging the war. So long as there is a discrepancy between the total taxation paid by Australians living in one State and those in another, there must be a margin of taxable income which the Commonwealth cannot touch; and, as Mr Curtin rightly pointed out, Australia's obligation to the Allies could not allow this. Some idea of the discrepancies between the taxation in the different States can be obtained by comparing the total Federal and State taxation paid by a £A1,000 income in 1940-41. This varied from £A205 in Victoria to £A244 in South Australia. For a £A20,000 income, the lowest taxation was again paid in Victoria (£A10,841) and the highest in Queensland (£A13,529). It is very natural that Victoria should protest that the imposition of a uniform tax would penalise those States, like itself, that have been economically governed. On the other hand, it is Victoria and New South Wales—also one of the more lightly taxed States—which are the principal manufacturing centres. If their margin of spendable income, represented by the difference between their taxation and that of South Australia and Queensland, were diverted to the Commonwealth, there would be a considerable gain in their contribution to the defence of Australia.

* * *

Seamen's Pensions

The Pensions (Mercantile Marine) Bill which Sir Walter Womersley, the Minister of Pensions, has introduced into the House of Commons seeks to repair an important defect in the pension rights of merchant seamen. Existing legislation justly puts the merchant seaman, who suffers death or disablement as the result of a war risk, on the same footing as a naval rating in regard to pensions and dependants' allowances. But present legislation does not cover cases of death or disablement as the result of ordinary marine risks, although these have been greatly increased on account of war conditions, nor does it extend to British seamen sailing in Allied vessels. The new Bill, which amends sections three, four and five of the Pensions (Navy, Army, Air Force and Mercantile Marine) Act, 1939, removes

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from the scope of workmen's compensation legislation all cases of death or disablement due to marine risks which have been increased as the result of war conditions, and brings within the scope of the scheme British seamen on foreign vessels, seamen who at the time of the accident are not attached to any particular ship, and fishermen. This amendment will do much to rectify the anomalous position in which the family of a merchant seaman who loses his life in a particularly dangerous form of active service, but not as the direct result of enemy action, is in a less favourable position than the family of a naval rating who meets his end in similar circumstances. The legislation is to be retrospective to September 3, 1939. The benefits contemplated by the Bill are qualified by the provision that "... an injury or any loss or damage shall be treated as being attributable to the matters specified ... if, but only if, they substantially increased the risk of the peril occurring which caused the injury, loss or damage." Thus, the merchant seaman is not to be placed in a position of complete equality in the matter of pensions with members of the Navy. There apparently remains an obligation to prove that normal marine risks have been increased, an obligation which the naval rating does not have to discharge. This is an appreciable detraction from the benefits of the proposed Act, if the provision is to be rigorously enforced, since it may be extremely difficult for the dead or disabled seaman or his relatives to make out a case. No doubt the matter will be brought up in debate. At the other end of the scale, the pensions payable to widows of naval officers of flag rank who have voluntarily undertaken to serve as commodores on convoy duty appear to be highly inequitable and are attracting considerable attention. It is now plain that the amendment which the First Lord of the Admiralty announced in Parliament in answer to a recent question implies an improvement in the pension rights of a full admiral only. If officers of flag rank are killed in action while serving as commodores, the widows have hitherto received only the pension attributable to a commodore killed in action, instead of, as equity demands, the pension attributable to an officer of their true rank when killed in action. The alternative method of assessment, that of aggregating the pension of a flag officer not killed in action and civil defence volunteer pension rights, would actually reduce the total income below that now drawn by widows of vice-admirals and rear-admirals and of commodores. The arrangement remains grossly ungenerous.

End of an Anomaly

Following President Roosevelt's decision last week to seize enemy-owned patents in the United States, which was discussed in a note in *The Economist* of April 25th (on page 568), comes the news that the Board of Trade has revoked its general licences permitting the filing of applications and the payment of renewal fees in connection with enemy-owned patents. In future, all "trading with the enemy" in the matter of patents will be prohibited, with the sole exception that renewal fees on enemy-owned British patents may be paid by a person who is not an enemy, and who is either part owner of the patent, or holds a licence under it. The revocation of the general licence applies to all enemy-occupied territory and Vichy France. It is understood that the Patent Office will do no further work on applications from enemy and enemy-occupied countries. This decision suggests that the new order does no more than place the patent system as between Great Britain and its enemies in cold storage for the duration. Reports from the United States, however, make it doubtful whether, in the event of an Allied victory, Washington will be disposed to return enemy-owned patents which had been used in America for the prosecution of the war. No doubt it is too early to anticipate the long-term effect of these developments in Great Britain and America, but the important consideration at the moment is that an anomalous form of trading with the enemy, which involved waste of energy and a drain of sterling, and was wholly unsuited to the conditions of total war, has at last been terminated.

Agricultural Taxation

The recent decision to extend the substitution of Schedule D for Schedule B as the basis for taxing farming profits was a necessary complement to the policy of making

farming pay. The old basis of taxation was that of the annual value, determined by the Local Commissioners for Taxes for the payment of income tax on the ownership of land under Schedule A. Last year, all farmers whose land had an annual value exceeding £300 were transferred to Schedule D, under which profit is assessed as in the case of industrial earnings. This year, the new basis is to be extended to all farms exceeding £100 in annual value, and the tax payable on those under that limit is to be three times the annual value, instead of that value itself. At the same time, arrangements have to be made for the valuation under general income tax principles, of livestock and other "stock-in-trade," to borrow the commercial expression. One of the difficulties of applying Schedule D methods to farming has always been that it necessitated the keeping of somewhat elaborate accounts. Under wartime conditions when farmers sell a large part of their produce at dictated prices and secure much of their seed, fertilisers and other requirements on the basis of returns made to the Ministry of Agriculture, it is believed that audited accounts can be dispensed with, and that all that is necessary will be obtainable from the returns themselves, supplemented by such accounts as every competent farmer normally keeps. In any case, it is not the intention of the Inland Revenue to require the keeping of elaborate accounts by farmers whose annual valuation is between the new limits of £300 and £100. Those below the latter figure, who feel that a payment based on three times the annual value is excessive, may claim to pay on actual profits, and in this case even less exacting demands will be made in the matter of accounts. The amounts paid by this section of the farming community—mostly smallholders—will be small, since, on the maximum of £300, earned income and personal allowances for a married man with one child are sufficient to absorb more than half the total.

Shorter Notes

The anomaly in the forthcoming petrol allowances has been abolished. It was announced in the House of Commons on Tuesday that the basic ration for motor cycles would be withdrawn from November 1st. It is difficult to see why the date should not be the same as for motor cars (July 1st), and Mr Geoffrey Lloyd's explanation—that he wishes to get through the abolition of the ration without an increase in staff—is hardly convincing. The number of motor cycles in use is now probably under 300,000, which was roughly the figure before the war; yet Mr Lloyd is allowing another four months to put their owners on a needs test—longer than he is allowing for the million odd car owners—and in so doing is allowing four months unnecessary consumption of petrol.

A Note on page 565 of *The Economist* last week stated that Lloyds Bank nominees held 1,800 shares in *Truth*. This statement was based on the facts given in a House of Commons debate on the ownership of *Truth* in October last year. On October 30, 1941, however, 490 of these £10 shares were transferred to Collin Brooks, the editor, and another 1,000 were transferred to him on February 20, 1942. Thus, out of the total capital of £29,000, the nominee shareholding is now small. On the other hand, on January 19, 1942, a debenture for £10,000 was issued to Branch Nominees, Ltd.

The news that all Government seats were held in the recent series of South African by-elections, is obviously important. The elections provided an opportunity to test the trend of opinion; and the lack of evidence of any increase in support for the Nationalists, despite the possibility of a military threat from Japan, is encouraging. Certainly virulent opposition remains; but the break with Vichy will exercise a salutary influence by discouraging the notion that there can be any compromise either in the matter of Madagascar or in any other aspect of the world war.

Austerity is not to come to the Brigade of Guards. The simplifications in officers' service dress, recently announced by the War Office, have been embodied in a Board of Trade order, which specifically exempts the Brigade of Guards from its provisions.

AMERICAN SURVEY

Against Inflation

THE rapid expansion of US war output has reached the stage when a serious increase in prices can only be avoided by drastic measures. There are indications that the cost of the war programme for the year ended June, 1942, will not only reach, but exceed, the estimate of \$26 billions; the Director of the Budget recently reported that its fulfilment was so swift that expenditure will amount to \$28 billions during this period and that, for the year ended June, 1943, it is likely to reach \$70 billions instead of \$56 billions. This means that, in the current financial year, war expenditure will absorb more than one-quarter of the estimated national income and that the proportion will rise well over a half during the year ended June, 1943. A transfer of the national income of this magnitude and speed can hardly be effected without inflation, in the absence of drastic control over prices and over the incomes of individuals. In order to ensure the orderly transfer of purchasing power with the minimum of disturbance to price relationships, President Roosevelt recommended the adoption of a seven-point programme in a message to Congress on April 27th. His proposals consist of:

1. Heavy increases in taxation to keep personal and corporate profits at a reasonable level, reasonable being defined as a low level.
2. Ceilings on prices which consumers, retailers, wholesalers and manufacturers pay for things they buy, and on rents for dwellings in areas affected by war industries.
3. Stabilisation of the remuneration received by individuals for their work.
4. Stabilisation of agricultural prices.
5. Diversion of earnings of individuals from the purchase of unessential articles into savings.
6. Rationing of all essential commodities of which there is a scarcity in order to ensure distribution according to need rather than to financial ability to pay high prices for them.
7. Discouragement of credit and instalment buying and encouragement to paying off debts, mortgages and other financial obligations.

President Roosevelt's programme is not unlike that introduced in this country. The difference, due to the swifter pace of mobilisation in the United States, lies in the fact that a large number of anti-inflationary measures are to be applied at one fell swoop, whereas in this country they were introduced gradually and by stages. Nevertheless, there are certain differences of emphasis and method which can be ascribed to the special circumstances of the United States. Before it is possible to draw any precise comparisons, it remains to be seen how Congress translates into practice some of the President's recommendations which require legislation.

The Office of Price Administration has followed up President Roosevelt's message by issuing orders fixing maximum prices on the basis of those current in March. Wholesalers' and manufacturers' prices are to be frozen on May 11th, retail prices on May 18th, and those charged by laundries, motor-repair shops and other services on July 1st. Simultaneously, rents in 302 areas of war production are frozen. At present, agricultural prices cannot be fixed below 110 per cent of parity—that is to say, below the figure at which they show an increase of 10 per cent over the prices of other goods on the basis of the relationship between farm and industrial prices in 1909-14. It will be interesting to see whether Congress will alter the law in the face of opposition from the farming community. If they can be enforced, these orders, which go a good deal beyond the efforts hitherto made by the Office of Price Administration, should go a long way towards arresting the rise in the cost of living, which according to the official index, is now about 15 per cent above the August, 1939, level.

So far as wages and salaries are concerned, the Presi-

dent's recommendation appears more specific than the policy hitherto pursued by the British Government, for he suggested that they should be "stabilised." It is not quite clear, however, whether "stabilisation" is to be interpreted as a definite stop on all wages and salary increases. The President appears to be against the freezing of wages by legislation, for he has suggested that the problem should be handled by the War Labour Board.

The extent to which taxation is to be increased will depend on the action of Congress. It is interesting to note, however, that the President recommended a ceiling of \$25,000, or £6,250, a year on individual net incomes after taxation. Although there is no legal ceiling to incomes in this country, income and surtax have been graded so as to put an effective limit to net income at about £4,000 per annum.

In addition to his message to Congress, President Roosevelt has issued a nation-wide appeal in support of his austerity programme. On the whole, it appears to have been well received as an inescapable war measure; but criticism of some of the recommendations by the interests chiefly affected are an indication of the tussle that will inevitably come over the detailed application of an effective anti-inflation programme.

The Supply of Manpower

THE creation of a War Manpower Commission, which has been under consideration for several months, marks an important advance in the organisation of the United States for total war. The Commission, under the chairmanship of Mr McNutt, head of the Federal Security Administration, will

make plans and policies to bring about the most effective mobilisation and maximum use of the nation's manpower in the prosecution of the war.

Mr McNutt has power to issue directives to all Government agencies concerned with the training and distribution of manpower to the Forces, industry, agriculture and Government service. He is to be assisted by an advisory committee made up of representatives of the agencies concerned, such as the Army, Navy, Labour and Agriculture Departments, and the War Production Board, the Selective Service System and the Civil Service Commission; but he is under no obligation to accept their recommendations and is responsible only to the President. If co-operation is not forthcoming, it is expected that Congress will be requested to grant him compulsory powers. By British experience, it is very doubtful whether "voluntary co-ordination" will reconcile the conflicting demands for manpower when the needs become acute. But it is cause for satisfaction that the Commission has been given supervision over the whole field of manpower requirements and supply.

There is as yet no widespread manpower crisis. But there are increasing shortages of highly skilled labour. One of the immediate concerns of the Commission will be the development of a system of priorities to end "labour piracy" and ensure the orderly distribution of skilled labour to the most vital points. Up to the present, there has been little or no co-ordination in the competition for labour by the Forces, Government agencies and private employers, apart from draft-deferments granted to men at the request of their employers.

There is, however, every prospect that there will be real manpower stringency by the end of 1942. It is estimated that by then 10,000,000 additional workers will be needed in the war industries at present employing about 5 millions,

and that the Forces will have absorbed about 2,000,000 men in addition to those already enlisted. It will be the responsibility of the Commission to make the necessary decisions on the distribution of manpower, skilled and unskilled, and to supervise the transfer and training of workers from non-essential occupations to urgent civilian and military production.

The Non-Workers

The labour force, that is those gainfully employed or available for employment, not including housewives, is currently estimated at between 55 and 56 millions. More detailed figures are only available for the end of 1941, and it should be remembered that considerable changes have certainly taken place since then. Civil non-agricultural employment in December, 1941, stood at just under 41 millions, an increase of nearly 3 millions over December, 1940. Estimates of the unemployed and those not normally in employment, who together make up the nation's labour reserve, are given below for December, 1941:

	(Millions)		
	Male	Female	Total
Home Housework	0.1	29.9	30.0
At school	1.5	1.5	3.0
Over-age	3.1	2.4	5.5
Other	0.6	0.6	1.2
All non-workers	5.3	37.6	42.9
Unemployed workers	2.6	1.2	3.8

Of those now unemployed, a proportion must be considered unemployable, and most estimates do not place the number which can be absorbed at more than 1.5 or 2 millions. The new recruits in 1942 are expected to come mainly from women not regularly in employment, who number about 30 millions. The employment of women in war industries has so far fallen notably short of what was accomplished in the last war. Women normally fill one out of every four jobs in civilian industry, and at the height of the last war this proportion was reached in the war industries. But at the end of 1941, the proportion was only one in every ten and the total only half a million. The order establishing the Manpower Commission specifically includes womanpower, and an early date is expected for the voluntary registration of women. The National Industrial Conference Board believes that in the long run as many as seven million women could be drafted for war work, including about a fifth of that number from those already in the labour force. Desirable as it is to attract women into employment, however, estimates for 1942 do not go higher than 2,000,000, partly because of the greater difficulty in training women without experience in employment.

Labour Reserves

The main reserve of labour for the war industries and recruits for the Forces lies in civilian occupations. The size of this pool and changes over the last year are shown by the following table, which indicates the distribution of manpower between civilian and war production in the last quarters of 1940 and 1941. Agricultural workers, domestic servants and the self-employed are omitted:—

	(Millions)	
	1940	1941
War Goods and Services	1.5	5.3
Manufacturing	0.9	3.8
Construction	0.4	0.8
Other	0.2	0.7
Civilian Goods and Services	30.0	29.9
Manufacturing	10.3	9.2
Construction	1.3	1.1
Other	18.4	19.1
Total	31.5	34.7

At the end of 1941 employment in war industries was already more than three times what it was twelve months earlier, and the decline in manufacturing and construction begun then must have gone much further in the four months of belligerency, conversion and increased war contracts. How much further the transfer will go in the next year or two depends upon the willingness of the American people to accept deep cuts in their standard of living, and the efficiency with which the transfer and re-training is organised. It is fortunate that American productive capacity is sufficiently great to allow a substantial transfer before anything approaching a minimum standard is reached. Any estimate of the sources from which the manpower and woman-power will be drawn during 1942 to satisfy the

requirements of the Forces and industry is necessarily only approximate at this stage. The following schedule has been suggested by the Bureau of Labour Statistics: from the unemployed, 1.5 millions; new workers, 2 millions; transferred from agriculture, 0.4 million; from other civilian occupations, 8.5 millions, making a total of 12 millions.

Rationing Labour

[FROM AN INDUSTRIAL CORRESPONDENT]

Cleveland, April 5th

The early steps in rationing manpower are evident. One series of proposals is that which Sidney Hillman, of the War Production Board, presented to the Senate's Labour Committee. It provided for the employment of men at their best skills (with factory inspections to make certain of it); centralisation of training and retraining for the war industries; recruitment of all labour through the local employment agencies; authority for transferring workers from one employer to another in accord with the need for men; staggering of working hours in congested centres; provision for a "mobile labour corps"; curtailment of less essential working forces; and stopping the wastage of skills through enlistment in the Army and Navy.

The last item in the Hillman plan aims to correct a drain of which machine tool manufacturers have been ineffectually complaining for two months. Following Pearl Harbour, these plants began losing to the Services numbers of young men they had trained in the last three years. The local draft boards had been accepting managers' requests for deferment of the most essential men, but nothing has been done to stop the voluntary enlistment of the same or similar men. A social pressure for enlistment exists within the plant.

To all proposals for a greater fluidity of labour, under Government direction, labour unions have replied by advocating a *quid pro quo* which ranges from limiting profits in industry to 3 per cent to giving union officers a voice in works direction.

A high turnover of labour has recently prevailed in the industrial districts of this country, owing in part to the attractions of factories offering large overtime wages. Plants which early installed the three-shift system of eight hours to the turn, some of them at the suggestion of Government agencies, found they had to give it up in order to hold their men. Certain plants, which formerly had run twenty-four hours a day with three shifts six days a week, slipped back to schedules of twenty hours, providing two ten-hour shifts, which paid their remaining workmen 30 per cent more a week. The competition of the plants with more overtime pay and less continuous operation was one of the reasons for manufacturers' opposition to paying premium overtime after forty hours of work.

Brakes on Output

Though strikes have almost disappeared from the industrial landscape, the phenomenon of the conscious slowdown on the job, as an organised affair almost unknown to American history, has appeared sportily as a means of supporting demands for higher wages or compulsory union membership. Some of the older men are still so suspicious of "speed-ups," and so fearful of having to continue after the war the high performance now asked of them, that production there is not what plant managements and Washington production men believe possible. Some of the most refractory of these attitudes appear in shipbuilding, aluminium and machine-tool plants. An aluminium mill in Cleveland was publicly stigmatised by Production Chief Donald M. Nelson for falling short of its capabilities—much to the chagrin of the city's mayor. Several shop stewards were dismissed.

Mr. Nelson's effort to set up production committees of management and labour in factories of munitions contractors and sub-contractors has had mediocre success, or worse. It met with a cool reception among managers of some of the Detroit plants, where it was suspected of being an instrument of union participation in management. In certain plants in Cleveland and elsewhere, union leaders have sought to make it a vehicle for furthering membership efforts in partly organised works. Shops with effective committees are still decidedly in the minority.

One reason for the slowness with which production "campaigns" have been organised in certain plants is the fear that the companies cannot obtain steel and other

THE PENNSYLVANIA RAILROAD

SUMMARY OF ANNUAL REPORT FOR 1941

THE 95th Annual Report of the Pennsylvania Railroad Company covering operations for 1941 will be presented to the stockholders at the annual meeting on April 14, 1942. Operating revenues increased \$136,447,755 or 28.6% over 1940. Operating expenses increased \$104,222,597 or 30.8%. Taxes increased \$22,274,360 or 50.8%. Net income was \$52,383,958 an increase of \$11,608,128. Surplus was \$48,414,588, equal to 7.4% (\$3.68 per share) upon the outstanding Capital Stock (par \$50) as compared with 5.6% (\$2.80 per share) in 1940.

OPERATING RESULTS

INCREASES OR
DECREASES OVER

	1941	1940
TOTAL OPERATING REVENUES WERE	\$614,041,163	I \$136,447,755
TOTAL OPERATING EXPENSES WERE	442,677,275	I 104,222,597
LEAVING NET REVENUE FROM RAILWAY OPERATIONS OF	171,363,888	I 32,225,158
TAXES AMOUNTED TO	66,159,548	I 22,274,360
HIRE OF EQUIPMENT AND JOINT FACILITY RENTS WERE	8,101,852	D 652,204
LEAVING NET RAILWAY OPERATING INCOME OF	97,102,488	I 10,603,002
INCOME FROM INVESTMENTS AND OTHER SOURCES WAS	*41,663,095	I 365,787
MAKING GROSS INCOME OF	138,765,583	I 10,968,789
FIXED CHARGES, CHIEFLY RENTALS PAID TO LEASED ROADS, AND INTEREST ON THE COMPANY'S DEBT	86,381,625	D 639,339
LEAVING NET INCOME OF	52,383,958	I 11,608,128
APPROPRIATIONS TO SINKING AND OTHER FUNDS, ETC.	3,969,370	I 90,205
SURPLUS	\$ 48,414,588	I \$ 11,517,923

*Includes dividend of \$5,000,000 (par value) in securities received from Pennsylvania Co.

Dividends aggregating 4% (\$2.00 per share) were paid during 1941, compared with 3% (\$1.50 per share) in 1940.

The Board takes pleasure in acknowledging the continued efficiency and loyalty of all the employees during this period of great national stress. We know that they will continue to do their full share in meeting the additional heavy responsibilities that have now been placed upon them.

M. W. CLEMENT, President

THE PENNSYLVANIA RAILROAD

SHIP AND TRAVEL VIA PENNSYLVANIA

Stockholders can obtain copies of the Annual Report from
J. Taney Willcox, Secretary, Broad Street Station Building, Philadelphia, Pa.

materials with sufficient continuity to keep enthusiasm at a high pitch. A failure to get materials steadily, with consequent lay-offs, would play into the hands of prejudiced opponents of "efficiency"—an American labour synonym for "speeding up."

A number of factories have also been handicapped by the psychological effect of seeing goods piling up on the shipping platforms and in the yards. Arrangements are now being made to move out these goods more rapidly, if only to warehouses. Warehouse space is almost entirely taken up. Beginnings of strain on the transport system are noticeable, including the effects of a shortage of lorry tyres, the latter more in prospect than in reality. Goods for overseas have backed up to inland plants in some instances, owing to shipping shortages and the threatened congestion of docks. Railway managements have been able thus far to prevent congestion of the marshalling yards which was so familiar a condition here in the last war. Inequalities between the needs of the more than 100 railway systems and the number of cars they purchased have resulted in the War Production Board taking over the supervision of their deliveries. Car manufacture has been reduced somewhat, with the aim of providing more steel plate for shipbuilding.

American Notes

Dollar-a-Year Delay

The charges made by Robert Guthrie, on his resignation from the WPB, against dollar-a-year industry representatives on the staff of the War Production Board, have been amplified in testimony before the House Military Affairs Committee. In the issue of March 21, 1941, it was noted that Guthrie alleged that conversion and conservation of scarce raw materials had been defeated and delayed by the WPB's industrial consultants. According to Guthrie and other WPB witnesses, decisions to stop the production of radios and refrigerators were evaded or ignored; a recommendation to cut civilian consumption of wool because supply lines to Australia were threatened, and to blend wool with other materials was defeated by the head of the wool section, a Boston wool manufacturer; and stockpiling of nylon yarns to assure adequate supplies for parachutes was opposed by industry unit heads drawn from the textile industries. Curtailment orders for cotton textiles were also evaded, it was stated. Mr Guthrie seems to have had little or no authority over his industry unit heads, and urgent decisions on policy were often spread over two or three months. A large number of industry branches and units continue under the control of men from the industries concerned; Mr Guthrie testified that

At the bottom of all this is the system of getting Governmental responsibility into the hands of men who retain active or dormant personal responsibilities in the very industries which will be hurt by their official decisions. It is difficult for the best of men to serve two masters.

Mr Nelson, on the other hand, has suggested that at bottom it was a case of clash of personalities. There has been some testimony to the effect that Mr Guthrie was not qualified to act as Assistant Chief of the Bureau of Industry Branches. More fundamental issues appear to be involved, however. It is likely that the investigation will be extended to cover further aspects of the relations between industry and the War Production Board, and changes in the industrial personnel of the Board are said to be under way.

The Lewis Threat

The activities of John L. Lewis, head of the United Mine Workers and the biggest personality in the labour field, are an important element in current discussions on labour policy. Publicly discredited when his plan for labour unity was turned down by the President, he has turned his attention to organising dairy farmers and utility workers and clearing out dissident groups from his local branches. There are persistent rumours that he intends to take the Mine Workers out of the CIO and establish a third labour movement. Already "Lewis's Commandos," as one labour leader called them, have begun raiding fields in which CIO organisers are at work. Lewis, politically a Republican, is more likely than other labour leaders to succeed in organising farmers; and in any campaign the plentiful funds of the Mine Workers are sure to tell. Lewis is reported to have referred to the CIO and AFL as "one big company union," and their identification with Government policy will give Lewis an opportunity to exploit any labour

discontent which may arise. Lewis has an unrivalled reputation for getting things done by strong-arm methods, and his existence is a constant threat to the more compliant unions. It puts a premium upon the solution of labour problems by co-operation rather than by compulsory legislation.

Petrol Rationing

The announcement that petrol rationing in fifteen eastern states will start on May 15th has caused no surprise, although there is some dismay at the suggestion that the ration may be as low as 2½ to 5 gallons a week for non-essential motoring. The petrol shortage on the eastern and western seaboard is a result of transport difficulties, and greatly increased industrial demands for fuel oil, and there is no disagreement on the need to convert as many tankers as possible to carrying fuel oil. There appears to have been some conflict on the need for rationing between Mr Ickes, the Petroleum Co-ordinator, and the Office of Price Administration, which has control of any commodity coming under rationing. Mr Ickes has persistently attempted to find a solution other than rationing, which will remove petrol from his jurisdiction; two cuts in supplies to dealers have been instituted; and three attempts have been made, and rejected by the War Production Board, to secure steel for the construction of a pipeline from Texas to the east. The Office of Price Administration is said to be urging nation-wide petrol rationing, not only to conserve petrol, but to lengthen the life of both cars and tyres. From this point of view it is as necessary to ration petrol in the producing states, where there is an abundance, as in the areas where there is a shortage. Petrol rationing will undoubtedly cause some hardship in the United States, where there is more dependence upon the private car, and consequently less development of public transport, than in other countries. Presumably, however, there will be supplementary rations for workers in war industries who, because of the shortage of housing, are unable to live near their work or use public transport facilities. But is the ownership of motor-cars, particularly in the east, as general as is sometimes suggested?

Fortune Poll

America revels in facts and figures; indeed, there is hardly an aspect of life which has not been submitted to analysis by the statistician. The poll as a means of ascertaining public opinion on any given question has long been popular, and the results have often been revealing. Of particular interest are the replies of 5,000 business executives to the question, "What is the most important problem facing your business in the war years ahead?" analysed in the March issue of *Fortune*. They reveal a significant change in the order of importance of the various difficulties from the results of a similar enquiry undertaken a year ago. Thus, the shortage of materials, which heads the list of difficulties in the latest poll, was the least important of the nine factors mentioned a year ago. Similarly, the shortage of personnel has moved up from sixth to third place on the list. Red tape, and other obstacles attributed to the Government, which was the biggest difficulty a year ago, now comes second, after the shortage of materials, and labour problems, other than shortages, also occupy a place farther down the list. A fall in the demand for goods and services appears for the first time as an item on the list of problems. Other difficulties mentioned include plant conversion, finance, taxes, research and post-war adjustments, inflation, and transport. The changes in the order of importance of the various difficulties since last year are symptomatic of the transition from a peace to a war economy.

Shorter Notes

The radio industry, which last year did 240,000,000 dollars worth of business, has ceased production of civilian receiving sets and will concentrate on sets for the armed forces or for lend-lease assistance to members of the United Nations.

The War Production Board has ordered the cotton textile industry to increase its output of material for sand-bags, camouflage cloth and other war uses. A certain percentage of looms must be converted to war production within 60 days.

THE WORLD OVERSEAS

India's War Resources

It is noteworthy [reported the Simon Commission 14 years ago] that, notwithstanding the teeming millions of India's population, comparatively small bodies of invaders have often succeeded in overcoming all opposition and making their way through to the plains, where they have established themselves as conquerors.

INDIA'S war potential cannot be measured by numbers of men. Of the population of 352 millions returned at the last census, only 11 per cent were classed as urban; the remaining 89 per cent were rural, living in some 700,000 villages. According to the occupational census of 1931, two-thirds of the working population were engaged in agriculture, 10 per cent in industry, 5½ per cent in trade, 1½ per cent in transport, and the remainder in miscellaneous non-industrial activities. The bulk of India's population is still engaged in providing the bare essentials of life, and the margin available for other purposes is very small.

But India's industrial capacity is by no means negligible. India is already eighth among the industrial nations of the world, and is undergoing an "industrial revolution." There is already a sizeable iron and steel industry, based on domestic coal and iron ore, and located chiefly in Bihar and Bengal. During the fiscal year ended March, 1940, the output of pig iron and crude steel was 1,838,000 tons and 1,070,000 tons respectively. In steel, India is able to meet the bulk of its own needs, and has been able to export a substantial proportion of its pig iron output to this country. In addition to iron ore, India supplies the United Nations with large quantities of manganese, mainly from the United Provinces, with chrome from Baluchistan, Mysore and Bihar, and mica from Bihar. The Aluminium Company of India, established at Travancore, where cheap water-power is available, will eventually have an annual capacity of 5,000 tons of ingots; a sheet rolling mill for fabricating aluminium sheets is located in Calcutta. On the other hand, India produces only a fraction of its needs of copper, and must import all its tin, lead, zinc and nickel requirements.

The iron and steel and allied industries form the basis for a substantial arsenal in India. There are facilities for manufacturing machine tools needed to convert their output into munitions. There are some 54 firms making a wide range of machine tools, and high-speed steel is now in production. But for the specialised tools, which form a substantial proportion of total needs, India must rely largely on British and American supplies.

War Equipment

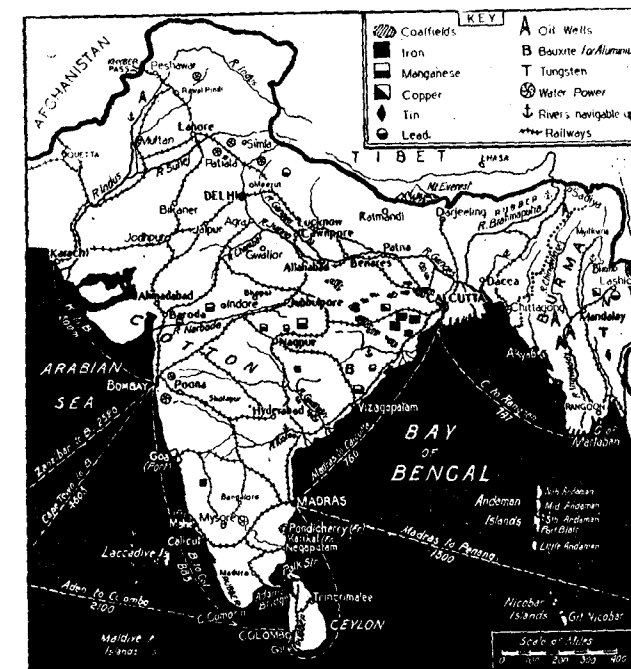
Unfortunately, the expansion of India's facilities for producing war equipment was only seriously undertaken in the summer of 1940—though the original programme for ordnance factories, recommended by the Chatfield Mission and involving a capital outlay of £4½ millions, is understood to have been completed by the spring of 1941. In March, 1941, these ordnance factories were backed by 230 other Government and private workshops. It was then stated that these establishments were producing nine-tenths of India's own—still relatively slender—requirements of rifles, machine guns, Bren guns and the smaller types of guns. Early this year, the ordnance factories were able to make some 50 types of arms and ammunition; these included small arms, ordnance and carriages, gun and small arms ammunition, grenades, explosives, respirators and so on. Aero-engines are not yet in production, but air-frames are already being manufactured, though still on a very small scale.

As a result of the entry of Japan into the war, plans have been made for an appreciable expansion in India's output of munitions. These plans, however, will take a considerable time to bring results. Meanwhile, in spite of India's own contribution of small arms, ammunition and many other of the simpler types of mechanism, the armed forces in

India and Burma must continue to rely largely on British and American equipment.

India's shipbuilding and ship repairing capacity, though limited, provides a valuable addition to the Allies' strained resources. The Calcutta yards are capable of building launches and tugs up to 1,500 gross tons; but they have no facilities for constructing ocean-going vessels. Some ten months ago, a subsidiary of the Indian Scindia Steam Navigation Company embarked on a programme of building ocean-going vessels of 6,000 gross tons at Vizagapatam; the first of these ships is expected to be launched towards the end of this year.

Apart from the construction of productive facilities, one of the major problems in expanding India's output of war equipment is the lack of trained labour and of engineering and managerial staff. There is no shortage of recruits, but



there is of training facilities and time. In June, 1940, an order was issued providing for compulsory national service for skilled Indian technicians to supplement voluntary recruits. Private industry has been encouraged to release skilled workers for war production. A scheme for training annually 4,000 mechanics and other skilled workers in various technical institutions at the expense of the Government was adopted, and it appears that the number was recently doubled. It still remains very small.

Industrial Vulnerability

In spite of the difficulties of establishing a large-scale armaments industry in an agricultural country like India at short notice, there is reason to believe that, within the limits imposed by circumstances, a good deal has been done. Unfortunately, however, the Indian provinces which harbour the greater part of heavy industry and a substantial proportion of the war industries are those bordering the Bay of Bengal. Moreover, the ports of the Bay also account for the lion's share in India's sea-borne trade. Of the total number of some 800 engineering works in India before the war, these exposed provinces—Assam, Bengal, Bihar, Orissa and Madras—had 400; of 157 foundries, rolling-mills, refineries and similar establishments they contained 37; and of 26 chemical works they had 17. It has been estimated by

Capital that the provinces of Bengal and Bihar alone possess three-fifths of British India's heavy industries furnishing the sinews of war.

The need for swift action in strengthening India's defences needs no emphasis. Much can be done by India herself. But in the last resort the fate of India depends on the ability of Great Britain and the United States to concentrate the requisite striking power at India's outposts; that is, it depends largely on shipping.

Latin American Manganese

[BY A CORRESPONDENT]

April 7th

THE closing of the Black Sea, which has stopped manganese shipments from Russia, and the Japanese threat to the Indian Ocean, which is likely to affect Indian shipments, have revived the interest of the United States iron and steel industry in Latin American manganese, which in the last war helped materially to overcome the American manganese shortage. Already in 1940, the Metals Reserve Company, a United States Government agency, and the Procurement Division of the US Treasury Department, had, under the provisions of the Strategic Minerals Act of 1939, placed certain contracts for Brazilian, Cuban and Chilean manganese ore. These have recently been extended, and will lead to a big expansion of production in the three countries. As manganese is essential to the production of iron and steel, and as the United States normally imports over 95 per cent of its requirements, it is expected that almost immediately the United States Government will take a closer interest in the development of manganese mining in the Western Hemisphere.

Among the three Latin American manganese producers, Brazil is not only the most important, but also offers the best prospects for further development. Manganese ore is found in a number of provinces of the Brazilian Republic, but so far developments have only taken place in Minas Geraes, Bahia and Matto Grosso. In the past ten years, all mines in Bahia and Matto Grosso have been idle, while the Minas Geraes mines, of which the A. Thun and Cia group and the Cia Meridional de Mineracao are by far the most important, have worked far below capacity. In 1940 Brazil exported 217,300 metric tons of manganese ore, nearly all of which was taken by the United States. This compares with 254,000 tons in 1937 (the highest total of the past ten years), and with the record of 542,000 tons in 1917. If all developed mines are brought back into production, and if the rolling stock of the Brazilian Central Railway, which transports the great bulk of the ore to Rio de Janeiro, is improved, the 1917 output could fairly quickly be repeated and, after further development work, even surpassed.

Cuba, which has fairly extensive manganese deposits in the Province of Oriente, is at present able to produce over 250,000 metric tons of manganese ore per year, but in the past few years the output has fluctuated between 100,000 and 131,000 tons per annum. In 1940 it reached 119,900 tons, but it has since increased, and latest reports indicate a monthly average output of about 15,000 tons. The whole of the Cuban ore is shipped to the United States, but the specifications of the Metals Reserve Company (45 per cent manganese content) are higher than the average content of the Cuban ore (40 per cent), and a major expansion in production depends, therefore, on a revision of the United States Government specifications, which the Cuban Mining Federation is at present trying to secure.

Chile, too, has rich manganese deposits, notably in the provinces of Atacama and Coquimbo, but they have not been extensively developed. Regular production on a sizeable scale has only taken place in the early years of this century, during the last war, and in the last few years. In 1940, production reached just under 20,000 tons, but in that year a United States Government survey came to the conclusion that if it were found possible to improve the concentration methods (which is mainly a question of adequate financial and technical help) the annual output could be raised to 100,000 tons of high-grade ore per year.

In 1940 the United States imported 1,282,000 tons of manganese ore for domestic consumption. As a result of the increased iron and steel output, its needs have since increased to roughly 1,750,000 tons. Even a major production effort in Latin America could, therefore, not meet the United States demand. But with the supplies from British territories in Africa, and the intensified concentration of United States low-grade ore, it could greatly help to reduce the adverse effects of the loss of ore from Russia and India.

Hungary's Difficulties

[BY A CORRESPONDENT]

April 22nd

THE two recent political events in Hungary—the election of a Vice-Regent in the person of Admiral Horthy's son and the replacement of Premier Bardossy by Nicholas Kallay—are probably not unconnected. But while their immediate cause must remain largely guesswork, neither can be interpreted as a change in foreign policy; the new Prime Minister himself hastened to dispel any doubt that may have existed on the point.

Much more has been heard of the fracas and subsequent disintegration of the extremist Arrow Cross party. Some very lively exchanges have taken place, in the course of which rude names—political card-sharper and madman are some of the milder samples—have been bandied about. Lately, the rot appears to have reached even Imredy's more respectable, and therefore more dangerous, pro-Nazi party. But internal politics have always been an exciting game in Hungary.

On the whole, however, public reaction to the war may be best described as apathy. The internal front has been far from strengthened by the worsening supply position. Signs of the cumulative effect of the blockade are multiplying—one of them is a sagging industrial output despite record employment. The main difficulty, however, is shortage of manpower in agriculture, and at this point the problem becomes of direct concern for Germany, which cannot impose both export quotas and army contingents, however greatly it may need both. (At the moment it seems to be more concerned with the second type of delivery, but this preference is apparently not wholly shared in Hungary.)

Already last year's harvest was seriously interfered with by military mobilisation. It was officially described as a medium to poor harvest, and no detailed figures were issued. This year's harvest does not promise to be any more favourable, for not only has the labour shortage increased, but an exceptionally severe winter has held up work. The Sunday rest of agricultural workers has been suspended by decree; the shortage of manpower results also in an exceptional demand for agricultural machinery and implements, which Hungarian industry cannot meet. Now Germany is to deliver various light implements, but is apparently unable to supply the much-needed tractors.

Meanwhile, the area under grains is being reduced for the growing of more oilseeds under an agreement with Germany. Propaganda, "managed prices," and free seed distribution are used on a lavish scale to this end; more recently the sowing of oil-bearing plants has been made compulsory on medium and large holdings, which have to allocate 5 per cent of their arable area for the purpose.

A further strain is placed on production by the absence of the agricultural and industrial workers, numbering over 30,000, employed in Germany. Indeed, their absence has a dual effect: not only are they greatly missed at the moment, but, being encouraged by the German authorities to remit their "savings" home, in addition to swelling Hungary's clearing credit with Germany, they divert purchasing power to Hungary—a most unwelcome factor at present.

Lower Bread Ration

As a visible sign of the increasing drain on Hungarian economy, rationing restrictions are continually extending. The recent reduction of the bread ration from 250 to 200 grammes per day has focused attention on Hungary's main supply problem: the importance of bread, with a normal per head consumption of over 700 grammes, is even greater than in the surrounding countries. Moreover, both the authorities and the public realise that the critical period in the bread position, the summer months immediately preceding the new harvest, is still ahead. Last year, complete bread famine in the capital was only avoided by a matter of days.

The Hungarian Minister of Agriculture has recently submitted to the House of Deputies an ambitious Ten-Year Plan for agricultural development. The immediate aim is, obviously, the raising of production. At the same time, Hungary, like her Balkan neighbours, tries to take advantage of the emergency conditions to enforce radical transformations in the whole agricultural system. In his speech to the Upper House, on March 19th, the new Prime Minister hinted at impending important changes in that direction, but refrained from disclosing their nature.

Russia at War

Labour Problems

SOVIET RUSSIA entered the war after years of intensive industrialisation, during which its resources of labour, and particularly those of skilled labour, were steadily growing. A huge proportion of skilled labour was even in peacetime employed by armament industries, and the problem of mobilising labour reserves for war work offered, in the first phase of the war, fewer difficulties than in other Allied countries.

The number of industrial workers and state employees in Russia was about 31 millions at the outbreak of the German-Soviet war, compared with 27 millions in 1937; during the later thirties, the average increase in employment was about one million a year. Curiously enough, Soviet statistics lump together wage earners, workers and office employees under one heading, so that no official figure of the actual number of manual workers is available. Some hints, however, suggest that the number of office employees was about 5-6 millions; the number of workers can thus be assumed to have reached 25 millions, of whom more than two-thirds were employed in large-scale industries and transport.

The greatest increase in skilled labour was in the metal industries. During the period of the five-year plans, the number of mechanics has increased fourfold, of turners sevenfold, of millwrights fourteenfold and of "technicians" eightfold. Only about a fifth of the total labour was in the territories now occupied by the Germans, though the value of the industrial output of those territories was certainly more than a fifth; technical skill and, consequently, the productivity of labour were higher in the old industrial centres of the west than in any other parts of Russia. The bulk of skilled labour of these western territories was evacuated in time.

As far back as the summer of 1940, immediately after the collapse of France, the labour policy of the Russian Government was re-orientated to meet the anticipated requirements of war. The programme of industrial training was greatly enlarged. The so-called "state labour reserves" were created; 794,000 newly skilled trainees were to enter the factories in 1941, and an additional 887,000 were to be enrolled in railway and factory training schools. By the decree of June 26, 1940, working conditions were radically changed. The *pyatidnevka* (five-day week) was abolished and the seven-day week was re-introduced. Under the same decree, industries returned to the eight-hour working day instead of the former seven hours. These reforms secured a 15 per cent increase in actual working time, which permitted a considerable expansion of metal and armament output between June, 1940, and June, 1941.

Since the outbreak of the war, the training of new workers has proceeded on a mass scale. It is claimed that, between July, 1941, and March, 1942, 600,000 young workers, not yet liable for military service, have been drawn into industrial production. The employment of young people has been even more extensive in agriculture. In Kazakhstan alone, no fewer than 350,000 pupils of secondary schools have been employed in farming. As a result, many schools have been closed down, and the press has been urging local authorities to reopen them and to give up the idea that "teaching has become useless since youth has to work for the duration of the war." The employment of women, which was usually very high in Russia, has also increased. In October, 1941, female labour accounted for 45 per cent of the total industrial employment; and its share has grown since then. Women have been employed as station masters, train drivers, coal miners, and in many occupations usually done by men. The widespread employment of women has again raised the problem of communal feeding and communal care for children. Another re-serve on which Soviet industries are now drawing is the mass of office employees. The proportion between office staffs and factory staffs has been unbalanced in many establishments; it became very common in recent years to transfer able Stakhanovite workers from the benches to administrative jobs. Now the slogan is: "Back to the benches; cut the administrative staffs."

But all these reserves seem not to have fully covered the demand for labour. The Government was compelled to order an all-round industrial mobilisation Under the decree of February 13, 1942, all able-bodied men between 16 and

55 and women between 16 and 45 years, not serving with the forces and not employed in war vital industries, became liable to labour compulsion. The authorities have been empowered to shift them to wherever they may be needed; and aircraft, tank and munition factories, have priority for labour mobilised under the decree. An analogous decree of April 17, 1942, empowered agricultural departments to mobilise labour for farm work.

The training of new workers is carried out in various ways. Factory schools work as the needs of a given factory require; town and regional schools base their work on training programmes laid down by regional or local industrial managements. Besides this, the individual training of industrial recruits by Stakhanovites on the spot is widespread. Newspapers, however, complain of some difficulties, and urge old workers to show more patience with newcomers. The decree of June, 1940, fixing the eight-hour day, is still in force, but this limit is very rarely, if ever, observed. Even before the war, the working day was actually longer; operations such as cleaning and refitting machines for the next day's work were generally done after the eight hours. At present, some Press reports mention with approval cases in which workers are doing a twelve to sixteen hours' day; and hardly any time-limit was observed when reassembling of evacuated works was in progress. Some part of the increase in output per worker may be due to technical rationalisation, and to the fact that masses of Soviet workers have been trained for several occupations, and are able to perform different operations in one factory. But long hours seem to have provided the main basis for higher output.

Labour discipline was very severe in the Soviet Union, even in peacetime. The war has entailed actual militarisation. "Every factory is part of the front," "every worker is a soldier, and every factory manager a commander in action"—these are the slogans. Slackness and neglect are punished with all the severity of martial law.

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German Europe

War Finance

THE financial year 1941-42 closed with the introduction of an Excess Profits Tax. Profits exceeding 150 per cent of the profits earned in 1938 have been declared excess. Private firms will pay 25 per cent, and companies 30 per cent of these excess profits into a special account of the Exchequer. If the income tax paid by private firms and the corporation tax levied on companies are taken into account, all excess profits in the future will be taxed on the average at a rate of from 80 to 90 per cent. Theoretically, the Germans regard this EPT as part of the original policy of mopping up purchasing power. Actually, during 1941-42, the financial authorities and the price-commissar were forced to improvise and experiment. Up to the end of the financial year 1940-41, there had been no change in financial policy and methods. The war surcharges on income tax and excise duties remained unchanged. Theoretically, all problems were solved. The price stop had been supplemented by a wages stop and by the prohibition of overtime pay, which is the greatest single source of excess purchasing power in a system where foodstuffs and essential consumption goods are completely rationed. Such excess purchasing power and unusable financial reserves as did exist were to be absorbed by savings and by subscriptions to Reich loans and Treasury bonds. The idea was simple. Excess purchasing power had no outlet but the savings banks; and increasing profits were to be abolished by a policy of lowering prices. In other words, the Germans had reversed the policy of the war of 1914-18, when 87 per cent of the war cost was covered by borrowing, and prices and profits rose unhampered. This time, the greater part of the cost was to come from an all-round increase in taxation, and prices and profits were to be reduced. The system did work well for a time, because of the material control exercised over production and consumption and because of the constant increase in material resources—that is, by raw material stocks, productive capacity and manpower taken by conquest during a period of short military campaigns with long intervals of steadily increasing output. In September, 1940, overtime pay was fully restored, which meant a considerable rise in purchasing power; but there was no corresponding increase in available consumption goods, and the controls were to do the rest.

But now the situation, and the policy, have changed. The idea that war economy, which inevitably means a gradual increase in the cost of production, can also mean lowered prices has still not been given up. The idea that a system of stops and controls can prevent excess profits is also still believed in. But, at the beginning of 1941, it became obvious that prices for armaments had considerably advanced on the basis of the German cost-plus-profit system. Financial liquidity stimulated an unprecedented boom in equities, the only outlet for the investor in the controlled capital market. The consumption of unrationed goods was also growing alarmingly. The official index of wholesale prices and the cost of living index had hardly changed; but even German papers admit that these indices are almost fictitious. After long discussion, the principle of a profit and dividend stop was applied; excess profits were to be paid into the Exchequer. But the price commissar decreed that any firm having earned excess profits should reduce prices in such a way that excess profits could not recur. It was hoped to reduce the rising costs of war, reflected in increased borrowing, by reducing prices. But the price commissar was unable to establish effective machinery for assessing excess, or (as the Nazis called it) unjust, profits. Industry was burdened with the almost insoluble problem of assessing "unjust" profits on the basis of the cost-plus-profit system. The first break in the principle of solving financial problems by regulating prices was the introduction of a war surcharge on the corporation tax. A comprehensive policy of "steering" purchasing power soon followed: taxes on tobacco, wine and alcohol were considerably increased; and the system of "iron savings" was introduced. Wage and salary earners who undertake to save under this scheme actually reduce their taxes and contributions to social insurance; but the savings are compulsory once they are undertaken and deducted at the source. Employers and companies were able to pay depreciation and other reserves into special accounts at the Exchequer where they are blocked like the "iron savings" of the

worker. Speculation on the Bourse was discouraged by the registration of shares. The cost-plus-profit system was partly replaced by fixed prices for armaments. Then EPT was introduced as a corollary to fixed armament prices.

All these changes were accompanied by discussions about the principles of war finance. Inflation; the abolition of depreciation accounts; the actual size of the financial resources at the disposal of the Government; and, finally, the size of the national income and the relation of expenditure to it—these were the main points of controversy. The importance of these discussions may be seen by a survey of the financial facts.

FINANCIAL RESOURCES AT THE DISPOSAL OF THE GOVERNMENT (in Million Reichsmark)

	1939/40	1940/41	1941/42
Total Reich Revenue.....	23,575	27,221	32,000
Administrative earnings and war contribution of communities.....	4,800	5,400	6,400
Borrowing.....	21,210	37,590	50,000
Total Domestic Resources ...	49,585	70,211	88,400
Contributions from occupied countries & import surplus.....	1,500	12,000	17,000
Total all Resources	51,085	82,211	105,000
In £, at the rate of Rm. 12 to the £.....	4,250	6,840	8,750

The share of borrowing in total internal resources has increased to 56.8 per cent compared with 43.8 per cent in 1939-40 and 87 per cent during the Great War. External resources, on the other hand, provided 16.2 per cent of the grand total. These are official German estimates. It is not clear whether requisitioned stocks and captured war material are included.

National Income.—Germany's national income was as follows. They are official estimates relating to Greater Germany and the incorporated territories.

	1939	1940	1941
(Rm. million)			
Gross national income at factor cost.....	95,000	100,000	115,000
Gross national income at market prices.....	113,000	120,000	135,000

The German method of estimating these increases in the national income are not disclosed. The figures, which may be taken as indicating that there has been a rise, which may be exaggerated by the incorporation of new territories. After publication of relevant details has been suspended. After deducting the transfer incomes (which are estimated at Rm. 17,000 millions in 1941) from public expenditure, the total outlay of internal resources for public purposes, that is, civil administration and the war, would amount to 52 per cent. This is the official figure. Critics try to prove that the percentage of domestic resources available for private consumption is lower—30 per cent instead of the 48 per cent of the official estimate.

Capital and Savings.—The discussion about the extent to which Germany has been drawing on capital is of great interest. During 1914-18, 42 per cent of the total costs of the war was derived from drawing on capital. Against 44 per cent derived from current national income. In this war the drafts on capital became a more serious problem at the beginning of 1941. Drafts will gradually and probably steeply increase the longer the war lasts. One source estimates the drafts on capital in 1940 at Rm. 12,000 millions or roughly 15 per cent of total expenditure. It is quite possible there was a 100 per cent increase during 1941.

Total small savings, which increased from Rm. 19,800 millions at the beginning of the war to Rm. 36,000 millions at the end of 1941, remained far below the estimated reduction in the consumption of foodstuffs and civilian consumption goods. At the beginning of the financial year 1942-43, Germany is thus seen battling with the problem of restoring some equilibrium—and these are the words used in the German press—between the "money side" and the "goods side" of the war economy. Even the price commissar has tentatively suggested that prices should be allowed to rise for the purpose of skimming off excess purchasing power. It seems that the simple methods used during the first 18 months of the war have become confused and complicated. The real reason is that Germany has chosen to fight a large-scale war which must gradually exhaust its limited, though formidable, resources.

THE BUSINESS WORLD

Railways and State Control

ONE can forgive the railway ordinary stockholder, if he feels disgruntled about the pool net revenue figures for 1941, which were published last week. Last year, railway history was made, for the four main lines and London Transport not merely earned their standard revenues, but exceeded them by the handsome surplus of £8 millions. Under the original surplus-sharing agreement of February, 1940, if other things had been equal (which they were not), the undertakings would have received little less than their standard revenues. If that agreement had not been abrogated, they might have received £54 millions from the pool, a figure which is only £3 millions less than the standard revenues contemplated by the 1921 Act. As it was, stockholders in 1941 drew only £706,000 more from the pool—or, rather, £43,469,000 as the fixed rent charge—against £42,763,000 earned by the pool in 1940.

These are not figures which militant railway stockholders will survey with any relish; those whose capital still goes unrewarded regard it as little less than scandalous that they should receive nothing for a year when the railways broke all financial records. In a dim Stock Exchange this week, the inevitable optimists were at first busy buying the marginal stocks, on the argument that the 1941 figures betoken jam to-morrow, or at least the day after, even if none to-day. But both the pained surprise and the passing burst of life in the railway market seem to be rather superficial reactions to the figures, in so far as they respectively represent the short and long-term view of railway finance.

There is no doubt that the revised 1941 control agreement was advantageous to the general body of the community. It abandoned the fantastic system of adjustment of rates to rising operating costs, which was implicit through-out the old agreement, and set up in its place a policy of stabilised charges, and a fixed guaranteed income for the period of control. Had the 1940 scheme still been in force last year, it is certain that rates would have been increased, and the pool's net revenue would have been even higher than it was. But, significantly, no stress is being laid upon this fact; the stabilisation of charges is universally recognised to be a vital public interest, and the inflationary evils of the original scheme are as universally disapproved.

Nevertheless, some stockholders are feeling sore. Some are demanding a "little extra," and receiving support from certain sections of the press. This does not commend itself as a particularly valid claim. It is a bad argument for a number of reasons. In the first place, it is based on the result of a single year—a year in which increased traffics combined with the full effect of increased rates, authorised in 1940, to produce bumper traffics. Whatever happens to gross pool traffics during the current year, it is fairly certain that costs will rise more rapidly this year than they did last year, and the promise is not for a repetition of last year's record results.

This is not all. It is a not unreasonable objection to the "little more" appeal to answer that, if the pool is producing record earnings, the railways themselves last year received a greater net revenue, and distributed higher dividends (with the sole technical exception of the Great Western) than for any year in the last decade. Admittedly, the railways never experienced nearly the full benefit of recovery in the pre-war period—1937 was no better than moderate and 1938 frankly indifferent. The fact remains, however, that the stockholder is better off under the rental agreement of £43,469,000 per annum for the period of control than he was in the best of the immediate pre-war years. Moreover, there is no yardstick by which any additional payment might be calculated, even if it were equitable. Some commentators have merely been thinking of numbers, rather than resting themselves on any principle of compensation, but it is no contribution to urge that the railways should receive, say, another £2½ millions a year. Doubtless, that would be a welcome addition to the marginal stockholder's equity—indeed, it would of itself restore an equity in the crisis of war which never existed in the most favour-

able peacetime conditions. But it is not founded upon any calculation resting on fact.

The "little more" argument, however, appears to be dispelled by the strict terms of the revised financial arrangement. There is no provision for mutual revision of the new terms as there was under the former scheme. And even if there were, it could hardly be argued that the bumper results of 1941 would constitute a "cause of major character." The plain fact is that the results of 1941, so far as they enhance the stockholder's equity, can only do so in the post-war settlement. The stockholder's post-war position is governed by two alternative possibilities—the possibility of nationalisation or the reversion to the basic structure of the 1921 Act with standard revenue as the cornerstone. It is too early to suppose that last year's results could be anything more than a minor factor if the first possibility should prevail. Before nationalisation could become practical politics, at least two, and possibly several, more years under control must be expected, in which the results may be nothing like so favourable as last year's. Claims based on 1941 will have a pretty hollow ring if, in some subsequent control year, the Government has to make good a deficiency in the pool to meet the annual guarantee.

Stockholders who put their post-war hope on generous compensation by Government purchase, therefore, will



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probably find that the evidence they can muster in their own support when the terms are being threshed out will not seem so very conclusive, particularly if the political atmosphere of the time should happen to be critical. There is, however, a very solid assurance that their rights under the 1921 Act will be fully restored. The companies themselves have abrogated none of their statutory claims to standard revenue, and they might well find that an appeal for some amelioration of their statutory obligations would

meet with a relatively sympathetic response, as it was receiving before the war. This would seem to be the best line for stockholder's strategy. In any case, the solution must wait for the peace, and for the passing of the period of adjustment and adaptation from war to normal life. Until that time, the purchase of marginal railway stocks will provide an apparently attractive yield, but little assurance of their permanent place in the scheme of investment.

Finance and Banking

Special Assistance

The position in the money market has tightened appreciably during the week. Most of the clearing banks have been making up for their April returns, while at the same time the Government's short-term borrowing from the market has been heavy. The £75,000,000 of Treasury bill payments due this week were £15,000,000 in excess of maturities, while the call on the banks for TDR's amounted to £40,000,000, against nominal maturities of £25,000,000, and effective maturities somewhat smaller than this, given the pre-encashments that occurred last March. In anticipation of more difficult credit conditions, the demand for Treasury bills at last week's tenders sagged appreciably, total applications being £133,005,000 compared with £147,540,000 the week before. The discount market syndicate thus obtained a quota of 44 per cent, against the previous week's 36 per cent. Owing to the scarcity of short loan resources, the market found some difficulty in taking up its substantial quota of bills, and had to seek some assistance from the Bank of England agents; this firm bought June bills on a moderate scale. As is shown by the Bank return, the drain on bank cash has been further accentuated this week by the continued expansion in the circulation. The increase for the week to last Wednesday amounted to £4,008,000, carrying the total of notes in circulation to the new record of £771,154,000. Bankers' deposits are down by £6,041,000 on the week, falling to £122,627,000, a figure which in these days is barely adequate for the banks' making-up week. The main counterpart to this diminution in bank cash, other than the increase in the note circulation, was the flow of funds into Government accounts, public deposits showing an increase of £4,608,000 on the week.

* * *

Treasury Deposit Encashments

The most interesting feature of the April floating debt return is the innovation by which is shown how much of the Treasury deposit receipts redeemed during the 25 days covered by the return were encashed prior to maturity. Of the total of £118,500,000 of TDRs repaid between April 1st and 25th, it is stated that £11,000,000 was paid off before maturity to cover subscriptions to new Government issues. This information will now be given with each monthly return and represents the official concession to the grand remonstrance that followed the recent ban on publication of the figures of effective weekly TDR maturities. That figure was issued once a week under seal of secrecy to the clearing and Scottish banks participating in TDR allotments, but it made its way into the general currency of City news and gossip. It was admittedly a far from perfect figure and of doubtful value to those outside the circle of banks concerned. It showed the following week's effective TDR maturities, as they appeared at the close of business on Thursday. In order to arrive at the true TDR maturities, that figure had to be corrected to allow for encashments of the following week's maturities taking place on Friday and Saturday. The banks concerned could make the required adjustments, since it would be on their own initiative that the encashments would be effected; but to the outsider the Thursday figure might prove, and on certain occasions was, entirely misleading as a guide to the ensuing week's true TDR maturities. They had, however, the virtue of being anticipatory and therefore of some value as a guide to the course of events in the money market. The monthly figures of prior encashments of TDRs are entirely accurate, but being retrospective must thereby lose some of their interest. These prior encashments are seen to have been exceptionally small in the first 25 days of April. This need cause no surprise as there was bound to be a reaction from the abnormally heavy

encashments of the previous month, which included London's Warships Week.

* * *

Floating Debt Changes

Apart from a net reduction of £9,500,000 in the amount of Treasury deposit receipts over the period April 1st to 25th, all floating debt items expanded during this period. The first weeks of the new financial year are normally a period of slack revenue inflow, while on this occasion Exchequer receipts from long-term Government loans suffered from the inevitable post-Warships Week exhaustion. The recourse to short term borrowing was therefore heavy, and the floating debt increased by £120,715,000. Of this, £56,690,000 was contributed by Treasury bills and £56,525,000 by ways and means advances from public departments. Ways and means advances from the Bank of England, which had been cleared at the close of the financial year, were outstanding to the amount of £17,000,000 on April 25th. As the previous debt return did not show the position on a Saturday, it is impossible to classify the expansion in Treasury bills as between tap and tender bills. But by going back for a period of two months such comparison can be made, and it shows that tap bills between February 28th and April 25th increased by £144,600,000. Part of this represents the further accumulation and investment of Empire central bank funds in London, while the balance is accounted for by the investment of resources by public departments and extra-budgetary funds. While the floating debt has risen by £523,545,000 over the past twelve months, no less than £387,000,000 of this total is represented by Treasury bills issued through the tap and £88,000,000 by ways and means advances from public departments. On this evidence the growth in the floating debt is seen to have been a decidedly innocuous movement.

* * *

Financing Expenditure

The following table summarises the Exchequer returns of the financial year to date (April 25th) and shows the respective shares of revenue and borrowing in meeting expenditure:—

	£000		£000
Total ordinary expenditure...	354,982	Total ordinary revenue.....	140,909
New Sinking Funds.....	323	Loans raised:—	11,949
Loans repaid:—		3% Def. Bonds (net).....	29,620
Treasury deposits.....	9,500	3% Savings Bonds.....	15,250
Miscellaneous issues (net)...	1,489	2½% Nat. War Bds. 1949-51	19,450
Increase in balances.....	184	Nat. Savings Certs. (net)...	18,646
		Tax Reserve Certs.....	181
		"Other debt" (net).....	56,948
		Floating debt (net):—	17,000
		Treasury Bills.....	56,925
		Bank of England Adv.....	56,925
		Public Dept. Adv.....	17,000
			£366,478

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

* * *

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The Bonds and the interest payable from time to time in respect thereof will be exempt from all United Kingdom Taxation, present or future, so long as it is shown in the manner directed by the Treasury that they are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland. Further, the interest payable from time to time will be exempt from United Kingdom Income Tax, present or future, so long as it is shown in the manner directed by the Treasury that the Bonds are in the beneficial ownership of persons not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

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BANK OF ENGLAND, LONDON,
30th April, 1942.

N.B.—Separate Prospectuses relating to 3% Savings Bonds, 1960-1970, to be held on the Post Office Register will be issued by His Majesty's Postmaster-General (and may be obtained at any Savings Bank Post Office or Bank), and by the National Debt Commissioners on behalf of Trustee Savings Banks. The amount subscribed by any person under the Prospectuses issued by His Majesty's Postmaster-General and by the National Debt Commissioners must not exceed £1,000.

of the alloy was made to render it better suited to the process of minting. The further reduction in the proportion of tin which has now been decided upon is, however, a move dictated by the urgent need to economise in the unessential uses of this metal. The increased demand for currency has called for considerable additional coinage of brass coins, though the movement has to some extent been countered by the increasing use of the new twelve-sided 3d.

coin. Even so, the reduction of the proportion of tin in brass coins to one-sixth of the figure maintained since 1922 should involve the saving of a considerable tonnage of this now very scarce and precious metal. The reduction of tin in the new alloy will be counterbalanced by an increased admixture of copper and zinc in proportions which have not yet been fixed. The change will be quite imperceptible to the public.

INSURANCE NOTES

THE PRUDENTIAL

THE Prudential continues to operate with undiminished vigour, notwithstanding the many difficulties with which it is confronted under war conditions. The chairman, Sir George L. Barstow, KCB, after referring in his statement to the shareholders to the great loss which the company suffered in the death last September of Sir Edgar Horne, who had been a director since 1904 and chairman since 1928, went on to present a picture of these difficulties. In order to minimise the dislocation which might result from enemy air attacks on London and other closely populated areas, the business has had to be largely decentralised. No less than 57 per cent of the pre-war home male staff have been called up for service in the Armed Forces or whole-time National Service, and this has necessitated the engagement of many thousands of temporary employees, among whom are nearly 9,000 women; the task of training and supervising these newcomers has naturally thrown considerable strain on the remaining members of the permanent staff. Sir George claimed with some justification that the Prudential, with other industrial assurance companies closely in touch with the working-class population, was performing valuable service by encouraging saving and thereby helping to counteract the inflationary tendencies inherent in a situation where the public has in its hands an excess of purchasing power over goods available for consumption.

In the first table are exhibited the principal items from the life revenue accounts, both ordinary and industrial. New business in the ordinary branch is substantially higher, and it is noteworthy that the total of £24,804,000 includes as much as £7,315,000 written by overseas branches; premium income records an advance of 5 per cent. By contrast, both new business and premiums are lower in the industrial branch, but the reduction in premiums is artificial in that the 1940 figure included 53 weekly and 14 four-weekly collections; if allowance is made for this, the true result is an increase of nearly £800,000. The severe fall in interest income which was a feature of last year's accounts is fortunately not repeated on this occasion, the further reduction being quite small. Surrenders are substantially diminished in both branches, but expense ratios inevitably show further advances in the conditions presented by the war.

The second table shows the premium income and underwriting profits of the various branches. The profits figures for the ordinary and industrial branches correspond to the surpluses earned during the year and have again fallen heavily. In the valuation report, it is stated that in the ordinary branch a reduction in the valuation interest rate, together with the adoption of the A. 1924-29 Ultimate table of mortality is under consideration; the calling-up of staff has prevented the completion of the detailed work involved, but it is estimated that the reserves held for United Kingdom policies are greater than would be required on the basis of interest at 2½ per cent with the use of the mortality table mentioned. In the industrial branch a reduction in valuation rate from 2½ per cent to 2½ per cent has been put into effect. These changes, actual or contemplated, are no doubt chiefly responsible for the reduced surpluses. Higher premiums are shown for the various classes of business written in the general branch, but profits are less satisfactory, largely by reason of a poor result on the motor account.

The allocation of the profits of the various branches is portrayed in the third table compiled from the directors' report. Investment reserves receive an aggregate of £790,000, which has been used to replace sums applied to writing down investments, and substantial transfers are again made to contingency funds "in view of prevailing world conditions"; the combined cost of transfers to investment and additional reserves and contingency funds is £4,335,000, leaving only £692,000 remaining from the year's profits of £5,027,000. Interim bonuses to policyholders on a modest scale, bonuses to members of the outdoor staff, and income-tax and NDC in the general branch, together cost £1,123,000; the dividends of 11s. 7.79d. (against 11s. 5.56d.), free of tax, on the "A" shares and 2s. (unchanged), free of tax, on the "B" shares absorbs £827,000. In the circumstances an amount of £564,000, plus an income-tax adjustment of £258,000, a total of £822,000, has been raised from the special contingency fund in accordance with article 135 of the articles of association. A similar transfer, amounting to £792,000, was made last year. Notwithstanding the transfer, the combined surpluses carried forward are less by £436,000.

In the balance-sheet the assets amount to £375,000,000, a further advance of £10,000,000 on last year's total of £365,000,000. Holdings of British Government securities increased during the year from £101,000,000 to £125,000,000, the

latter figure representing one-third of the total assets; since September, 1939, the company has subscribed for more than £52,000,000 of War Loans, but the chairman pointed out that so large a figure was only made possible by reinvestment of the proceeds of repayments and requisitions. The values of Stock Exchange securities have been compared with the middle market prices on December 31, 1941, and on the basis of such prices it is certified that the assets, less the investment reserve and contingency funds taken into account, are in the aggregate in excess of the value stated.

Membership of the Prudential approved societies continues to increase, and at the end of 1941 exceeded 4,300,000. Some £3,742,000 was paid during the year in sickness and maternity benefits, and a further £386,000 expended on additional benefits provided from valuation surpluses, the major item being dental treatment.

I.—EXTRACTS FROM LIFE REVENUE ACCOUNTS

	Ordinary Branch	Rise or Fall	Industrial Branch	Rise or Fall
	(£000)	(£000)	(£000)	(£000)
New business:—				
Net sums assured.....	24,804	+ 3,858 (18.4%)	57,157	+ 6,698 (10.6%)
Income:—				
Net premiums.....	14,598	+ 693 (5.0%)	24,858	+ 320 (1.3%)
Net interest.....	4,071	+ 70 (1.7%)	6,969	+ 102 (1.5%)
Ditto, rate earned.....	£3/6/6	— £0/1/3	£3/1/0	— £0/2/5
Outgo:—				
Claims by death.....	3,241	+ 188	8,553	+ 294
Claims by maturity.....	9,271	+ 1,198	6,988	+ 584
Surrenders, including surrenders of bonus	705	— 423	733	— 370
Commission and expenses.....	1,953	+ 119	6,309	+ 1.8%
Ditto, ratio to premiums	13.4%	+ 0.2%	25.4%	

Considerations for annuities granted amounted to £193,000 (—£260,000) and annuities paid to £1,036,000 (+£3,000).

II.—SUMMARY OF PREMIUMS AND UNDERWRITING PROFITS

	Premiums	Rise or Fall	Underwriting Profits	Rise or Fall
	(£000)	(£000)	(£000)	(£000)
Ordinary branch.....	14,598	+ 693	1,571	+ 651
Industrial branch.....	24,858	+ 320	3,227	+ 1,655
General branch:—				
Fire.....	1,077	+ 113	57	+ 44
Sickness and accident.....	222	+ 10	— 9	— 20
Employers' liability in United Kingdom.....	131	+ 25	3	+ 36
Motor.....	600	+ 15	69	+ 21
Miscellaneous.....	313	+ 12	21	+ 67
Marine.....	201	+ 27	18	—
Sinking fund.....	76	— 2	— 115	—
Total.....	2,620	+ 198	128	+ 2,421
Grand Total—all branches	42,076	+ 571	4,926	—

III.—ALLOCATION OF PROFITS

	Ordinary Branch	Rise or Fall	Industrial Branch	Rise or Fall	General Branch	Rise or Fall	All Branches Combined	Rise or Fall
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Underwriting profits:—	1571	+ 651	3227	+ 1655	128	+ 115	4926	+ 2421
Interest on Gen. branch funds not included in underwriting profits.....	—	—	—	—	101	+ 10	101	+ 10
Total profits.....	1571	+ 651	3227	+ 1655	229	+ 125	5027	+ 2431
Investment reserve.....	250	+ 500	500	+ 750	40	+ 60	790	+ 1310
Additional reserve.....	—	—	—	—	20	+ 5	20	+ 950
Contingency funds.....	1025	+ 350	2500	+ 600	—	—	3525	+ 30
Special contingency fund	—	—	—	—	30	+ 35	60	+ 249
Income tax and NDC.....	200	+ 104	265	+ 145	—	—	465	+ 64
Bonuses to policyholders	—	—	598	+ 64	—	—	598	+ 2017
Bonuses to outdoor staff	—	—	—	—	—	—	—	—
Dividends.....	1475	+ 746	3041	+ 1171	120	+ 100	4636	+ 827
Addition to balance.....	1497	+ 734	3713	+ 1171	253	+ 100	5463	+ 2005
Total allocation.....	1571	+ 651	3227	+ 1655	229	+ 125	5027	+ 2431

* £564,000 adjusted for income tax.

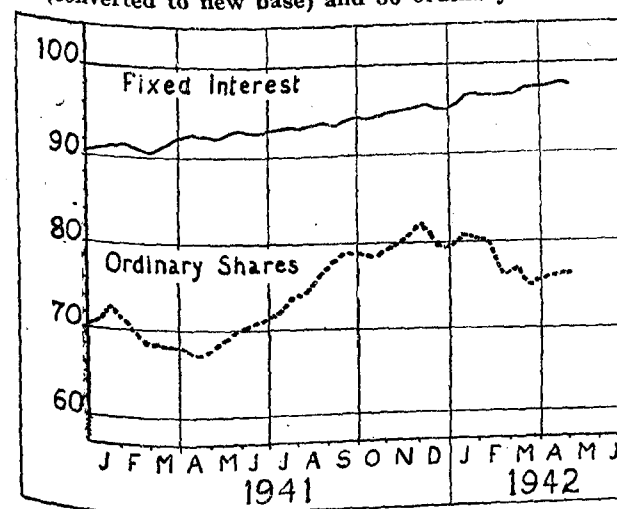
† Transferred from second Table.

Investment

Sporadic Activity

Almost the only feature of the stock market in the past week has been a sudden burst of real activity in home railway stocks, based apparently on the figures of the White Paper, Cmd. 6349, which are dealt with in detail in an article on page 611. There were definite attempts several times in the past few months to get such a movement going, but they were always nipped in the bud by adverse developments overseas. On this occasion, the business appears to have been largely professional, but, towards the end, the public were active as both buyers and sellers. The net result to date is a moderate appreciation in prices which would appear to have little justification in the White Paper figures, since there will be only one element, and possibly a small one, in determining the post-war position of the lines. Meanwhile, markets in general have remained

FIXED INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935=100)
Financial News indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares



apathetic, with a tendency for the Funds to sag. Some impute this to the possibility of renewed large-scale bombing, but so far there is no evidence that it is more than one of those moderate reactions which usually follow a protracted rise, and which are caused by readjustment of positions and a temporary dis-investment. The reduction in turnover is giving office staffs a chance to get up to date, but a reflection of the further inroads into pre-war personnel is to be found in the proposal that members should be allowed to employ women in the Settling Room. This is an extension, after a rather protracted delay, of the principle conceded a year ago, when the exchange itself employed women on its marking-boards. The Settlement Room is the training-ground for the house clerk, but there is no intention, at present, of opening the sacred floor to women. Whether they get there before the end of the war will depend upon its duration and upon the calling up of men and women employees.

Directors' Remuneration

The increasingly critical attitude of a large section of the public toward private enterprise applies not only to the profits of the proprietors, but also to the emoluments of directors. It may be that in few cases is there any real justification for this attitude, but it is a matter on which the state of the law is such as to invite suspicion. One of the principal proposals for reform in the days when the Act of 1929 was being drawn up was that the remuneration of directors should be fully disclosed. This reform was granted, but those who framed the Act felt that a director who held a salaried post was in a special position, and it is definitely laid down that in all such cases, including the office of managing director, only directors' fees need be disclosed, whereas for directors, pure and simple, all fees,

percentages or other emoluments have to be made public. This, of course, opened the way for abuses. Commenting on this position, *The Accountant* of April 25th says, substantially, every auditor knows that the effect is to produce doubt and difficulty in the drafting of accounts, and the publication of figures which all concerned know to be incomplete and misleading. It has, in fact, another result which is even worse in these days. If the shareholder is ignorant of the facts, the worker very often has a shrewd idea of the true position—and insofar as he has to use his imagination the picture only gains in force in the process. It is perhaps impossible to fix an upper limit of remuneration for a given job, but it most emphatically is the concern, at least of those directly affected, that the basis of remuneration, and the total receipts in cash and in kind, should be disclosed. It is freely conceded that there is no substitute for a good board, and that the labourer, in all spheres, is worthy of his hire. But how many shareholders, if they knew of the fact, would think it desirable that a director's pay should be based on the gross turnover of the business, or that large and undisclosed salaries should be drawn for occupying a post which is virtually a sinecure? It is possibly cynical to assume that such practices are widespread, but the assumption is general. Further, it is widely believed that "expenses," free of tax to the recipient, go far to wipe out the effects of higher taxation. These beliefs are definitely bad for industrial morale, and there can be no doubt that the disclosure of total payments of all kinds ought to be made obligatory. If the aggregate of such payments to the board were published, its division between the members might, perhaps, be left in their hands.

Canadian Pacific Expansion

The full report of the Canadian Pacific Railway shows that freight earnings of 1941 were only surpassed in 1928, the year of the record wheat crop, while passenger takings were the largest since 1930. Non-grain freights were an all-time record, a reflection of the wartime expansion of industry. This movement is likely to continue in the measure that the industrial war effort grows, but the grain traffic is another matter. The Prairie wheat crop fell by 45 per cent, but thanks to the large carryover from 1939 the amount awaiting transport at the end of 1941 was down by only some 25 per cent on the year. It seems possible that passenger traffic will increase with industrial activity. The year saw capital expenditure of some \$21 millions, or \$6 millions more than was sanctioned at the annual meeting. For the current year, the estimate is slightly lower, at just under \$14 millions, of which over half is for new rolling stock. This argues the expectation of a further considerable expansion, although rather less than that anticipated a year before. This should continue to pull down the ratio of transportation expenses to gross receipts, which was 32.62 in 1941 against 33.97 per cent. This is in part explained by rises from 1,747 to 1,759 in freight train load—gross tons, in freight car-miles per day, from 36.13 to 46.20, and in passenger miles per train-mile from 55.67 to 74.33. Meanwhile, there is a fall of \$30 millions in funded debt, but a substantial part of the benefit from this accrued last year. There are a number of forces making for higher gross receipts, but, against this, there is the possibility that price rises, without countervailing increases in charges, will more than offset the effect of more intensive use of equipment. A further point disclosed by the report concerns shipping earnings. These were shown in the preliminary statement as \$2,788,297, compared with \$3,075,909 for 1940. But \$1,319,969 of the 1941 figure represents earnings properly attributable to the preceding year. The immediate outlook thus remains rather obscure for the ordinary stockholder. The country will, however, come out of the war with considerably increased equipment—in what state of repair it is hard to say—and if industrial activity can be maintained—a large assumption—the railways should benefit.

Conversion Ban Again

The announcement in the report of Crosse and Blackwell for last year that Treasury sanction was refused for (Continued on page 617)

(ABRIDGED)

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

Sixty-First Annual Report of the Directors of the Canadian Pacific Railway Company

Year ended December 31, 1941

To the Shareholders:—

The accounts of the Company for the year ended December 31, 1941, show the following results:—

INCOME ACCOUNT			
Gross Earnings.....	\$ 221,446,053		
Working Expenses (including taxes).....	175,488,517		
Net Earnings.....	45,957,536		
Other Income.....	13,382,059		
		\$ 59,339,595	
Fixed Charges.....	24,228,698		
Interest on Bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company.....	749,465		
		24,978,163	
Net Income.....		34,361,432	
Dividends on Preference Stock:—			
2 per cent. paid August 1, 1941.....	564,070	2,521,391	
2 per cent. payable February 2, 1942.....	564,070	2,521,391	
		5,042,782	
Balance transferred to Profit and Loss Account.....		29,318,650	
PROFIT AND LOSS ACCOUNT			
Profit and Loss Balance December 31, 1940.....		\$ 144,045,295	
Balance of Income Account for the year ended December 31, 1941.....		29,318,650	
		173,363,945	
Deduct:—			
Loss on lines abandoned and on property retired and not replaced.....		\$ 649,076	
Exchange adjustment in respect of steamship insurance recovered in sterling.....	1,670,032		
Miscellaneous—Net Debit.....	658,901		
		2,978,009	
Profit and Loss Balance, December 31, 1941, as per Balance Sheet.....		170,385,936	

Net Income for the year amounted to \$34,361,432, being \$14,216,376 greater than in 1940.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:—

	1941	1940	Increase or Decrease
Gross Earnings.....	\$ 221,446,053	\$ 170,964,897	\$ 50,481,156
Working Expenses (including taxes).....	175,488,517	135,325,459	40,163,058
Net Earnings.....	45,957,536	35,639,438	10,318,098
Expense ratios:—			
Including taxes.....	79.25%	79.15%	-10
Excluding taxes.....	71.65%	74.61%	2.96

GROSS EARNINGS increased by \$50,481,156, or 29.5 per cent. The substantial increases occurring in the earlier months, as a result both of rising war-time activity and the delayed movement of the 1940 wheat crop, continued to the close of the year, even though the final quarter of 1940 had been a period of relatively heavy traffic.

FREIGHT EARNINGS increased by \$41,569,461, or 30.6 per cent. They were exceeded only in 1928, when the greatest grain movement in the history of your Company occurred. The volume of freight traffic was greater than that of any previous year, amounting to 22,376 million ton miles, 21.5 per cent. above the 1928 peak of 18,423 million. The average revenue per ton mile dropped to 0.79 cents, the lowest since 1917.

Apart from grain and grain products, freight earnings reached a record level, with a gain over last year of 28.1 per cent. This was almost entirely the result of the conversion of the national economy to a war-time basis. Increases took place in every major commodity group, the most striking being in manufactured goods, lumber and bituminous coal.

Earnings from grain and grain products increased by \$11,147,124, or 40.2 per cent. The volume of grain handled was 215 million bushels, compared with 166 million bushels in 1940. This was considerably more than the average of 155 million bushels for the ten years 1931-40, which included a period of severe drought, but was well below the average of 254 million bushels for the five years 1925-29. The increase for the year resulted from larger export clearances and additional storage capacity at the head of the Great Lakes and other terminal ports, which made possible the movement of large quantities of grain from Prairie points.

The Prairie wheat crop amounted to 279 million bushels, as against 514 million in 1940, a decrease of about 45 per cent. However, as a result of the large carry-over from the previous crop, it is estimated that the stock of wheat available for movement from the Prairie Provinces at the close of the year was only 25 per cent. less than in 1940.

PASSENGER EARNINGS increased by \$6,895,040, or 37.5 per cent., and were the highest since 1930. Traffic throughout the Dominion was very heavy, particularly on your Company's transcontinental line. The average passenger journey was the longest yet recorded, rising to 144 miles as compared with 119 miles in 1940. However, the low rates in effect for members of the armed forces, both on duty and on furlough, caused a reduction in the average revenue per passenger mile to 1.91 cents, as against 1.97 cents in 1940, the lowest since 1916.

OTHER EARNINGS increased by \$2,016,655, or 12.0 per cent. The largest increases occurred in sleeping and dining car and news services. Net payments for hire of equipment amounted to \$382,296 as compared with net receipts of \$89,390 in 1940.

WORKING EXPENSES increased by \$40,163,058, or 29.7 per cent. Exclusive of taxes the increase was \$31,095,766, or 61.6 per cent. of the increase in gross earnings. The war-time cost-of-living bonus paid to employees under various Dominion Orders-in-Council amounted to approximately \$4,500,000. The first cost-of-living bonus was made effective on June 1 under Order-in-Council P.C. 7440, as amended by P.C. 4643, being at the rate of \$1.93 per week. On September 1 the rate was increased under these orders to \$3.20 per week, and on November 16, under Order-in-Council P.C. 8253, to \$3.65 per week. The last mentioned rate, if maintained, will involve an annual expenditure by your Company of more than \$10,000,000. The ratio of working expenses (excluding taxes) to gross earnings was 71.65 per cent., as compared with 74.61 per cent. in 1940, and was the lowest since 1917.

MAINTENANCE OF WAY AND STRUCTURES EXPENSES increased by \$7,835,672. During the year 1,546,175 treated and 1,438,834 untreated ties were placed in track and 249 single track miles of new rail were laid. Tie plates to the number of 2,137,550 and rail anchors to the number of 790,380 were installed. Testing of rails for invisible defects by Sperry detector car was continued. These cars traversed more than 5,000 miles of track during the year, and all defective rails indicated were removed. The unprecedentedly heavy traffic now being handled and the desirability in the national interest of curtailing the demand for labour and materials in order to avoid interference with the war effort made it advisable to limit the work of maintenance of track and structures to that required for safe operation. Consequently, it was deemed desirable in the post-war period by including in the expenses for 1941 an amount of \$3,500,000 to create a special renewal reserve equal to the difference between the actual expenditure and that which would have been made under similar traffic conditions in peace-time.

MAINTENANCE OF EQUIPMENT EXPENSES increased by \$7,611,506. Locomotive repairs involved an expenditure of \$10,132,262, and included the shopping of 614 engines for heavy repairs. Nin locomotive boilers and seventeen tenders were replaced and automatic stokers were installed in thirty engines. Expenditures for freight car repairs amounted to \$9,406,014. The programme for the year included heavy repairs to 23,827 cars and application of cast steel truck side frames to 3,525 cars. Passenger train car repairs involved an expenditure of \$5,957,948. General overhauling of 1,387 cars was effected during the year. To meet the demands of traffic ten lounge and five compartment cars were converted into other classes of sleeping and parlour cars and air-conditioned. Steel centre sills and other improvements were installed in six of baggage and express cars. At the end of 1941: 92.3 per cent. of locomotives and 98.0 per cent. of freight cars were in serviceable condition, as compared with 89.5 per cent. and 96.0 per cent. respectively, the previous year. Charges for depreciation of rolling stock on the basis of use amounted to \$12,700,602, as compared with \$10,317,760 in 1940.

TRANSPORTATION EXPENSES increased by \$14,152,798. In spite of higher labour, fuel and material costs, the ratio of transportation expenses to gross earnings was the lowest on record, being 32.62 per cent. as against 33.97 per cent. in 1940. Although the special traffic conditions made unprecedented demands on rolling stock and facilities, a high degree of efficiency was maintained, as indicated by the following comparisons:—

	1941	1940
Freight train load—gross tons.....	1,759	1,747
Freight train fuel consumption—pounds per 1,000 gross ton miles.....	98	97
Freight train speed—miles per hour.....	17.2	16.3
Freight car movement—miles per car day.....	46.20	30.12
Freight car load—tons.....	31.86	30.65
Gross ton miles per freight train hour.....	30,312	55.67
Revenue passenger miles per train mile.....	74.33	

OTHER WORKING EXPENSES increased by a net amount of \$10,563,079, of which \$9,067,292 was attributable to higher taxes.

OTHER INCOME

Other income amounted to \$13,382,059, an increase of \$2,689,895, or 25.2 per cent.

Dividend income increased by \$342,672. Dividends paid by The Consolidated Mining and Smelting Company of Canada, Limited, were at the rate of \$2.50 per share, compared with \$2.25 in 1940, which resulted in an increase of \$420,625 in the amount received by your Company.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased by \$2,253,202. Interest received on deferred payments on land contracts was greater, and income from the Steamship Replacement Fund was accrued for full year for the first time. The net of receipts and payments in currencies other than Canadian during the year resulted in an increase in income from exchange.

Net earnings of ocean and coastal steamships amounted to \$2,788,297, a decrease of \$287,612. Agreement was reached on certain details of hire for requisitioned vessels which were still unsettled at the close of 1940. The present year's accounts include an amount of \$1,319,969, representing additional earnings for the previous year over and above the amount, partly estimated, which was shown in the last Annual Report. The decreased net earnings for the year are accounted for by the fact that fewer ocean vessels

(Continued from page 615)

the repayment of the 6½ per cent debenture issue seems to call for comment. The proposal, as published, was that approximately half the total outstanding should be repaid in cash and the remainder replaced by an issue of 4½ per cent stock. This was to be done without making use of the machinery of a public issue. There appears to have been no special reason for refusing permission, the decision being merely a continuance, in the industrial field, of the policy which forbade conversions of municipal and Dominion loans. The Treasury does not explain its actions. It would be better for the education of the public and its own officials if it were required to do so. To the plain man, it will seem that any step which reduced the yield on other securities would tend, *pro tanto*, to make Government stock more attractive. This would seem to be borne out by the results of the conversions which have been permitted. These, by increasing the demand for the higher yielding securities, have driven up their prices and so, in due course, the quotations for all stock. In any case, there would seem no reason why, having granted their rights to municipal and Dominion borrowers, the Treasury and its advisers should withhold the same right from industrial ventures. In the one case, to insist upon the maintenance of the higher interest injured the ratepayer or taxpayer. In the other, it injures the equity holder—who in this case has had more than his share of misfortune—to benefit the debenture holder who is to continue to receive 6½ per cent when the average yield on debentures in the manufacturing industries is of the order of 4½ per cent. It is to be hoped that, as in other cases, the matter will be reconsidered, although why it should be necessary for a matter of months, or years, to elapse before permission can be given for an action calculated, in however small a way, to further the official policy of cheap borrowing must remain a mystery.

were in operation. Coastal steamship operations resulted in an increase in net earnings of \$387,628.

Net earnings of hotel, communication and miscellaneous properties increased by \$381,634. Every hotel reported improved earnings, and the total increase amounted to \$367,228. The increase in communication earnings was \$266,579, accounted for largely by gains in ordinary commercial telegraph transmissions and telegraph tolls on cable messages. There was a decrease of \$252,173 in earnings of miscellaneous properties.

DIVIDENDS

Dividends amounting to \$5,042,782, being at the rate of 4 per cent. on the non-cumulative Preference Stock, were declared out of the Net Income for the year.

GENERAL BALANCE SHEET, DECEMBER 31, 1941

ASSETS		LIABILITIES	
PROPERTY INVESTMENT:—	\$	CAPITAL STOCK:—	\$
Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties.....	855,795,669	Ordinary Stock.....	335,000,000
Improvements on Leased Property.....	97,722,158	Preference Stock—4 per cent. Non-cumulative.....	137,256,921
Ocean and Coastal Steamships.....	79,249,142		472,256,921
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies.....	194,112,303	PERPETUAL 4 PER CENT. CONSOLIDATED DEBENTURE STOCK.....	471,171,229
		LESS: Pledged as collateral to bonds, notes and equipment obligations.....	175,733,000
OTHER INVESTMENTS:—			295,438,229
Miscellaneous Investments—Cost.....	27,595,427	FUNDED DEBT.....	190,659,625
Advances Controlled and Other Companies.....	27,093,673	LESS: Securities and cash deposited with Trustee of 5 per cent. Equipment Trust.....	13,078,103
Mortgages Collectible and Loans and Advances to Settlers.....	3,370,894		177,581,522
Deferred Payments on Lands and Townsites.....	30,605,011	CURRENT LIABILITIES:—	
Unsold Lands and Other Properties.....	22,990,193	Pay Rolls.....	4,587,409
Insurance Fund.....	9,006,509	Audited Vouchers.....	9,746,148
Steamship Replacement Fund.....	21,545,701	Net Traffic Balances.....	1,211,681
		Miscellaneous Accounts Payable.....	4,520,423
		Accrued Fixed Charges and Guaranteed Interest.....	2,355,406
		Unmatured Dividend Declared.....	2,521,391
		Other Current Liabilities.....	15,472,520
CURRENT ASSETS:—			40,394,978
Material and Supplies.....	25,125,019	DEFERRED LIABILITIES:—	
Agents' and Conductors' Balances.....	12,143,219	Dominion Government Unemployment Relief.....	2,447,223
Miscellaneous Accounts Receivable.....	12,992,350	Miscellaneous.....	3,463,187
Cash.....	48,043,813		5,910,410
		RESERVES AND UNADJUSTED CREDITS:—	
UNADJUSTED DEBITS:—		Maintenance of Way Renewal Reserve.....	3,500,000
Insurance Prepaid.....	203,866	Rolling Stock Depreciation Reserve.....	72,422,242
Unamortized Discount on Bonds.....	1,949,555	Hotel Depreciation Reserve.....	8,517,877
Other Unadjusted Debits.....	996,405	Steamship Depreciation Reserve.....	55,749,033
		Investment Reserves.....	17,542,428
		Insurance Reserve.....	9,006,509
		Contingent Reserves.....	5,184,870
		Unadjusted Credits.....	3,619,263
			175,542,222
		PREMIUM ON CAPITAL AND DEBENTURE STOCK.....	68,551,646
		LAND SURPLUS.....	64,479,043
		PROFIT AND LOSS BALANCE.....	170,385,936
			1,470,540,907

NOTE.—Particulars of securities held for account of the Company, of obligations of the Company in respect of the principal of securities of other companies owning railway lines operated under lease, and of contingent liabilities of the Company are set out in the accompanying schedules.

TO THE SHAREHOLDERS, CANADIAN PACIFIC RAILWAY COMPANY.

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1941, and having compared the above Balance Sheet and related schedules therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit and Loss Accounts correctly set forth the result of the year's operations.

The records of the securities owned by the Company at December 31, 1941, have been verified by an examination of those securities in the custody of its Treasurer and by certificates received from such depositaries as are holding securities for safe custody for the Company.

Montreal, March 9, 1942.

AUDITORS' CERTIFICATE

Advertisement

E. A. LESLIE,
Comptroller.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

Company Notes

United Molasses Profits

The preliminary figures of United Molasses for 1941 show a decline in consolidated income from £1,291,902 to £831,021. Liability for British income tax is reduced from £495,474 to £257,834 and there is no provision for retrospective taxation, which in the previous year required £140,000. With a cut in depreciation from £230,114 to £199,832, net profits are down by almost £200,000 at £373,355 against £566,314. The setback is not passed on to stockholders, who receive a final payment of 12½ per cent, making 20 per cent for the year, as before. In the previous year, this distribution was covered by earnings of 48.1 per cent before deducting the retrospective tax. The management announces capital profits of £59,873 against £50,010, from which a 2½ per cent cash bonus on ordinary stock, not subject to income tax, is again being distributed. In the previous year, the payment absorbed £48,863, leaving capital reserve at a total of £519,377. There can be no certainty about the cause of the sharp decline in profits until more information is available. It seems, however, extremely probable that the principal cause is a falling off in overseas activity. In 1940, receipts under the Ministry of Supply Agency Agreement amounted to only 15 per cent of combined profits. Even in that year, America was the principal source of foreign activity, and it is not improbable that growing requirements in this country have meant that the group's transport facilities have had to be more concentrated upon satisfying them. In this connection, the offer to acquire Tankers, implemented in November last, is a matter of some importance, and it is to be hoped that the chairman will be able to throw some light on the subject. The 6s. 8d. ordinary stock at 28s. 9d. yields £5 17s. 6d. per cent.

Home and Colonial Group

Preliminary results of the Home and Colonial group suggest that turnover was generally well maintained last year. For the second year in succession, no dividend is being paid on *Home and Colonial* ordinary capital, which received 6 per cent in 1939-40. Gross income of this concern appears, however, to have risen substantially, since net revenue is reduced only from £159,137 to £148,067 after providing £984,330 for deferred repairs and taxation against £594,592 for tax alone in the previous year. The deferred shares of *Maypole Dairy* again receive 4 per cent. Disclosed profits of £300,115 compare with a level of £288,532, after £60,000 against £25,000 has been provided for deferred repairs. Nothing, against £105,000, is provided for EPT. Equity holders in *Meadow Dairy* receive only 2½ per cent against the 5 per cent distributed in the six previous years. Tax liability is up from £173,250 to £322,470, reducing net profits from £106,823 to £94,252. The severity of the fall in available earnings is doubtless due to the impact of EPT at the full rate operating on an unfortunate standard. Investors in the group are in the unfortunate position of failing to participate in the improved results realised by *Home and Colonial* and *Maypole* while suffering to the full from the drop in the equity earnings of *Meadow*. There can, however, be no doubt of the wisdom of the decision to devote surplus funds to deferred repairs, which must by now have assumed considerable proportions. As far as can be judged from the preliminary figures, the results are fully up to expectation.

Alliance Trust

The speech of Mr James Prain at the annual meeting of Alliance Trust contained an instructive analysis of the factors affecting income in the current year. As the chairman points out, the most striking feature of the experience of the trust in recent months is the lack of security which a worldwide spread of investments has provided. Successive requisitions have now reduced American holdings from some 20 per cent to a negligible amount, so that, except for a small interest in Latin America, revenue-producing overseas investments are virtually concentrated in the British Empire. The chairman estimates the income lost from investments in the Far East at some 2½ per cent on the ordinary capital, while the income obtained from investments in India, Ceylon and Australia, and now to some extent endangered, amounts to rather over 2½ per cent. It is, however, clear from the accounts that the 25 per cent ordinary payment is covered by a margin of 14 per cent. Safe and profitable reinvestment of requisitioned moneys continues to present a serious problem and to some extent income has been sacrificed through subscription to Government issues. Profits for the year to January 31, 1942, are as good as could have been expected. The accounts do not show the effects of the Far Eastern losses. No market estimate of the value of investment is provided, but the chairman states that at the date of the balance sheet this was approximately equal to book value, against a depreciation of some 2.80 per cent at January 31, 1940. Mortgage business now only represents 5 per cent of the company's invested funds, and some progress has been made in the liquidation of real estate holdings. The £100 ordinary stock, at £510 ex dividend, yields £4 18s. per cent.

William Beardmore Setback

The full accounts of William Beardmore, the Glasgow marine engineering firm, show a further drop in disclosed profits, after tax and depreciation, from £375,094 to £211,671 in 1941. In the absence of any provision for Schedule A income tax, which required £17,815 in the

previous year, surplus earnings, after meeting preference dividends, amount to £156,770 against £298,635. The ordinary stock again receives 10 per cent, but the cover is reduced from 60.2 to 33.0 per cent. After halving the transfer to war contingencies at £100,000, the carry forward is some £9,000 higher at £224,415. The reduction in equity earnings is, of course, not conclusive evidence that gross profits fell last year. The full rigours of EPT and income tax at 10s., plus the probability that an exceptionally large depreciation provision has been made, may easily account for the fall. War damage insurance of £43,384 has been charged against war contingencies reserve, so that the balance sheet total, after the latest transfer, stands at £256,616 against £200,000. The gross figure of work in progress is up from £3,183,357 to £4,705,370. Thus, if gross revenue was reduced, rising costs and possibly lower contract prices must be held largely responsible. There is a moderate rise in the surplus of liquid assets over current liabilities from £1,773,705 to £1,873,570. Debtors have more than doubled at £1,282,016 against £549,148, while the modest increase in creditors, including tax, from £1,432,816 to £1,533,545, suggests that credit balances have actually been reduced. Bank overdraft, however, has risen from £63,888 to £260,441. From the stockholders' standpoint, the results remain satisfactory, despite the decline in earnings, since it is improbable that the ordinary dividend need be reduced in the near future. The £1 ordinary stock, at 22s. 6d. ex dividend, yields £8 17s. 9d. per cent.

Kaffir Results

Owing to the breakdown of certain underground hoists of *Crown Mines*, tonnage milled and milling grade were lower. Thus, although working costs showed a fractional decline, profits were severely down and the dividend was reduced to 15s per cent, on which basis the yield at 172s. 6d. is around 9 per cent. The annual tonnage milled is around 4,000,000 tons, so the ore reserves are very strong and can stand up to any curtailment of development due to the war or other causes. The report of *Durban Deep* shows another very satisfactory year. Working costs are down and tonnage substantially up, so that profits are higher and dividends increased from 27½ per cent to 35 per cent, on which basis the yield at 56s. is 6.2 per cent. Ore reserves show another substantial increase, and represent 3½ years' supply to the mill. The mine has fully justified the large expansion programme adopted some years ago. The tonnage milled and working costs of *East Rand Proprietary* were not substantially changed, but the grade was lowered, resulting in a decline in profit. Dividends, however, were maintained at 35 per cent, the same as for the previous five years. On this basis, at 36s., the yield is 9.7 per cent. Development in the eastern and western sections continued to be poor, while in the central section it was curtailed by bad ventilation. Conditions in this area will still further improve when the air-cooling plant is in commission. Reserves represent four years' supply to the mill. In spite of rock bursts and profits *Deep*, milling tonnage was more than maintained and profits unchanged. Dividends of 20 per cent were paid, which at 42s. give a yield of 9.5 per cent. The improved development of the values in depth were maintained. Over 40 per cent of the milling tonnage is being obtained from reclamation in the upper levels, and this should continue to be a valuable source of ore for many years, and so release pressure on the ore reserves, which, nevertheless, are somewhat weak. Tonnage milled of *Geldenhuis Deep* was almost unaltered, but the grade fell and costs rose, so that the profit was down by £70,000 at £168,000. Dividends on the reduced capital value of the shares (17s. 6d.) were maintained at 4s. per share. This mine is nearing the end of its life, and the reserves represent only about one year's supply to the mill. At 20s., the yield is 20 per cent, but reduction in dividends and a very short life are inevitable.

CENTRAL MINING—RAND MINES

	Tonnage Milled ('000)		Revenue per Ton		Working Costs per Ton		Working Profit ('000)		Dividends		Reserves	
											Tons ('000)	
	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941
Crown Mines	4,168	4,131	40/10	39/-	22/3	22/2	3,873	3,485	18½	15½	20,188	19,500
Durban Deep	2,224	2,393	31/7	30/8	21/3	20/5	1,149	1,225	27½	35	6,800	7,882
East Rand Prop.	2,647	2,683	35/4	34/2	23/8	23/8	1,556	1,414	35	35	10,336	10,245
Rose Deep	1,001	1,051	26/1	25/11	19/5	19/7	332	334	20	20	2,425	2,461
Geldenhuis	823	831	22/3	21/2	16/6	17/2	237	168	21½	22½	838	611

Industry and Trade

Mr Lyttelton's Trouble-Shooters

The panel of industrial and labour experts set up by Mr Lyttelton to investigate difficulties and hold-ups in production, under the chairmanship of Mr Robert Barlow, vice-chairman and managing director of the Metal Box Company, is being rapidly completed. Eight of its fifteen members, four of them trade unionists, have already been appointed, and one of them has already begun an important investigation. This panel of trouble-shooters is likely to be of considerable assistance in overcoming difficulties in individual factories, for, acting in the capacity of consulting engineers, its members will be able to gain a good deal of experience and to suggest quick remedies. The services of the panel will be available not only to Mr Lyttelton, but also to the supply departments or firms that ask for assistance or advice. Meanwhile, the Citrine Committee, appointed by Lord Beaverbrook, to investigate the regional organisation of production, is reported to be at last on the point of publishing its report; this should assist in the formulation of the necessary reforms.

Quality Control

In the search of ways and means of increasing the output of war equipment from existing productive facilities, more attention has recently been paid to the control of quality. The proportion of defective materials which has to be rejected is not known; but there can be no doubt that, in the aggregate, it represents an appreciable loss of output. In view of the many additional workers with no previous experience in their present jobs, it is not surprising. Experience has shown that the proportion of rejects can often be appreciably reduced by the introduction of statistical control. Sample measurements plotted on charts

reveal undue variations in quality and enable adjustments to be made without delay. In order to draw attention to the need for the application of the statistical method as a means of controlling quality, a meeting was held on April 15th under the ægis of the institutions of Civil, Mechanical and Electrical engineers with the support of the Engineering Advisory Committee of the War Cabinet. The British Standards Institution has already issued two publications explaining how the new method of control can be applied. In view of the results achieved by statistical control, it is to be hoped that its use will be rapidly extended.

Coal-Mining Royalties

On July 1st coal-mining royalties will be nationalised in accordance with the Coal Act, 1938, and will in future be payable to the Coal Commission. Unfortunately, however, the assessment of the capital value of the royalties has taken rather longer than expected and is still far from complete. The valuation is being carried out by ten regional valuation boards under the direction of the Central Valuation Board. As it is unlikely that the regional valuations, when completed, will add up to the £66.45 millions payable in compensation, the Coal Commission will have to make the final adjustment. In view of the delay in assessments, which it is difficult to understand, the Coal Commission will not be in a position to pay compensation to royalty owners on the vesting date. This contingency has been foreseen by the Act; it provides that a person entitled to receive compensation may claim quarterly payments from September 30, 1942, until the date of settlement. As the completion of the valuation is not yet in sight, the Commission has proposed to make single payments on account at the end of Sep-

WEST RAND CONSOLIDATED MINES, LTD.

(Incorporated in the Union of South Africa.)

CAPITAL

(Registered and Issued)

£2,150,000

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

DIRECTORS.

SIR GEORGE W. ALBU, Bart. (Chairman).
DR. HANS PIROW.
V. J. RONKETTI.

T. SHEARER.
J. FRIEDLANDER.
ERROLL G. HAY.

C. S. McLEAN (Acting Chairman).
C. S. GOLDMAN.
S. C. BLACK.

EXTRACT OF ANNUAL REPORT TO DECEMBER 31, 1941.

Tons crushed	2,840,000
Yield (3.720 dwt. per ton)	528,207 fine oz.
Working revenue (31.24s. per ton)	£4,436,612
Working costs (18.39s. per ton)	2,610,893
Working profit (12.85s. per ton)	£1,825,719
Sundry Revenue	114,050
Total Profit	£1,939,769
Credit Balance brought forward from 1940	90,827
Total Available Profit	£2,030,596
Appropriated as follows:-	
Capital Expenditure	£99,116
For year	50,000
Repayment on account of Fixed Loan	149,116
Miners' Phthisis—Provision on account of outstanding Liability as at July 31, 1941	9,978
Income Tax—(Government of the Union)	1,066,218
Sundry Taxes, etc.	712
Interest—On fixed Loan from General Mining and Finance Corporation, Ltd.	27,500
Do. Castor Lubricants, Ltd.—Deposit at Call Account	387
Ordinary Dividends Nos. 20 and 21, totalling 25%...	£531,250
Deferred Dividends Nos. 11 and 12, totalling £7 1s. 8d. per share	177,083
Unappropriated profit carried forward	708,333
	68,352
	£2,030,596

ORE RESERVE.—The fully developed ore reserve, as recalculated at December 31, 1941, amounted to 10,600,000 tons of an average value of 4.3 dwt. over 45 inches. (1940: 10,800,000 tons at 4.3 dwt. over 45 inches.)

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

tember in order to avoid having to make a large number of quarterly payments ; the proposed payment is 10 per cent of the draft valuation, if made, or one and a half times last year's income, before deduction of income tax, in a reversion case where no draft valuation has been made, provided the Commission is satisfied that that sum will not exceed the amount ultimately due. The nationalisation of the coal-mining royalties is unlikely, in itself, to speed up the concentration of production in the most advantageous pits in the near future ; for this more direct measures will be necessary.

Cotton Cloth Exports

After considerable delay, the Cotton Board have issued to shipping merchants export allocations for cotton cloth for the quarterly period ending June 30th. The allocations announced are disappointing to shippers, though it is realised that for the present it will not be possible to export larger quantities to some important markets, such as the Middle East and South America. Arrangements have been made for priority consideration to be given to the requirements of Dominion Governments, and the first claim upon Lancashire's production will be met in Australia, Canada, South Africa, Southern Rhodesia and New Zealand. After these requirements have been fulfilled, certain British markets will have small quotas. Other outlets will depend upon any surplus output which is available after other customers have received their essential supplies. The receiving countries desire to avoid the importation of goods not deemed essential in the present war situation. With regard to the Middle East, the general accumulation of arrears of cargo for shipment are so large that it is not considered desirable that new production should take place until these arrears are reduced. Some production may become available for South and North America, but no definite allocations are possible at present. The outlook for foreign trade in Lancashire is now considered gloomy. There is a possibility that some Manchester firms may go out of business for the time being, and it is fully expected that some of the small firms will be taken over by the bigger concerns. It is, of course, being urged that contact in foreign markets should be maintained, as these will be wanted after the war.

Hairdressing Wages

The agreement relating to rates of remuneration and conditions of employment which has been reached by the National Joint Industrial Council for the Hairdressing (including beauty specialists) Trade differs from those reached by the JICs in other branches of retail trade. This is perhaps to be expected because employees in the hairdressing trades provide a more directly personal service to the consumer than the salesman; and a special skill is needed, which takes longer to acquire. This is reflected in the minimum wage rates payable, which are lower for the younger employees, but at about the age of 19 rise higher than those received in "behind-the-counter" trades. For both male and female assistants (and this sex equality is a refreshing departure from the earlier retail trade agreements) up to the age of 18, weekly rates are the same, rising from 16s. at 15 to 28s. at 18. At the age of 19, males working in gentlemen's saloons only, and female assistants working in ladies' saloons, or in saloons for both sexes, and beauty culturists, receive

33s., rising to 65s. at the age of 24. Male assistants employed in ladies' saloons or in both ladies' and gentlemen's saloons receive 35s. at the age of 19, and rise to 75s. at the age of 24. Female workers in gentlemen's saloons are the lowest paid, and begin with 16s. at 15, rising to 55s. at 24. There is provision for extra rates, varying from 5s. to 20s. a week, for charge hands, first hands, specialists, foremen and managers. A commission of 10 per cent on all service takings over £4 a week is to be paid in addition to the foregoing rates. Wage rates for receptionists and counter hands follow the lines laid down by the other "counter" trade JICs: males begin with 21s. 6d. at 16, and rise to 65s. at 25; females rise from 19s. 6d. at 16 to 43s. at 24. The rates are to be uniform over the country.

Coastal Shipping

The annual report of the North of England Shipowners' Association, published last week, contains a reference to a shipowners' mutual compensation scheme which appears to have been misunderstood. The scheme is not a new one; it has been under discussion for nearly a year and applies only to unrequisioned coastal tramp shipping. It was discussed in *The Economist* of June 14, 1941, and was also referred to in the annual report of the Chamber of Shipping published last February. The basis of the scheme is the creation of a fund by a percentage contribution from the earnings of the coastal tramp ship owners, out of which compensation will be paid to meet specified "hardships" suffered by individual ships. The need for some such equalising fund arises from the system adopted for controlling freight rates, which is based on average values, costs, voyage times and so on, and makes no provision for the exceptional cases that must arise. The "hardships" covered will be vessels out of service while repairing, or detained in port owing to enemy activity, and new ships with a considerably higher value than the average allowed for in the rates. The administrative cost of operating the scheme, which has the blessing of the Ministry of War Transport, will be brought into the freight rate calculations, but not, of course, the owners' contributions. A company is to be formed to administer it. The principle of this scheme of self-help might be commended to other sections of the shipping industry with a view to reducing the time spent in discussion with the Ministry over the different forms of "hardship" that arise from time to time.

Allied Mercury Supplies

Allied Mercury Supplies

In the early stages of the war, the Allied mercury supply position gave reason for some concern. The metal is urgently needed for the protective under-water painting of both war and merchant ships, for the production of certain types of detonators, for scientific instruments and for a great number of minor war purposes. More than four-fifths of world supplies were controlled by the Italo-Spanish cartel, and alternative sources were insufficiently developed. The Italo-Spanish cartel exploited their position by raising the price of mercury to \$250 per flask, or about four times the pre-war price. This increase provided a powerful stimulus to production in other countries. Both the United States and Mexico reopened a large number of disused mines and expanded production in their working mines. Output in the United States in 1940 reached 37,777 flasks of 76 lb. each, against 18,633 flasks in 1939. Mexico raised

May 2, 1942

its output from 7,376 flasks in 1939 to 11,653 flasks in 1940. According to the United States Bureau of Mines, output in the United States last year reached 44,000 flasks, and private estimates for Mexico, based on actual output of the first nine months, suggest that that country supplied well over 15,000 flasks. Canada began to produce mercury in substantial quantities last year, and Bolivia is also taking steps to raise its output.

Normally, the United States is one of the world's largest mercury-importing countries, and as recently as 1937 its net imports were 18,500 flasks. In 1940, the United States was for the first time since the last war not only independent of foreign supplies, but actually in a position to ship 9,446 flasks to Great Britain and other parts of the British Empire. In 1941 it remained an exporter (during the first nine months net exports were

1,142 flasks), but, owing to increased war demand, shipments had to be made from domestic stocks, which at the end of 1941 still exceeded 12,000 flasks. There are prospects that the United States surplus will increase again this year. Recently the Government introduced a fairly high controlled price, varying between \$191 and \$193 per flask, according to State, against a national average of \$176.9 in 1940. It is expected that output will rise to over 50,000 flasks this year. Moreover, since April 1st non-military consumption in the United States, which in 1941 still exceeded two-fifths of the total national consumption, has been seriously curtailed. In addition, the United States Government, by an agreement with the Mexican Government concluded last autumn, has acquired the whole of the Mexican production, which is now rising rapidly towards 20,000 flasks. The mercury accruing to the Allies is large enough to prevent a serious shortage, even if Spanish shipments to this country should be stopped.

RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA.)

CAPITAL AND LIABILITIES.				PROPERTY AND ASSETS.			
To Capital Account—				By Freehold and Leasehold Properties, Reservoirs and			
Registered 2,200,000 shares of 5s. each	£	s. d.		Ventures at cost, less depreciation			£19,497 17 4
Less 49,005 shares of 5s. each in reserve	12,251	5 0		Shares, Debentures, etc., at or below market value at 31st December, 1941, or, where unquoted, at Directors' valuation—			
Issued 2,150,995 shares of 5s. each			347,745 15 0	365,259 Blyvooruitzicht G.M. Co., Ltd.	Shares of 10s.		
				196,818 City Deep, Ltd.	do.	£1	
				85,407 Consolidated M.R. Mines & Est., Ltd.	do.	do.	
				271,746 Crown Mines, Ltd.	do.	10s.	
				83,200 Daggafontein Mines, Ltd.	do.	5s.	
				295,677 Durban Roodepoort Deep, Ltd.	do.	10s.	
				142,119 East Daggafontein Mines, Ltd.	do.	10s.	
				121,191 East Rand Proprietary Mines, Ltd.	do.	10s.	
				27,392 Ferreira Estate Co., Ltd.	do.	1s.	
				58,901 Goldenhuis Deep, Ltd.	do.	17s. 6d.	
				41,682 Groenvald Proprietary Mines, Ltd.	do.	£1	
				110,466 Hollfontein (T.C.L.) G.M. Co., Ltd.	A. do.	10s.	
				82,528 do. do.	B. do.	10s.	
				19,868 Laer Proprietary Mines, Ltd.	do.	5s.	
				46,721 Libanon G.M. Co., Ltd.	do.	10s.	
				45,675 Maricvale Consolidated Mines, Ltd.	do.	10s.	
				136,772 Modderfontein B. Gold Mines, Ltd.	do.	5s.	
				100,250 Modderfontein East, Ltd.	do.	£1	
				206,995 New Modderfontein G.M. Co., Ltd.	do.	10s.	
				105,113 North Venezuelan Petroleum Co., Ltd.	do.	13s. 4d.	
				60,511 Newland Mines, Ltd.	do.	£1	
				37,692 Pretoria Portland Cement Co., Ltd.	do.	£1	
				144,505 Rose Deep, Ltd.	do.	£1	
				56,250 Siparia, Trinidad Oilfields, Ltd.	do.	£1	
				78,623 South African Coal Ests. (Witbank), Ltd.	do.	£1	
				44,978 The Hume Pipe Co. (S.A.), Ltd.	do.	10s.	
				12,409 The Anglo-Spanish Construction Co., Ltd.	do.	£1	
				£248,000 The Anglo-Spanish Construction Co., Ltd.	do.	£1	
					6% Debts.		
				32,000 Tucuyo Oilfields of Venezuela, Ltd. (in liq.)	Shares of £1		
				65,683 Transvaal Con. Land & Explor. Co., Ltd.	do.	10s.	
				39,908 Trinidad Leaseholds, Ltd.	do.	£1	
				75,508 Van Dyk Consolidated Mines, Ltd.	do.	10s.	
				30,153 Venterspost G.M. Co., Ltd.	do.	10s.	
				33,663 Vlakfontein G.M. Co., Ltd.	do.	10s.	
				358,812 Vogelstruisbult G.M. Areas, Ltd.	do.	10s.	
				88,450 Welgedacht Exploration Co., Ltd.	do.	10s.	
				127,566 West Rand Consolidated Mines, Ltd.	do.	10s.	
				46,037 Witbank Colliery, Ltd.	do.	£1	
				Sundry Shares, Debentures, etc.			479,034 9 1
				Shares in Subsidiary Companies			42,887 10 0
							3,955,283 11 3
				Buildings, Plant, Stores, Vehicles, Furniture, etc.		£5,079 10 0	
				Debtors and Debit Balances—			
				Advances to Subsidiary Companies	£12,692	2 11	
				Advances to other Companies, etc.	60,022	18 6	
				Payments on account of mining supplies in stock and in transit for account of sundry mining companies	79,789	8 1	
				Current Accounts, Loans and Payments in Advance, etc.	41,705	13 5	
							194,201 2 11
							199,280 12 11
				Deposits, Fixed and on Call	2,673,349	8 9	
				Government Stocks, etc.	200,615	13 11	
				Cash at Bankers and in Hand	24,741	9 2	
				Dividends to be received on Shareholdings	433,237	8 9	
							3,391,961 0 7
							3,591,244 13 0
							£7,566,026 2 1

Dr.		APPROPRIATION ACCOUNT.		Cr.	
		£	s. d.		
To Taxation	...	38,356	6 4	By Balance Unappropriated—	£ s. d.
“ Dividend Account—				As per Balance Sheet, 31st December, 1940	2 1
Dividend No. 76 of 80% on 2,150,995				Balance of Profit and Loss Account—	
shares of 5s. each (£537,748 15s. 0d.),				For the year ended 31st December, 1941	965,357 8
declared 12th June, 1941	£430,199 0 0			Forfeited Dividends Account	1,361 18
Dividend No. 77 of 80% on 2,150,995				Amount retransferred from Investment Reserve Account	125,683 15
shares of 5s. each (£537,748 15s. 0d.),				See Balance Sheet.	
declared 11th December, 1941	430,199 0 0			NOTE.—The above Accounts have been drawn up in	
		860,398	0 0	accordance with the normal practice of the Company,	
“ Balance Unappropriated—31st December, 1941—				any provision for the depreciation of Property, Shares	
Carried to Balance Sheet		1,375,907	18 1	and Debentures, etc., and the result of transactions	
				therein during the year having been dealt with	
		£2,274,662	4 5	through the Investment Reserve Account shown in	
				the Balance Sheet.	£2,274,662 4

The Full Report and Accounts may be obtained from the London Secretaries, A. MOIR AND CO., 4, London-wall Buildings, London, E.C.2.

THE PROVIDENT ASSOCIATION OF LONDON
LIMITED.

PROVIDENT HOUSE, 246, BISHOPSGATE, LONDON, E.C.2.

Founded 1877.

Authorised by Act of Parliament, Intituled Provident Association of London Act, 1910.

LIFE ASSURANCE WITH HOUSE PURCHASE PRIVILEGES.

ATTRACTIVE ANNUITY RATES.

TOTAL FUNDS

Total Advances upon House Property to Policyholders exceed

£15,591,715

TWENTY-FOUR MILLIONS

W. W. BENHAM, *Chairman.*

J. G. SLEIGH, *Managing Director.*

GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, LIMITED

POSITION STRENGTHENED

The fifty-sixth annual general meeting of the General Accident Fire and Life Assurance Corporation, Limited, was held, on the 29th ultimo, at Perth.

Sir Francis Norie-Miller, Bt., J.P. (the chairman) said that the accounts showed such satisfactory results that they were not only able to continue the same ordinary dividend, but their surplus funds, including the carry-forward, had risen to such a substantial amount that they were able to recommend the strengthening of the value of the shares by adding 5s. per share to the paid-up value.

The great strength of their position was shown in the following figures. They had £2,000,000 of a general reserve; in addition they had £600,000 of additional reserves in their fire and accident accounts and a carry-forward of nearly £1,000,000. All those figures were surplus reserves, after they had provided ample funds to meet all unexpired risks, outstanding claims, any possible depreciation of investments, as well as providing £100,000 for war contingency reserve, and in addition a pension fund of almost £600,000. They felt, therefore, fully justified in recommending to their shareholders that £500,000 from the carry-forward be utilised in increasing the paid-up value of the ordinary shares by 5s. per share.

The life assurance fund showed a very substantial increase of over £300,000, and the expense of conducting that branch of their business had now been reduced to the very low ratio of 12 per cent. The prospects of building up a surplus adequate to pay a good rate of bonus to with-profit policyholders in happier times were not unpromising.

The fire account had continued to give most satisfactory profits and the premium income had advanced substantially.

PROGRESS OF ACCIDENT ACCOUNT

The bulk of their profit came from the accident account, which had shown exceptionally good results during the past year. There had been a remarkable increase in the volume of business written, but they might have a swing of the pendulum in 1942, as present restrictions would certainly impose severe limitations on motor-car insurance. Their portfolio of business was sound and all reserves ample, so that they could face any difficulties that might arise in the current year with equanimity.

The improvement in the marine account was most gratifying and had enabled them to build up a strong fund against any vicissitudes of the future.

From the profit and loss account shareholders would observe that in spite of the increased burden of income-tax, their free interest earnings were still more than adequate to meet the cost of the dividends without drawing on their trading profit.

They had always prided themselves on the service they had given to their agents and policyholders. The difficulty of maintaining that service in these years of war was not surprising, when so many of the officials and staff at their head office and branches were absent, bravely fighting for their Country and in the great cause of liberty. Those who were left to carry on their work were one and all giving of their best with loyalty, efficiency and cheerfulness, and the majority were in their spare time actively engaged in assisting the war effort in civil defence and other important duties.

TRIBUTE TO STAFF

He was sure shareholders would agree with him in emphasising their heartfelt gratitude to those members of their staff who were fighting their battles in all parts of the world, and in assuring them that their thoughts and prayers were with them, and that they looked forward to welcoming them back to their various positions with the company. In that connection he must especially include those who were prisoners in enemy hands and their directors, managers and staff in all those countries which were meantime in enemy occupation.

A hard and difficult year had passed, but he could see the sun which was always behind the cloud ready to break forth with the blessings of peace. They had only to continue and, where possible, increase their efforts for their Country and then he firmly believed by this time next year they would be rejoicing in that victory which must come to all who were fighting in the great cause of freedom and justice for all the nations of the world.

The report and accounts were unanimously adopted.

INTERNATIONAL NICKEL COMPANY OF CANADA

GREAT DEMAND FOR NICKEL

PRODUCTION TO BE AUGMENTED

The annual general meeting of the International Nickel Company of Canada was held, on the 29th ultimo, at Toronto.

Mr Robert C. Stanley (chairman and president), in the course of his speech, said: The major problem facing industry in the United Nations at this time is the problem of immediate production. The nickel industry is no exception. Our metals are of vital importance in the production of essential equipment for our armed forces. It has therefore become necessary, because of the exigencies of war, that all our efforts be concentrated on a prompt increase in output.

To meet the unprecedented demand for nickel we have undertaken an expansion programme which will involve a capital outlay of nearly \$35,000,000. This calls for opening additional ore properties, sinking of mine shafts and the installation of surface and underground plant and equipment, as well as the enlargement of concentrating, smelting and refining works. When this expansion programme is completed our capacity will be increased by approximately 50,000,000 lbs. of nickel per year over the 1940 output. This rate of production will be attained in 1943.

RESEARCH ACTIVITIES

Concurrently with the speeding up of operations and plant expansion our research activities have likewise been accelerated. Technical problems dealing with new applications of nickel are being currently solved in co-operation with Governmental Departments. Throughout all of this work the most economical use of nickel is being emphasised. Technicians and sales executives have been loaned to the Governments for aid in perfecting the plans of technical men are working with consumers who are using nickel for the first time, in order that the metal may be effectively and conservatively used. Our field service men are also aiding in every way possible those of our customers who have been deprived of nickel. By recommending new compositions in steel or substitute materials many of these concerns can continue to exist and will undoubtedly return to using nickel after the war.

All of our mines and plants in Canada were operated at full capacity throughout the year. Our Huntington works is on a full-time war production basis. Our plants in Great Britain are all on a war footing and are working continuously on a full-time basis.

THE YEAR'S RESULTS

Notwithstanding increased sales the net profit dropped from \$35,544,772 to \$34,356,401, a decrease of \$1,188,371. This is accounted for largely by higher taxation, by special provision for short-term amortisation of war-time capital expenditure and by higher production costs. While our costs have risen since the outbreak of the war they continue to be satisfactory in view of the pressure on operations due to increased war requirements.

For the fourth successive year our dividend policy remained unchanged and dividends were declared in United States currency in conformity with the practice which has been maintained for 36 years. Four quarterly dividends were paid on each class of stock and amounted to \$1,933,899 for the preferred and \$29,156,338 for the Common, a total of \$31,090,237.

POST-WAR POSITION

Our position in the post-war period will, I believe, depend largely on the manner in which we conduct our affairs during the war. The engineering uses of nickel in war materials are similar to those in peace-time industry, and a peace-time world must eventually be rebuilt. A sound procedure to guide this company would appear to be—First, to enter the post-war period with ample financial resources; Second, to avoid debt with the attendant danger of fixed charges in a possible subsequent period of depression; Third, to enter the post-war period with the lowest production costs attainable. This calls for plant efficiencies all along the line, which will aid our war effort and our future as well; Fourth, to retain the goodwill of consumers of nickel, many of whom have been held to be engaged in production non-essential to the war.

ASSOCIATED PORTLAND CEMENT MANUFACTURERS, LIMITED

DEMAND WELL MAINTAINED

THE POOLING SCHEME

SIR P. MALCOLM STEWART'S SPEECH

The forty-third ordinary general meeting of the Associated Portland Cement Manufacturers, Limited, was held on the 30th ultimo in London.

Sir P. Malcolm Stewart, Bt., OBE, DL, LID (chairman and one of the managing directors), presided, and in the course of his speech said: The profit on trading amounts to £672,020, compared with £749,669 earned in the previous year, a reduction of £77,649 brought about by the excess of increased production costs over the advance in average selling price obtained. The total revenue for the year at £1,160,820 compares with £1,200,548, a reduction of £39,728. After paying the dividend on the 5½ per cent. preference stock for the year and an interim dividend of 2½ per cent. on the ordinary stock, there remains a balance of £262,320, which enables us to recommend the payment of a final dividend of 6½ per cent., absorbing £260,000, leaving a balance of £2,320 to be added to the carry forward, which will then stand at £217,648.

A WISE AND FAIR MEASURE

It is appropriate here to refer to the Pooling Scheme for the industry, which has been negotiated by the Cement Makers' Federation. It is designed to meet the requirements of the Ministry of Works and Buildings in respect of the limitation of profits and the spreading of abnormal charges and costs due to the exigencies of war. The scheme is a wise and fair measure dealing with difficult and varied issues. That agreement has been obtained is evidence of good will and readiness to solve the problems brought about by the war. No provision has been made in the accounts submitted in respect of the scheme, but it is not anticipated any liability will accrue to this company for the year 1941.

The year under review opened somewhat disappointingly, and it looked as though a marked decline would be experienced in home trade deliveries. However, with the advent of spring a good demand set in for Government requirements. This was well maintained, apart from a setback in the autumn, until the close of the year. Thus we effected aggregate deliveries of Blue Circle Portland cement which showed but a slight falling off compared with the figures of the previous year. The increase realised in the average selling price did not offset the increased cost of production, and this is reflected in the decreased trading profit.

Export trade was on a much reduced scale owing to the shortage of shipping facilities. Recent events in the Far East have deprived us of one of our important markets for the time being.

PRODUCTION PROBLEMS

At home the problems of production have presented many difficulties. However, the works have been well maintained despite the shortage of some materials and supplies. The output of cement was at all times equal to the demand. The continuous call for more men for HM Forces caused a shortage of labour. This was partly met by the release of employees from the Army to facilitate the manufacture of our product, which is proving so essential in wartime.

The transition from non-returnable paper bags, so easily filled by mechanical packers and so handy for the consumer, to returnable jute sacks has slowed down the rate of packing, required the formation of a new organisation and installation of machinery to sort, clean and repair the very large numbers of jute sacks which have to be dealt with. A point which I would be grateful if our customers would note is that the quick return of jute sacks in a dry and undamaged condition materially helps the loading position. Efforts are being made to develop the delivery of cement in bulk. The scheme cannot be successfully employed unless the large consumers make special and adequate provision at the receiving end for handling and storage.

Our attention has been drawn to statements that there are occasional shortages of cement. At no time has this actually been the fact. The industry holds adequate stocks of cement and heavy stocks of clinker. The difficulty is that contractors and consumers

make little or no provision for the building up of stocks on the sites where the cement is to be used.

CO-OPERATION WITH GOVERNMENT

The Cement Makers' Federation has completed another year of successful co-operation with the Ministry of Works and Buildings. This is in no small measure due to the work of Mr Hugh Beaver, the Director-General. Lord Wolmer, director of cement, recently resigned on his elevation to Cabinet rank and appointment to the office of Minister of Economic Warfare. He rendered outstanding service to the Ministry in helping to find a solution of the inevitable difficulties presented when an industry passes over from private to Government control. He is succeeded by Mr Norman Daynes, KC.

Our companies have, during the past year, taken a step of importance which it is hoped will afford increased security to their staffs. Since 1914 the Associated company and its main subsidiaries have had in force a joint benefit fund founded to provide their staffs with a lump sum on retirement. Contributions to the cost of this scheme were made by the members and by the companies. In recent years it has been found that the amounts paid under the scheme were somewhat inadequate and the results accruing from the lump sum payment did not always prove satisfactory. The directors, therefore, have had under consideration for some time the conversion of the benefit fund into a pension fund. After consultation with actuaries and solicitors specialising in these matters, a scheme was submitted and approved by over 90 per cent. of the voting members of the benefit fund. That fund has, therefore, been converted into a pension fund as from January 1st this year.

You will be interested to learn that the sum subscribed through the various War Savings groups formed by our staff and employees at the offices and works now amounts to £116,000.

CURRENT YEAR'S PROSPECTS

A sure forecast of the prospects for the current year it is not possible to make. Building operations carried out by private enterprise have virtually ceased. We are entering a period during which many manufacturers of building materials will be faced with the closure of their works, but this will result in the release of more men for HM Forces. The cement industry so far has escaped the general trend of contraction in the demand for building materials. This is fortuitous, since fluctuations in the demand for these normally synchronise.

The relatively better position of cement is due to exceptional circumstances. These are likely to operate for a period, but their duration is an unknown factor. Therefore, it is impossible at this juncture to see clearly very far ahead. However, I anticipate that the demand will be well maintained for some months to come.

With regard to the prospects for the current year's profits, I trust stockholders will deem themselves fortunate if the past year's results are maintained, but they must not be surprised if some falling off is experienced.

At a time when ill-informed criticism, based on a few exceptional cases, has been too generally prevalent, it is gratifying to record the good effort our staff and employees, men and women, have made to carry on under difficult and often dangerous circumstances, and we are especially indebted to our many old hands whose good example gives a lead. Stockholders will, I am sure, join with the directors in expressing our thanks to all members of the staff and employees attached to the various departments of our business at the company's works and depots for their loyal support and co-operation throughout the arduous experiences of the past year. Further, that you will also join the board in expressing our gratitude and good wishes to the 2,400 of our employees who have joined HM Forces.

The report was adopted.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

ARREARS REDUCED

The thirteenth ordinary general meeting of the Corporation was held on the 28th ultimo in London.

Sir Harry Goschen, Bt., KBE (the chairman), said that during the past year they had granted further long-term loans of £283,303, bringing the aggregate sum advanced to £13,897,528, secured on first mortgage of 938,725 acres of agricultural land valued at £21,789,602. Further loans totalling £187,909 had been approved by the directors, and would be completed as soon as the necessary formalities had been complied with. The aggregate of loans granted under the Improvement of Land Acts had increased to £131,366. He was pleased to report again a substantial reduction in the outstanding arrears of interest and capital repayments. Over 93 per cent. of the amount which fell due during the year had been paid by March 31st, and the total of all arrears was less than one-half of 1 per cent. on the aggregate of loans outstanding.

During the past year, the second year of war, the lands of England had yielded a harvest surpassing, both in volume and quality, all peace-time achievements. Farming had been put to a severe test and, in the face of many difficulties, it had won new triumphs. Much land had been reclaimed and the area under crops had increased by about 45 per cent. above pre-war level, while the output of cereals and straw in 1942 was estimated to reach not less than half as much again as in peace-time.

Corn crops in most parts of the country had given satisfactory yields, and the July rains had come just in time to assure an extra sack or two per acre and gave the root crops the moisture they so sadly needed. Wheat, the mainstay of farming, had done well, and a still larger acreage would be due for harvest in 1942. Turning to livestock, dairy cows and heifers were in strong demand. Other cattle and sheep also found a ready market, but the numbers of pigs and poultry had again probably declined.

The report and accounts were unanimously adopted.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY, LIMITED

SUBSTANTIAL PROGRESS

ASSETS EXCEED £50,000,000

The eighty-first annual general meeting of the Royal London Mutual Insurance Society, Limited, was held, on the 28th ultimo, in London.

After the secretary (Mr J. J. Pipe) had read the auditors' certificate, Mr J. K. Wiseman, joint managing director, in presenting the directors' report and statement of accounts for the year 1941, said:

The combined premium income of all branches for the year amounted to £7,750,233, the increase in the life branches over the previous year being £376,524. The total income for the year amounted to £9,644,210, an increase of £351,407. The total claims paid, including annuities and surrenders, amounted to £3,716,312. War claims amounted to £268,077. The total of claims paid by the society since its foundation amounts to £61,543,000.

The total assets amount to £51,905,720, an increase of £3,226,826 during the year. For the first time the assets exceed £50,000,000, which is a milestone in the history of the society.

A valuation of investments at the end of the year discloses a very satisfactory position. The market value of Stock Exchange securities exceeds the book value, as set forth in the balance-sheet, the investment reserve and contingency funds remaining intact.

The premium income in the ordinary life branch for the year (including consideration for annuities granted) amounted to £2,028,171, an increase of £129,872 over the previous year. The new sums assured amounted to £3,358,950, an increase of £764,431. The amount paid in respect of claims by death or maturity, annuities and surrenders amounted to £1,080,962, a decrease of £253,637.

As regards war risk on new policies, we have continued our special scheme under which a benefit of 50 per cent. of the full sum assured is allowed on with-profit policies issued at the ordinary rate of premium should death occur in consequence of war or hostilities while the life assured is a civilian. Service as a civilian

in any form of ARP and part-time service by civilians in the Home Guard is included. This scale also applies to women serving at home or abroad in any hospital or auxiliary service. Full cover instead of 50 per cent. may be secured on payment of a small extra premium. In the case of men serving in the Mercantile Marine the war risk benefit on with-profit policies issued at the ordinary rate of premium is 25 per cent. of the full sum assured.

In the industrial life branch the premium income for the year amounted to £5,689,250, an increase of £246,651 over the previous year. Claims and surrenders amounted to £2,608,610, a decrease of £193,642.

The amount added to the fund, namely, £2,052,512, which includes £1,369,908 interest on investments, is money put aside as provision for future payments to policyholders.

The balance-sheet shows that the assets total £51,905,720, an increase of £3,226,826 over the previous year. Stock Exchange securities represent 76.3 per cent. of the total, the remainder consisting mainly of mortgages, loans on public rates, freehold and leasehold properties and ground rents.

Of the Stock Exchange securities, 98.3 per cent. are made up of investments within the British Empire.

The proposition to adopt the report and accounts was seconded by Mr J. H. Skinner (joint managing director) and unanimously carried.

PINCHIN JOHNSON AND COMPANY

MR EDWARD ROBSON'S REVIEW

The annual general meeting of Pinchin, Johnson and Co., Limited, was held at Tigbourne Court, Witley, Surrey.

The chairman's statement was as follows:—
The directors' report has given the salient features of the trading and operations for the year ended December 31, 1941, and the following statement is a brief review for the benefit of the shareholders:—

Such information as can be given to show the importance of the work the company is now doing is of necessity very limited. The company has continued to implement its resources for the manufacture of highly specialised products essential to the country's industrial activities, and the resulting increased output has been well absorbed by the cumulative and growing demands of the national effort.

OUTPUT MORE THAN MAINTAINED

Last year reference was made to the temporary decline in the domestic business of the company. This decline has become more marked during the past year and export has narrowed to such limits as are permitted, having regard to other calls on materials, and transport. In spite of these factors beyond our control, the tonnage output of all our factories in the United Kingdom has been more than maintained. Two months' output from one of the most important of the company's factories was lost through displacement from circumstances outside our control, and profits were adversely affected during the improvisation period.

The facilities since installed are better for present needs than those previously used. Future production effort is dependent upon Government policy as to labour utilisation and control of materials. At Government request important technical officials of the company have been loaned to them so that the authorities may have the benefit of their experience and advice in the national interest as it affects the paint industry.

Referring to the balance-sheet, the stock-in-trade and sundry debtors figures show that the tie-up of cash resources continues, and that this must still dictate the conservative dividend policy referred to by your directors.

From the appropriation account you will note that the sum of £20,000 has been added to the reserve for depreciation of investments and contingencies. The addition will raise this reserve to a total sum of £140,000.

GEOGRAPHICAL SPREAD OF OPERATIONS

Demand for specialised products continues on the upgrade, and extensions to take care of the added load are in operation. Due regard is being paid to the "Service" factor post war in all present planning—the aim being to give rapid distribution allied to intense

specialisation on each industrial need. The geographical spread of the company's operations is a factor of immense value to be exploited. Shortages of natural material are being met by substitutes developed by the technical resources in the organisation, thus proving the value of research done in the past, in the forefront of which activity the company intends to remain.

The chairman then formally moved: "That the directors' report

and the balance-sheet at December 31, 1941, as submitted, be received and adopted and that a final dividend of 6 per cent., less income-tax, be declared and paid to the holders of the ordinary shares on the register of the company at April 14, 1942."

The resolution was carried unanimously.

The retiring directors were re-elected and the auditors re-appointed.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash
WHATEVER the true implications of Hitler's speech, the markets showed no tendency to deviate from the waiting policy of the last few weeks, pending the decisions which the next few months are expected to bring. Price movements were in consequence mixed and narrow, the tone generally remaining steady. The feature of the gilt-edged market was adjustment to the new 3 per cent Savings Bond issue 1960/70, the earlier issue rising above par. Long-dated and irredeemable stocks revealed some weakness in the absence of support, Local Loans, Old Consols and 3½ per cent War Loan all losing ½ on Tuesday. South American issues continue to provide the chief interest in a quiet foreign bond market. Both Chilean and Brazilian stocks showed slight improvement early in the current week, but before the week-end Chinese bonds advanced, the 4½ per cent loan of 1898 rising 2 points. Consideration of the railway White Paper at the close of last week resulted in some active trading in the home rail market. LMS ordinary rose 1½ and LNER 4 per cent second preference 1 point before the week-end, while smaller advances were registered at the reopening for junior issues. The following day, however, witnessed some profit-taking, but declines were slight. Turnover in the foreign rail market remained small, and apart from occasional changes prices were steady.

The industrial market continues to suffer from general inactivity, prices fluctuating narrowly with day-to-day influences. Small improvements for leading brewery issues reflected steady support in the early part of the week, but tobacco shares were dull on fears of reduced consumption, Imps and Gallaher both losing ½ before the week-end. Prices in the motor and aircraft group showed little change, although De Havilland fell ½ on Tuesday, when Raleigh Cycle Holdings improved a few pence. Leading heavy industrial issues were generally unaltered, while interest in the shipping group was slight. Earlier dullness in textile shares in which Patons and Baldwins lost ½ before the week-end was reversed at the reopening, when Fine Cotton Spinners rose 9d. among other smaller gains. In the miscellaneous section, Emmies rose 7½d. on Monday, but eased slightly the following day, when United Molasses weakened on the sharp reduction in trading profits. Among leading stores issues, both Woolworth and Marks and Spencer were weak at the end of last week, but later remained steady.

Earlier inactivity in the kaffir market was relieved in the early part of this week by a revival of buying from the Cape. Although the volume of business remained small, numerous improvements were registered, West Wit Areas advancing ¼ at the reopening, but gains were in general slight. In contrast to the rubber market, where conditions remained dull, tea issues have shown steady improvement on consistent buying over the past week; most gains, however, did not exceed ½. In the oil market, which in common with other sections suffered from lack of interest, Mexican Eagles fluctuated narrowly and were slightly lower on balance at the end of the week, but leading issues were practically unchanged.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
April 23.....	2,732	2,430	76.3	134.8
" 24.....	2,506	2,235	76.3	134.7
" 27.....	3,132	2,879	76.4	134.6
" 28.....	2,537	2,793	76.4	134.5
" 29.....	2,703	2,902	76.6	134.6

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942; highest 135.6 (Apr. 29); lowest, 132.2 (Jan. 5).

New York

FORECASTS of the price and profit controls, together with increased taxation proposals, announced in President Roosevelt's speech on Monday, and the discouraging news from Burma had before the week-end reduced many quotations on Wall Street to the lowest level for nine years. While the volume of selling lessened in the early part of the current week, little support was forthcoming from buyers who are holding off pending details of the economy measures.

New York Prices

STANDARD STATISTICS INDICES (1935-36=100)
WEEKLY AVERAGES

	1942		April 8, 1942	April 15, 1942	April 22, 1942
	Low April 22	High Jan. 14			
347 Industrials.....	64.2	75.0	66.9	64.6	64.2
32 Rails.....	60.2	71.0	63.0	60.2	60.3
40 Utilities.....	56.3	67.4	58.3	57.0	56.3
419 Stocks.....	62.7	73.3	65.3	63.2	62.7
Av. yield*.....	8.29%	7.65%	7.96%	8.27%	8.29%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4. (c) Apr. 15.

COMMODITY AND INDUSTRY NEWS

winter, particularly to keep up winter milk supplies.

1942 Wool Clip.—The procedure adopted last year is followed again for the re-quision of wool clipped in 1942 in the United Kingdom. The Control of Wool (No. 18) Order which operated from April 30th, prohibits the disposal of wool except to the Minister of Supply and provides for the furnishing of returns of wool and the issue of directions concerning re-

DAILY AVERAGE OF 50 COMMON STOCKS

April 16	April 17	April 18	April 20	April 21	April 22
78.9	77.7	78.3	78.6	78.8	78.6

1942 High: 91.2, Jan. 5. Low: 77.7, April 17.

Total share dealings: April 23, 429,000; April 24, 390,000; April 25*, 156,000; April 27, 281,000; April 28, 313,000; April 29, 412,000.

* Two-hour session.

Capital Issues

Week ending May 2, 1942	Nominal Capital	Conversions	New Money
Particulars of Government issues appear on page 629.	Including Conversions	Excluding Conversions	
Year†			
1942.....	650,826,922	646,824,863	
1941.....	419,592,149	419,592,149	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1942.....	646,588,067	199,308	37,488
1941.....	417,043,046	2,549,103	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942.....	643,316,499	157,425	3,350,941
1941.....	416,930,635	34,460	2,627,054

† Includes Government issues to April 21, 1942, only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

Argentine Estates of Bovril.—The outstanding £138,287 5 per cent. debentures are due for redemption July 1, 1943, at 105 per cent. The company is prepared to redeem it at 105 per cent on May 31, 1942, plus interest accrued. Notice of acceptance of the offer must be received on or before May 14, 1942.

BY TENDER

Colne Valley Water Company.—Tenders invited at a minimum of 146 per cent for 7 per cent "F" Ordinary stock to produce £120,000.

Shorter Comments

Mitchells and Butlers, Limited.—Mr James Henry Greenaway, the secretary, has been unanimously appointed a director of the company, with whom he has been associated for 53 years. The following interim dividends on account of the year ending September 30, 1942, have been declared to be paid May 20, 1942: 3 per cent actual, less income-tax, on the "A" and "B" Preference stock. On the ordinary stock 8 per cent actual, less income-tax. On the 7 per cent maximum ordinary stock 3½ per cent actual, less income-tax.

moval, transport, keeping, storage, disposal or delivery of it. A schedule of prices has been issued, which was settled in consultation with the Agricultural Departments, and as already announced, shows an average increase of 2d a lb. over the whole range of last year's prices.

Crepe Rubber Requisitioned.—All stocks of plantation-finished sole crepes and crude unvulcanised crepes, cut or uncut, held by boot and shoe manufacturers, merchants,

factors and cutters have been requisitioned by the Minister of Supply, in view of the need for crepe rubber for war purposes.

Cotton Wages.—No agreement was reached between cotton operatives' unions and employers before the Cotton Conciliation Board, which met last week to discuss the workers' claim for an increase in wages of 2d. per hour. As a result, the chairman will make an award, which will shortly be issued.

Producer Gas Vehicles.—The Government has decided to equip 10,000 commercial vehicles with producer gas apparatus. The producer decided upon was recommended by a technical committee, which reviewed every producer in operation.

Rubber Waste.—The maximum price for waste tyre covers sold to persons other than reclaimers or certified waste rubber merchants in small lots has been raised to £1 per ton, the price payable for covers in

large quantities, under the Control of Rubber (No. 12) Order, made by the Minister of Supply.

Tyre Rationing.—A deputation of the Commercial Motor Users' Association met the Director of Rubber Tyre Control to discuss certain details of the tyre rationing scheme. As a result, vehicle owners will be allowed to fit their own tyres, and if on investigation it is found desirable for owners to hold a small emergency stock of tyres, facilities for so doing would be granted.

Knitting Yarn Prices.—The Board of Trade have made the Knitting Yarns (Maximum Prices) Order (S.R. and O. 1942, No. 751) by which the maximum prices of knitting yarns marketed by fourteen firms have been fixed. The Order also forbids any rise in the manufacturers' price of other knitting yarns above the prices ruling on February 1st last, and it prescribes a

maximum margin for wholesalers of 2½ per cent on the price paid to the manufacturer (equal to 17½ per cent on returns), and for the retailers, 42.34 per cent on the price paid to the manufacturer of wholesaler (equal to 30 per cent on returns).

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

	April 23, 1942	April 24, 1942	April 27, 1942	April 28, 1942	April 29, 1942
Crops	115.6	115.6	115.6	115.6	115.6
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete index	141.3	141.3	141.3	141.3	141.3

	Mar. 31, 1937	Aug. 31, 1939	April 29, 1941	Mar. 30, 1942	April 29, 1942
Crops	147.9	92.2	108.3	115.0	115.6
Raw materials	207.3	122.9	173.2	172.7	172.7
Complete index	175.1	106.4	137.0	140.9	141.3

* Highest level reached during 1932-37 recovery.

NATIONAL BANK OF EGYPT

Incorporated in Egypt
Liability of Members is Limited

Head Office - - - CAIRO

Commercial Register No. 1, Cairo

FULLY PAID CAPITAL - - - £3,000,000
RESERVE FUND - - - £3,000,000

London Agency:

6 & 7 King William Street, E.C.4
Branches in all the Principal Towns in EGYPT and the SUDAN

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,000,000

ASSETS EXCEED - £77,000,000

CLAIMS PAID EXCEED - £140,000,000

(1941 Accounts)

DOMINION OF CANADA

THREE AND A QUARTER PER CENT. REGISTERED STOCK, 1958-63

For the purpose of preparing the Interest Warrants due 1st July, 1942, the BALANCES will be STRUCK on the evening of the 1st June, 1942, after which date the Stock will be transferred ex-dividend.

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

EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2,
1st May, 1942.

PROVINCE OF NEW BRUNSWICK

FOUR PER CENT. REGISTERED STOCK, 1949

For the purpose of preparing the Interest Warrants due 1st July, 1942, the BALANCES will be STRUCK on the evening of the 1st June, 1942, after which date the Stock will be transferred ex-dividend.

For BANK of MONTREAL,
EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2,
1st May, 1942.

NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of the Shareholders will be held in the Bank's Premises at 24 Bishopsgate, London, E.C. 2, on Tuesday, 12th May, at Twelve o'clock noon precisely, to receive the Accounts to 31st December last, with the relative report by the Directors; to confirm the appointment of W. G. Lely, Esq., as a Director, and to re-elect him; to elect Directors in the place of R. Langford James, Esq., and L. T. Carmichael, Esq., who retire by rotation, and being eligible offer themselves for re-election; to appoint Auditors; and for general purposes.

By Order of the Board,

E. H. LAWRENCE, General Manager.

26 Bishopsgate, London, E.C. 2.
28th April, 1942.

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
Established 1832.

General Office: Toronto, Canada.

Paid Up Capital ... \$12,000,000
Reserve Fund ... \$24,000,000
Total Assets over ... \$360,000,000

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

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

PROVINCE OF ONTARIO

THREE AND A HALF PER CENT. REGISTERED STOCK, 1946, AND FOUR AND A HALF PER CENT. REGISTERED STOCK, 1945-65

For the purpose of preparing the Interest Warrants due 1st July, 1942, the BALANCES will be STRUCK on the evening of the 1st June, 1942, after which date the Stock will be transferred ex-dividend.

For BANK of MONTREAL,
EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2,
1st May, 1942.

PROVINCE OF QUEBEC

FOUR AND A HALF PER CENT. REGISTERED STOCK, 1954

For the purpose of preparing the Interest Warrants due 1st July, 1942, the BALANCES will be STRUCK on the evening of the 1st June, 1942, after which date the Stock will be transferred ex-dividend.

For BANK of MONTREAL,
EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2,
1st May, 1942.

CITY OF REGINA

FIVE PER CENT. CONSOLIDATED REGISTERED STOCK, 1943-63

For the purpose of preparing the Interest Warrants due 1st July, 1942, the BALANCES will be STRUCK on the evening of the 1st June, 1942, after which date the Stock will be transferred ex-dividend.

For BANK of MONTREAL,
EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2,
1st May, 1942.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

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

(Cheques to be made payable to The Economist Newspaper Ltd.)

Publishing Office:

Brettenham House, Lancaster Place, London, W.C.2
Telephone No.: Temple Bar 3316

Finance

MONTH'S CHANGES IN DEBT

	Net Increases	Net Repayments
Treasury Bills	56,948	9,500
Nat. Sav. Certs.	19,450	
3% Def. Bds.	11,949	
2½% Nat. War Bds.	15,250	
1942-51	29,220	
3% Sav. Bds.	29,220	
1955-65	181	
Other Debt	73,525	
Ways & Means Adv.	18,646	
Tax Reserve Certs.		9,500
	225,569	

FLOATING DEBT

	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
Date	Tender	Tap	Public Depts.	Eng. Bank	
1941					
Apr. 26	865-0	1370-4	163-5	8-0	502-5
1942					
Jan. 24	960-0	1584-0	Not available	9-2	764-5
" 31	945-0	1584-0	Not available	9-2	764-5
Feb. 7	930-0	1584-0	Not available	9-2	764-5
" 14	915-0	1584-0	Not available	9-2	764-5
" 21	905-0	1584-0	Not available	9-2	764-5
" 28	905-0	1612-7	215-4	21-7	677-5
Mar. 7	905-0	1612-7	Not available	21-7	677-5
" 14	905-0	1612-7	Not available	21-7	677-5
" 21	905-0	1612-7	Not available	21-7	677-5
" 28	905-0	1612-7	Not available	21-7	677-5
Apr. 4	905-0	1612-7	Not available	21-7	677-5
" 11	905-0	1612-7	Not available	21-7	677-5
" 18	910-0	1612-7	Not available	21-7	677-5
" 25	920-0	1757-3	251-7	17-0	487-0

TREASURY BILLS

	Amount	Average Rate of Allotment	Per Cent Allotted at Min. Rate
Date of Tender	Offered	Applied for	Allotted
1941			
Apr. 25	75-0	168-9	75-0
1942			
Jan. 30	60-0	144-6	60-0
" 6	60-0	148-6	60-0
Feb. 13	65-0	139-9	65-0
" 20	75-0	153-7	75-0
" 27	75-0	142-6	75-0
Mar. 6	75-0	139-4	75-0
" 13	75-0	122-0	75-0
" 20	75-0	121-4	75-0
" 27	75-0	131-6	75-0
Apr. 3	75-0	147-2	75-0
" 10	75-0	155-0	75-0
" 17	75-0	147-5	75-0
" 24	75-0	133-0	75-0

On April 24th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Saturday of following week were accepted as to about 44 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Friday were accepted in full. £75 millions of Treasury Bills are being offered on May 1st. For the week ending May 2nd the banks will be asked for Treasury deposits to a maximum amount of £40 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)					
	Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds
Mar. 17	9,649	6,890	18,597	14,347	
" 24	10,394	8,015	48,220	48,975	
" 31	11,415	9,936	34,110	31,324	
Apr. 7	4,932	3,367	11,008	4,206	
" 14	4,810	3,203	7,372	4,566	
" 21	6,203	2,843	6,735	4,001	
" 28	...	...	8,937	2,970	
Totals to date	524,981	449,501	700,777	394,624	

* 126 weeks. † 69 weeks. ‡ 29 weeks.
 § Including Series "A." || Including Series "A" & "B."
 Interest free loans received by the Treasury up to
 Apr. 28th amounted to a total value of £47,873,355.
 Up to Apr. 25th, principal of Savings Certificates to
 the amount of £64,472,000 has been repaid.

* 126 weeks. † 69 weeks. ‡ 29 weeks.
§ Including series "A." || Including Series "A" & "B."
Interest free loans received by the Treasury up to Apr. 28th amounted to a total value of £47,873,357. Up to Apr. 25th, principal of Savings Certificates to the amount of £64,472,000 has been repaid.

Market Rates.—The following rates remained unchanged between Apr. 25th and May 1st.

Egypt. Piastres (97½) 97½-4. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-1. China. National \$ 21-3½.

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. ½ cent pm.-par. Canada. ½ cent pm.-par. Switzerland. 3 cents pm.-par. Sweden. 3 ore pm.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Apr. 25th and May 1st:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months

BANK OF ENGLAND RETURNS

APRIL 29, 1942

ISSUE DEPARTMENT

	£	Govt. Debt	11,015,100
Notes Issued:			
In Circulation	771,153,844	Other Govt. Securities	817,121,391
In Bankg. Department	59,087,731	Other Secs.	1,852,724
		Silver Coin	10,785
		Am. of Fid. Issue	830,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
			830,241,575

BANKING DEPARTMENT

	£	Govt. Secs.	111,232,838
Props. Capital	14,553,000	Other Secs.	
Res. & Prof.	3,144,449	Discounts & Advances	7,513,112
Public Depts.	13,960,489	Securities	27,143,754
		Notes	34,656,866
Other Depts.		Gold & Silver Coin	59,087,731
Bankers	122,027,241		
Other Accts.	51,309,138		
			676,882
			205,654,317

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

COMPARATIVE ANALYSIS

	1941	1942
	April 30	April 15
	April 22	April 29
Issue Dept.	623-3	767-1
Notes in circulation	56-9	13-1
Notes in banking department	63-1	771-2
Government debt and securities	677-2	778-1
Other securities	2-8	1-9
Silver Coin	0-0	0-0
Gold, valued at s. per fine oz.	0-2	0-2
Deposits	13-6	8-8
Public	131-8	127-9
Bankers	57-2	51-2
Others	202-6	187-9
Total	109-3	162-3
Banking Dept. Secs.	28-3	7-5
Government	22-2	22-4
Discounts etc.	162-0	192-0
Other	58-3	13-5
Total	28-7	34-0

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £780 millions to £830 millions on April 22, 1942.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 6d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
April 23	23½	23½
" 24	23½	23½
" 27	23½	23½
" 28	23½	23½
" 29	23½	23½

1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates ½%. Discount deposit at call ½% at notice ½%.

NEW YORK EXCHANGE RATES

New York on	April 22	April 23	April 24	April 25	April 27	April 28
Cables	403½	403½	403½	403½	403½	403½
London	87-500	87-500	87-620	87-680	87-750	87-875
Zurich	23-30	23-30	23-30	23-30	23-30	23-30
B. Aires	23-75	23-70	23-68	23-68	23-70	23-70
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills.

PROVINCIAL BANK CLEARINGS (£ thousands)

Week Ended	April 1941	April 1942	Aggregate from Jan. 1 to April 1941	Aggregate from Jan. 1 to April 1942
Working days:	6	6	98	97
Birmingham	1,530	1,969	37,190	43,116
Bristol	2,021	2,148	38,051	38,134
Bradford	2,186	2,576	31,942	37,765
Hull	543	606	10,956	13,869
Leeds	1,067	1,270	17,095	19,740
Leicester	850	863	14,378	14,982
Liverpool	5,078	4,671	92,044	80,751
Manchester	10,653	10,237	197,799	205,906
Newcastle	1,268	1,270	22,039	26,636
Nottingham	345	413	7,911	8,259
Sheffield	517	728	10,895	15,520
Southampton	121	98	1,797	2,109
12 Towns	25,999	26,162	482,095	506,776
Dublin*	5,431	6,253	99,583	113,117

* April 19, 1941, and April 18, 1942.

OVERSEAS BANK RETURNS

RESERVE BANK OF INDIA Million rupees

Assets	April 1941	Mar. 1942	April 1941	April 1942
Gold coin & bullion	444	444	444	444
Rupee coin	356	277	274	302
Balances abroad	234	353	492	485
Sterling securities	1,088	2,129	2,319	2,349
Ind. Govt. rup. secs.	913	1,363	1,253	1,382
Investments	78	122	92	78
LIABILITIES				
Notes in circ.: India	2,507	3,817	3,883	3,960
Burma	180	283	283	283
Deposits: Govt.	132	194	173	164
Banks	268	420	413	422
Reserve ratio	54.7%	61.1%	64.4%	65.1%

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

12 U.S.F.R. BANKS	April 1941	April 1942	April 1941	April 1942
RESOURCES				
Gold certifi. on hand and due from Treasury	20,160	20,474	20,494	20,475
Total reserves	20,504	20,816	20,826	20,826
Total cash reserves	334	326	335	322
Total U.S. Govt. securities	2,184	2,243	2,254	2,296
Total bills and securities	2,194	2,260	2,273	2,309
Total resources	23,658	24,181	24,581	24,335
LIABILITIES				
U.S. notes in circ.	6,218	8,674	8,699	8,714
Excess mfr. bank res.	5,760	3,170	2,890	2,750
Mr. bank res. dep.	13,506	12,715	12,502	12,470
Govt. deposits	947	190	301	243
Total deposits	16,261	14,256	14,287	14,243
Total liabilities	23,658	24,181	24,581	24,335
Reserve ratio	91.2%	90.8%	90.7%	90.7%
BANKS AND BANKERS				
Monetary gold stock	22,482	22,675	22,678	22,686
Treasury & bank currency	3,118	3,279	3,280	3,284
LIABILITIES				
Money in circulation	8,992	11,610	11,624	11,642
Treasury cash and dep.	3,246	2,367	2,549	2,432

AUSTRALIAN COMMONWEALTH BANK—Million £A's

Assets	Feb. 1941	Jan. 1942	Feb. 1942	Feb. 1942
Gold and English ster.	17.71	21.95	21.95	21.95
Other coin, bullion, etc.	6.95	8.32	8.60	7.10
Call money	61.56	30.33	31.32	31.25
Securities and Govt. bills	90.83	88.94	95.91	94.71
Discounts and advances	25.93	28.03	31.64	31.59
LIABILITIES				
Notes issued	62.37	81.36	81.86	82.11
Deposits, etc.	124.32	143.50	155.48	152.69

SOUTH AFRICAN RESERVE BANK Million £'s

Assets	Mar. 1941	Feb. 1942	Mar. 1942	Mar. 1942
Gold coin and bullion	47.75	46.11	46.55	46.85
Bills discounted	0.58	0.37	0.33	0.34
Invest. and other assets	36.83	60.07	58.26	58.47
LIABILITIES				
Notes in circulation	21.67	29.77	28.50	27.59
Deposits: Government	8.66	13.20	14.69	15.51
Banks	43.56	54.17	52.09	53.68
Others	4.10	4.76	4.85	4.00
Reserve ratio	59.1%	45.8%	46.8%	46.8%

BANK OF CANADA—Million Can. \$

Assets	Mar. 1941	Mar. 1942	Mar. 1942	Mar. 1942
Reserve: Gold	67.3	392.6	420.9	449.8
Other	534.7	416.6	595.6	600.4
LIABILITIES				
Note circulation	360.9	496.9	500.9	503.4
Deposits: Dom. Govt.	20.7	74.0	291.2	287.4
Chartered banks	214.7	242.5	231.5	247.9

RESERVE BANK OF NEW ZEALAND Million £N.Z.'s

Assets	Mar. 1941	Jan. 1942	Feb. 1942	Feb. 1942
Gold and ster. exch.	19.56	15.98	19.41	22.30
Advances to State	25.82	29.60	32.07	32.39
Investments	3.78	3.87	4.15	4.15
LIABILITIES				
Bank Notes	21.26	23.89	23.29	22.16
Demand bills: State	11.25	10.30	10.05	10.32
Banks and others	15.69	14.29	21.20	21.72
Reserve to sight liab.	40.6%	32.9%	55.5%	58.8%

SWISS NATIONAL BANK Million Swiss Frs.

Assets	May 1941	Mar. 1942	Mar. 1942	Mar. 1942
Gold	216.8	330.5	339.0	343.0
Foreign exchange	360.6	271.3	183.0	141.6
Discounts, etc.	174.3	100.7	118.2	118.3
Securities	143.8	17.7	20.8	20.4
LIABILITIES				
Notes in circulation	224.5	216.0	223.8	226.3
Other sight liabilities	565.1	242.4	243.2	246.1

CENTRAL BANK OF TURKEY Million Turkish pounds

Assets	Jan. 1941	Jan. 1942	Jan. 1942	Jan. 1942
Gold	110.0	111.5	111.5	111.5
Clearing and other exch.	32.2	64.1	65.7	70.1
Treasury bonds	138.8	136.5	136.5	136.5
Commercial bills	262.3	301.1	303.4	303.4
Securities	54.7	54.4	54.3	54.3
LIABILITIES				
Notes in circulation	418.8	521.5	516.5	516.5
Deposits	157.5	164.3	168.6	164.6
Clearing and other exch.	32.3	22.6	23.4	23.6

BRITISH WHOLESALE PRICES

	Apr. 21, 1942	Apr. 28, 1942		Apr. 21, 1942	Apr. 28, 1942
CEREALS AND MEAT			TEXTILES continued		
GRAIN, etc.			COTTON continued		
Wheat	S. d.	S. d.	Cloth, Overland Cloth, 58 1/2 in.	S. d.	S. d.
No. 1 N.M. 496 lb. f.o.b. St. J.	54 1/2	54 1/2	52 x 50, 22's & 16's	51 8	51 8
Eng. Gaz. av. per cwt. (c)	15 11	15 0	Drill, 30 in., 80 x 46, 12's & 10's	74 1	74 1
Flour per 280 lb.					
Straights d/d London	33 3	33 3	FLAX (per ton)		
Barley Eng. Gaz. av. per cwt. (c)	59 8	60 9	Lavonian ZK	Nom.	Nom.
Oats (c)	15 2	14 10	Perman HD	Nom.	Nom.
Maize, La Plata, 480 lb. f.o.b.	13 9	13 9			
MEAT —Beef, per 8 lb.			HEMP (per ton)—Manila, spot	30/0/0	30/0/0
English long sides	4 11	4 11	Dutree 2/3 c.i.f. Dundee	33/10/0	33/10/0
Imported hinds	6 5	6 5	Common 8 lb. cops (per spindle)	4 11 1/2	4 11 1/2
Mutton, per 8 lb.—English	4 7	4 7	10 1/4 Hessians, per yd.	0 6 25	0 6 38
Imported	8 6	8 6	8/40 Hessians, per yd.	0 4 94	0 5 00
Pork, English per 8 lb.	8 6	8 6	100 yds. Calcutta Hessians, Apr.	46 8	46 8
BACON —(per cwt.)—Wilts, cut side	126 0	126 0	7/40	35 1	35 1
HAMS —(per cwt.)—Green	132 0	132 0	SISAL (per ton)—African, Apr.	30 0	30 0
OTHER FOODS			May—No. 1	30 0	30 0
BUTTER (per cwt.)—All Grades, First hand	142 0	142 0	WOOL (per lb.)—		
CHEESE (per cwt.)—			Lancashire, washed	19 1/2	19 1/2
Home Produced	99 2	99 2	Selected blackface, greasy	14	14
Imported	99 2	99 2	Australian scd. fleece 70's	37	37
COCOA (per cwt.)—			Cape scd. average snow white	39 1/2	39 1/2
Acacia, g.f.	45 0	45 0	N.Z. scd. 2nd pieces, 50-56's	24	24
Grenada fine	81 0	81 0	Tops		
COFFEE (per cwt.)—			64's warp	45	45
Santos, sup. c. & f.	Nom.	Nom.	56's super carded	39	39
Costa Rica, medium to good	190 0	190 0	48's average carded	31	31
EGGS (per 120)—English	200 0	200 0	44's prepared	29 1/2	29 1/2
LARD (per cwt.)—Imported	15 0	15 0			
POTATOES (per cwt.)—			MINERALS		
English	7 3	8 3	COAL (per ton)—		
SUGAR (per cwt.)—			Welsh, best Admiralty	31 7	31 7
Centrifugals, 96%, prpt. shipm. c.i.f. U.K./Cont.			Durham, best gas, f.o.b. Tyne	27 10 1/2	27 10 1/2
REFINED LONDON					
Granulated, 2 cwt. bags	49 10	49 10	IRON AND STEEL (per ton)—		
Granulated, 2 cwt. bags, domestic consumption	21 7	21 7	Pir, Cleveland No. 3, d/d	128 0	128 0
West India Crystallised	47 6	47 6	Bars, Middlesbrough	312 6	312 6
TOBACCO (per lb.)—			Steel, rails, heavy	290 6	290 6
India, stemmed and unstemmed	0 8	0 8	Timplates (home, 14 x 20)	29 9	29 9
Rhodesian, stemmed and unstemmed	0 10	0 10	NON-FERROUS METALS (per ton)—		
stemmed	2 6	2 10	Copper (c)—Electrolytic	62/0/0	62/0/0
COTTON (per lb.)—			Tin—Standard cash	275/0/0(f)	275/0/0(f)
Raw, Mid-American	8 90	8 90	Lead (d)—Soft, foreign, cash	25/0/0	25/0/0
Giza, F.G.F.	11 55	11 55	Spelter (a)—G.O.B., spot	25/15/0	25/15/0
Yarns, 42's Ring Beams	18 74	18 74	Aluminium, ingots and bars	110/0/0	110/0/0
42's Cop Weft	18 52	18 52	Nickel, home delivery	195/0/0	195/0/0
60's Twist (Egyptian)	26 50	26 50	Antimony, English, 99%	120/0/0	120/0/0
Cloth, per 100 yards	S. d.	S. d.	Wolfram, Empire	2/15/0	2/15/0
31 in. Printer, 64 x 64	35 0	35 0	Platinum, refined	9/0/0	9/0/0
36's & 42's	35 0	35 0	Quicksilver	48/0/0	48/0/0
Cambric Shirting, 32 1/2 in. 72 x 60, 24's & 24's	47 4	47 4	GOLD (per fine ounce)	168 0	168 0

(a) + 7s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (b) Higher Pool prices in some zones. (c) Price is at buyer's premises. (d) Including import duty and delivery charges. (e) Average for weeks ended Apr. 18 and Apr. 25. (f) Price at which Ministry of Supply supplies consumers, delivered works.

COMPANY RESULTS (April 14 to April 29, 1942)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries, &c.													
Royal Brewery, Brentford	Dec. 31	163,881	20,000	22,278	74,342	4,500	18,000	12	20,000	- 222	152,623	32,576	12
Shipstone (James) & Sons	Dec. 31	175,163	...	175,163	261,227	23,843	143,723	20	10,000	- 2,403	171,947	171,947	18
Wilson's Brewery	Feb. 28	200,514	...	139,321	235,675	18,300	74,550	15	45,000	+ 1,471	203,840	134,016	15
Coal, Iron and Steel													
Beardmore (William) & Co.	Dec. 31	211,671	...	182,895	398,040	26,125	47,500	10	100,000	+ 9,270	375,094	328,679	10
Edinburgh Collieries	Jan. 31	7,431	...	Dr. 14,667	66	...	7,311	2½	...	- 14,667	56,495	35,658	Nil
Millon and Askam Iron	Dec. 31	134,531	...	35,286	74,502	27,362	...	...	...	+ 613	228,437	69,084	10
Settle, Speakman & Co.	Dec. 31	152,910	...	28,529	56,645	...	25,000	12½	...	+ 3,529	132,897	36,649	12½
Vulcan Foundry	Dec. 31	241,450	81,934	31,178	57,709	2,500	16,902	4	...	+ 11,776	221,775	29,528	3
Welsh Navigation Coal	Dec. 31	15,731	9,641	3,548	16,685	...	...	...	...	+ 3,548	35,227	22,210	2½
Wharfedale Silkstone Colliery	Dec. 31	38,914	10,000	6,080	19,290	1,478	4,479	7½	...	+ 123	41,675	10,272	10
Financial, Land, &c.													
Agricultural Mortgage Corporation	Mar. 31	553,184	...	2,727	5,895	...	27,000	9	...	+ 63	547,435	Dr. 5,671	Nil
Ever Ready Trust Co.	Mar. 31	31,731	...	28,845	35,763	...	27,000	9	...	+ 1,845	31,408	28,293	9
National Mortgage, &c., of N. Zealand	Sept. 30	159,567	...	16,433	32,110	...	7,079	5½	...	+ 646	165,293	17,221	5½
Rowton Houses Limited	Dec. 31	118,666	...	7,383	14,281	3,839	4,066	4	...	+ 522	116,413	5,455	4
Selfridge (Holdings) Limited	Jan. 31	11,339	...	11,339	Dr. 2,840	...	...	...	...	+ 11,339	27,205	Dr. 14,179	Nil
Slough Estates	Dec. 31	188,166	...	72,281	179,608	...	55,125	15	40,000	- 22,844	186,929	100,774	15
Hotels, Restaurants, &c.													
Marshall, Stewart & Watt	Jan. 3	26,158	...	15,830	20,347	15,750	...	...	...	+ 80	6,605	Dr. 3,851	Nil
Gardner (John), London	Sept. 30	55,843	6,603	18,453	36,330	7,500	11,250	7½	...	- 297	41,663	24,118	7½
Motor, Aviation, &c.													
De Havilland Aircraft	Sept. 30	108,108	...	92,174	119,257	...	40,000	10	50,000	+ 2,174	260,627	230,923	12½
R.F.D. Co.	Dec. 31	10,263	...	8,680	11,570	...	4,500	12	4,000	+ 180	12,145	10,545	12
Rubber													
Iscoot	Sept. 30	32,534	...	16,975	19,593	...	2,828	3½	...	+ 14,147	34,487	13,840	8½
Ipoh	Sept. 30	16,239	725	3,576	4,508	...	...	...	...	+ 3,576	14,120	3,665	10
Sedapah	Oct. 31	79,196	2,708	31,459	42,107	...	18,943	6	...	+ 12,516	73,330	44,161	12½
Shipping													
British Steamship	Dec. 31	81,775	29,762	26,628	41,575	...	18,750	7½	...	+ 7,878	80,124	35,925	7½
Canard Steam Ship Co.	Dec. 31	1,022,287	20,787	229,701	653,340	75,000(c)	...	...	...	- 154,701	680,339	146,111	Nil
Shops and Stores													
Bradleys (Chester)	Jan. 31	41,631	...	29,732	71,377	6,300	31,250	12½	...	- 7,818	57,938	47,021	12½
Civil Service Supply	Feb. 28	80,631	...	10,597	37,533	...	8,848	2½	...	+ 1,779	67,446	Dr. 2,415	Nil
Goldsmiths and Silversmiths	Jan. 31	130,344	...	36,271	78,367	15,000	15,000	5	5,000	+ 1,273	134,450	28,390	4
McElroy (William)	Feb. 18	84,737	2,204	67,481	107,790	5,600	5,000	5	...	+ 56,881	105,266	88,678	18
Redd (Austin)	Feb. 20	92,442	10,000	28,479	59,898	34,000	...	...	...	+ 5,521	112,600	38,625	8½
Rothmans Limited	Feb. 20	98,628	11,630	32,020	61,745	19,595	11,555	27-08	4,000	+ 515	43,220	32,414	27-08
Tramway and Omnibus													
Gateshead & District Tramways	Dec. 31	99,036	...	21,102	68,417	6,757	15,211	10	...	- 866	128,693	21,573	10
North General Transport	Dec. 31	466,625	...	143,706	219,432	19,500	83,108	10	40,000	+ 1,098	364,124	156,102	10
Tynemouth & District Transport	Dec. 31	51,731	...	5,324	18,456	1,525	4,641	10	...	- 842	31,976	9,316	10
Trusts													
Alliance Trust Co.	Jan. 31	649,599	...	261,642	322,737	49,846	134,533	25	75,000	+ 2,263	648,512	294,824	25
Friars Investment Trust	Feb. 15	74,168	...	20,095	33,558	...	15,469	4	5,000	- 374	72,867	21,344	4
London & South American	Mar. 31	34,470	...	17,583	61,969	13,021	...	...	...	+ 4,662	40,653	22,314	Nil
Redeemable Securities Trust	Mar. 31	19,904	...	14,505	20,768	12,000	2,487	...	...	+ 18	19,262	13,506	1
Second Scottish Northern Investment	Dec. 15	77,900	...	26,517	58,473	8,251	14,898	11½	...	+ 3,368	79,734	29,842	11½
Third Guardian Trust	Mar. 15	29,382	...	16,241	29,833	8,332	7,175	...	...	+ 754	34,403	19,129	4
United States & S. American	April 4	59,723	...	39,435	97,198	12,708	21,604	8½	5,000	+ 123	67,253	45,073	9½
Other Companies													
Amalgamated Roadstone Corporation	Mar. 31	95,634	...	45,643	70,325	32,500	19,000	5	10,000	- 5,857	55,661	14,482	Nil
Anti-Affriction Metal	July 31	31,807	...	14,882	20,679	...	8,750	5	...	- 3,868	36,020	24,195	12½
Associated Automatic Machine	Mar. 31	21,423	...	7,540	10,936	...	7,600	4	...	+ 60	14,120	13,071	6
Associated Portland Cement	Dec. 31	1,160,820	513,308	499,820	715,148	137,500	360,000	12	...	+ 2,320	1,200,548	539,648	10
Betts & Co.	Dec. 31	32,694	6,179	10,408	19,186	...	37,162	7½	...	+ 1,592	42,623	16,609	7½
British & German Railway Carriage	Dec. 31	55,151	...	49,769	170,446	5,000	843,474	9	...	+ 9,807	65,991	60,809	7½
British Tobacco Co. (Australia)	Oct. 31	1,079,572	...	957,100	1,001,252	111,188	43,312	15	...	+ 2,438	996,400	965,397	10
British Oxygen Co.	Dec. 31	1,346,558	260,000	403,134	625,534	100,800	300,000	15	...	+ 12,503	1,364,944	355,469	15
British Portland Cement	Dec. 31	685,409	...	14,528	24,746	...	13,155	(a)	...	+ 2,334	734,816	452,641	17½
British Quarrying Co.	Oct. 31	108,726	25,230	137,327	210,242	11,531	49,500	11	75,000	+ 1,373	100,912	17,011	(b)
British Tyre and Rubber	Sept. 30	1,08,726	...	40,019	587,303	23,457	372,595	13½	...	+ 1,296	391,038	168,382	11
British United Shoe	Mar. 31	421,631	...	381,433	506,432	67,200	130,985	18½	...	+ 11,967	520,413	507,283	17½
Bryant & May	Mar. 31	421,433	...	408,019	587,303	23,457	372,595	13½	...	+ 3,248	523,912	473,912	22½
Cosden (Richard)	Dec. 31	34,259	...	24,475	40,348	16,216	...	...	10,000	- 1,741	50,149	35,109	Nil
Craven Brothers (Manchester)	Dec. 31	260,056	15,000	60,161	184,720	...	43,000	14	...	+ 1,861	182,820	73,012	14
Crosse & Blackwell	Dec. 31	81,076	27,094	58,496	72,324	...	39,823	4	15,043	+ 3,650	540,643	87,699	2½
Dunlop Floorcloth, &c.	Jan. 31	Dr. 5,446	1,889	5,446	11,868	...	12,500	10	...	- 739	7,470	4,661	2½
Foster (M. B.) & Sons	Dec. 31	39,532	20,000	39,080	107,903	...	16,250	5	41,068	+ 1,542	44,717	17,671	10
General Refractories	Dec. 31	125,267	2,998	Dr. 5,241	13,230	1,935	875	2	...	- 18,238	124,662	43,236	5
Gries (L.) & Co.	Dec. 31	7,282	...	42,323	53,856	...	20,160	12½	...	+ 8,051	21,767	8,664	8
Hall Telephone Accessories	Dec. 31	401,934	...	30,750	37,693	1,050	28,600	20	20,000	+ 2,163	209,370	26,802	10
Indestructible Paint Co.	Dec. 31	40,611	...	35,222	40,790	10,762	12,500	10	12,500	+ 1,102	42,730	33,545	20
Isas & Co.	Dec. 31	139,706	48,684	36,672	39,328	...	23,333	5½	14,254	- 540	95,273	35,774	8
Kinemas Limited	Dec. 31	85,039	...	Dr. 2,219	10,980	...	...	...	...	+ 915	61,809	10,837	2½
Maldenhead Brick and Tile	Sept. 30	Dr. 470	...	14,706	23,389	21,257	...	...	...	- 6,551	49,046	19,438	Nil
Meosons Limited	Jan. 31	57,531	...	20,596	30,458	...	4,600	4	...	+ 1,975	57,628	17,154	Nil
Peckler (H. J.) & Co.	Dec. 31	73,629	6,738	6,852	10,265	2,780	2,500	10	2,500	- 928	12,370	4,142	Nil
Peckless Furniture	Dec. 31	25,156	1,962	130,859	281,842	23,456	82,048	8½	24,567	+ 788	338,347	196,847	8½
Pinchin, Johnson & Co.	Dec. 31	325,111	9,123	62,192	85,594	18,820	22,974	7½	10,000	+ 10,398	80,646	30,297	5
Pollard (E.) & Co.	Dec. 31	135,325	1,510	11,881	14,261	1,800	7,000	20	2,000	+ 1,081	41,732	11,631	20
Range Boilers	Dec. 31	37,832	...	61,769	90,943	12,750	40,000	40	5,000	+ 1,081	72,726	62,087	40
Ravipull Co.	Dec. 31	11,087	...	11,783	23,741	...	6,149	7½	6,000	- 366	9,933	8,257	5
Shaw (John) & Sons, Wolverhampton	June 30	12,900	1,000	8,142	16,957	...	10,000	12½	...	+ 1,858	6,134	6,134	12½
Spratt's Patent (America)	Dec. 31	9,891	...	...	...	...	...	...	...	...	...	...	...
Totals (000's)													
Jan. 1 to April 14, 1942	No. of Cos.	95,368	7,418	46,009	80,541	9,427	30,047	...	5,286	+ 1,249	99,341	50,957	...
April 14 to April 29, 1942	492	14,549	1,175	5,857	9,426	1,067	3,866	...	627	+ 297	13,994	6,703	...
Jan. 1 to April 29, 1942	567	110,417	8,593	51,866	89,967	10,494	33,913	...	5,913	+ 1,546	113,335	57,660	...

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(Incorporated by Royal Charter 1853)

CAPITAL (PAID-UP) - £3,000,000
RESERVE FUND - £3,000,000

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AFFILIATED BANK IN INDIA

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ESTABLISHED 1837

LIMITED

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 Reserve Liability of Proprietors ... £8,000,000

£12,000,000

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Reserve Fund ... £3,250,000
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 Reserve Fund ... 2,500,000
 Currency Reserve ... 2,000,000
 Reserve Liability of Proprietors under the Charter ... 4,500,000

£13,500,000

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 CAPITAL FULLY PAID ... £2,400,000
 RESERVE FUND & BALANCE carried forward ... £2,256,217
 DEPOSITS & CREDIT BALANCES ... £50,593,844

as at 28th Feb. 1942 ...

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 ISSUED AND FULLY PAID-UP ... £20,000,000
 RESERVE FUNDS (STERLING) ... £8,500,000
 RESERVE FUNDS (HONGKONG CURRENCY) ... \$10,000,000
 RESERVE LIABILITY OF PROPRIETORS ... \$20,000,000

Head Office, HONGKONG,

temporarily transferred to
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THE ECONOMIST

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ONE SHILLING

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The Only Way.

HITLER'S recent speech has been called an offensive against the German people. There are signs, in England itself, of an even more insidious and fatal offensive against the English people. Four hundred years ago, Catharine of Aragon found the people of England unstable. "They are too elated by small successes (she told the Emperor) and too cast down by small reverses." Guard is needed now against the same infirmity. March to May is a short time. Yet there are marks already of a revulsion from the austerity then called for. Singapore is two months further distant. The growing strength and initiative of the United Nations have been underlined by a few deeds and many words. So it is possible for men of influence, here and there, to protest against what is called "rationing for rationing's sake," and for vested interests to start up again in their last ditches to fight restriction and control. There is more than the stupidity to be expected from the 1922 Committee in their threat to wreck the plan to ration fuel. It is even possible for a journalist, writing in a newspaper which at the same time cries out for a Second Front, to suggest that the people now resent "the austerity that is imposed on them from above"—an alarming new interpretation of national morale and a gross misstatement.

This trend is as great a menace as the malignancy of the enemy. So far, it is only a hand's-breadth cloud on the

horizon. The nation is sound and steady. The vast majority, in fact, are readier than ever for any sacrifice. The onus lies upon their leaders, in business, in politics, and in the Press, to prove and press the need; and it is there that the traces of faltering have appeared. The view is heard that the screw has been tightened enough, that austerity beyond a point becomes prohibition without need. This is murmured, as yet by a minute few, in clubs, in Government offices, at party headquarters, in trade associations and in trade unions. In part, it is disingenuous. In part, its wrongheadedness has some excuse. One excuse is that austerity has been incompletely planned; it is still possible, because too much excess purchasing power is left in the pockets of the public, and because too many varied and needless goods are still being made and sold, for wartime austerity to take the form of sharp disparities between one citizen and another; the way in which restaurant meals are being tinkered with, when they should be brought as soon as practicable within the ration, is symptomatic. Moreover, it is maddening when restrictions upon ordinary people are called for which might have been less stringent if there had not been mismanagement in the past; the bitter controversy about fuel rationing has been shot through by this sense of justified recrimination. Nor can it be denied that the morale, the health, and the spirit of ordinary working people, living

and working in ordinary working-class conditions, are much more than a matter of sound statistics and subtle economic reasoning. Manpower is men and women, and it is above all imperative, in the war effort, that those who serve should be adequately fed, adequately clothed, adequately housed, and adequately rested and recreated. It cannot be too strongly emphasised that no section of the community should be able, by reason of its income or its privilege, to live through this crisis of the war more cushioned than others against the rigours of war economy.

But shortcomings and mismanagement in the past are not arguments against austerity now. When they are used in this way by the fainthearted, the blind and the stupid or by the spokesmen and sycophants of vested interests, whether labour or capital, they are blatant special pleading. Austerity, in the shape of comprehensive rationing and restriction, will not push the people of this country, even the poorest, beyond the breaking-point. Indeed, austerity is needed to prevent the breaking-point from being reached. The need is to win the war; and in war economy there is nothing, no resources, no wealth, no factor of production, to spare. There is less to spare in the next decisive months of the war than ever before in English history. The whole country cries out for action. The limitations upon output and strategy are set by shipping and manpower. Nothing is unfair or over-harsh that will free men or ships, to-day and not to-morrow. Restrictions have already cut deep into the high British standard of living; and the only reserve of labour for the war effort now is in the so-called essential industries, the only reserve of ships in the so-called essential import or export trades. If 1942 is to be, as every free soul alive wishes, a year of decision, there will be massive demands for both ships and men, and great casualties. The Second Front, like charity, begins at home. It is surely not true that the war workers, and other civilians, who pass resolutions calling for soldiers to be sent out to fight, at whatever cost, are themselves unready to make the further sacrifices needed. There is no excuse for the needless use of a single man or a single ship. A chief aim of all-in fuel rationing is to save men, as well as coal.

Slowly but perceptibly, the people of this country have come to realise that everything is scarce in war economy, if success is sought. There are so many things to be done. Slowly but genuinely, they have come to see that rationing and price control and standardisa-

tion are necessary means to minimise the disparities and hardships of wartime living, as well as to save materials, ships and manpower. It is a betrayal of this understanding and of the nation's resolution that there should be these guides and spokesmen at this moment, however small in numbers and unrepresentative, ready to call a halt to the measures needed to end the chaos and carnage into which the world has fallen. Too many of them are disingenuous creatures lacking, not in knowledge but in integrity, too anxious to preserve the stakes and statuses of present society, and too shortsighted to see the doom that their shortsightedness would court.

The question is not whether a halt should be called to austerity. It is whether more men or more ships can still be saved for the effort and the offensives of 1942. This is the greatest emergency in world history. It should be a set design, determined by the Government and imposed upon all groups and corporations, to root out immediately every needless employment and every needless voyage. It should be asked what further measures can be taken, if they prove necessary. It should be asked, for instance, whether bread may not have to be rationed to cut down a great waste of imported grain, and, at the same time to ensure a sufficiency of bread for every consumer in the months to come. It should be asked whether the emergency has not come in which foodstocks, rather than food imports, should be drawn upon to meet the nation's ration. It should be asked whether the time may not be near at which it would be better to slaughter beef cattle, and feed home barley to milk cows, than to bring in feeding-stuffs by sea. It should be decided, once and for all, that imports of essential war materials must not be cut down in order to hold food imports at the present level, which is reducible; and the new quota of supplies under the Limitation of Supplies (Miscellaneous) Orders, which starts on June 1st, for the range of articles which runs from cork carpets and metal furniture to trunks, cameras, musical instruments, toilet requisites and personal ornaments, should have been set at zero.

The contrast to be reckoned is with Russia and Germany. "The front, the home land, the transport system, the administration . . . must be governed by a single thought—victory." This was Hitler's appeal; and it would be a tragedy for more than England if the tradition of blood, toil, tears, and sweat were to pass over to the enemy. The path to victory is more austere, not less, than the path to defeat.

The Failure of Fascism

THE weeks before each year's spring offensive have tended in this war to be a kind of silly season, during which every kind of inspired rumour and confidential report gets circulated. Each spring the Axis Dictators, by meeting in solemn—and secret—conference, have provided a focus of gossip, and since there has not been much doubt about Germany's attitude on the war, it is Italy's reactions that have come in for the keenest discussion. In 1940, the question discussed was whether Italy would come into the war; in the two following years, last year and this, whether Italy could get out. This year, the Salzburg meeting has once again provided the focus of interest. Once again, old illusions are cropping up.

Mussolini sees all the Italian prefects before leaving. This is read to mean that Italy is seething with unrest and that new security measures have now to be devised—in close co-operation with the Gestapo. The King of Italy is reported to have had audience, not only with the Duce and Ciano, but with Marshal Badoglio, Cardinal Della Costa and other advisers. This is read to mean that he is planning to repeat the coup of 1922 in the reverse direction. The idea of enemy regimes being changed from within, of resistance breaking down and popular revolts settling the course of hostilities, has a morbid attraction for the British people—a legacy perhaps from the last decade of isolationism and passivity. The fact

that Italy "changed sides" in the last war encourages this form of wishful thinking to the point of obsession. This is not to say that there are no grounds for believing that the Italians are dissatisfied and perturbed over the course of the war. The food situation is growing monthly more alarming, and the Fascist party seems to have been singularly inept in its handling of it. The basic difficulty is the extent to which, before the war, Italy still depended upon imports of foodstuffs. The blockade, on the one hand, and the rapidly declining productivity of European agriculture, coupled with Germany's prior claims, on the other, have virtually closed all foreign sources of supply. To this must be added the growing labour shortage in Italy. About half a million men are prisoners of war; at least another two millions are mobilised; and something like half a million skilled agricultural workers will presumably go to work in the German harvest this year. The effect of this shortage is inevitable. Just under 90 million quintals of wheat are needed; about 71 millions have been produced. Of these, 500,000 quintals are already mortgaged to Germany. Halfway through March the daily bread ration was reduced again—to 5 ounces. Although strict rationing has been introduced, the system has proved singularly ineffective—largely because of the indiscipline of the Italian people. The worse the situation grows, the more blatant is the scramble for

wealthy Italians to corner what stocks there are. Since shopkeepers are anxious to line their pockets and peasants determined as far as possible not to sell their produce at fixed prices to the various state pools, a fever of hoarding and extortion has been rampant throughout the winter—the rich interested in the maintenance of the black market as consumers, the poor as producers. Heavy punishments, including the death penalty, have been introduced; but there have been no executions and fines are usually nominal.

Prices are skyrocketing as a result, and the danger of inflation hangs over the community. The Duce, Count Thaon de Reval, the Finance Minister, and the Governor of the Bank of Italy—all have gone out of their way to threaten the speculators and warn the nation. But in practice there seems to be a curious lack of any really effective counter measures. Legislation has been passed; the difficulty lies in securing its application. At first, in July last year—price control was made the responsibility of the Party. The Central Committee for Co-ordination and Control was presided over by the Secretary of the Party. But the local—and national—Party officials, upon whom the working of the scheme depended, were themselves in the black market up to the neck. In some localities, the Blackshirts actually ran the black markets. In January this year, this system of price control was scrapped and an Inter-Ministerial Committee presided over by the Duce himself took its place. Its new executive officers are the prefects. Since one or two of them had already been dismissed for food offences, there seemed no particular reason why the new system should work any better than the old one. It does not appear to have done so. Food is only the most significant shortage. Nearly everything else is in short supply—fuel, soap, clothing. A recent newspaper campaign in some of the leading dailies suggests that gross profiteering has been going on unchecked among landlords. The economic picture is unquestionably one of bitter hardship, shared most inequitably between rich and poor. The newspapers rail against the "vulgar ostentation" of the life of the well-to-do. Nothing is done about it.

The economic failure reflects the basic failure of Italian Fascism in the political sphere. The reason why peasants keep their grain from the state pools, why the people invest any money they have to spare in land or jewellery, why the Fascist hierarchs cynically exploit their position, is that Fascism has not created confidence in its regime, and has not succeeded in generating a sense of social dedication strong enough to counter the inveterate individualism of the Italian people. Underneath the external paraphernalia of Party emblems and ceremonies, and the pompous exhortations of the press, the Mussolinian edifice is crumbling. As the hardships grow and the news from the Russian front gets blacker and the behaviour of the rich and of the Party hierarchs grows more blatantly anti-social, the Italians are losing whatever cohesion, strength of purpose and national enthusiasm the

frantic Fascism of the last twenty years had managed to pump into them. Instead, they are disintegrating into congeries of disgruntled individuals, all fiercely engaged in the day-to-day struggle to get food—and supremely indifferent to world-shaking political decisions, historic moments, national missions, imperialist claims and all the other *ersatz* circuses they are being offered instead of bread. When Ansaldo made his classic "Woe, woe" speech just over a year ago, it was the passivity and indifference of the Italians, not any active opposition, that he attacked. To this must now be added the lassitude of hunger. The danger facing Mussolini is not the revolt of Italy but its disintegration.

There is no doubt that an Italian collapse would be awkward for the Nazis at this moment. It is not that they expect much from Italy's military contribution. Neither its equipment nor its soldiers are up to much more than policing and commissariat work. The point about Italy is that it is a nation of 47 millions and a producer of certain vital foodstuffs and raw materials. The war effort of the "new order" is running on so narrow a margin that Italian labour and Italian war materials are essential to its functioning. However little Hitler may expect from the average Italian performance on the Russian and Libyan battlefields, he has seen half a million Italians at work in the German cornfields, and the "battle of grain" is as grim a matter of survival now as the battle of tanks. The Salzburg meeting was just the routine meeting in which Mussolini learnt what the German General Staff had decided on for the next six months, and what part Italy would be expected to play. Judging by recent comments in the German press on the necessity of pooling Europe's economy absolutely, and the rather worried protests from Signor Gayda that Italy has an important agricultural and industrial part to play in the "new order," it can be guessed that the Germans almost certainly demanded workers and food—two reserves of which Italy is getting very short.

Mussolini cannot refuse—even if he wished to. Italy is utterly dependent upon Germany. Under the economic agreement renewed in February, German coal, iron and steel is to continue to cross the Brenner; German armaments—not always of first-class quality—will still be provided to the under-equipped Italians; there is to be no close book-keeping, and need is to determine the exchange. But Germany is arbiter of what are Italy's needs, and they will be satisfied just in the measure in which Italy is useful to the Reich. The Italians cannot turn elsewhere—the United Nations have still to prove themselves. Fascism is too deeply committed to the "new order" to change sides; and where are the growing points of a new regime in the midst of the apathetic, unorganised, indifferent Italian masses? Hitler's Gestapo men—of whom fresh reinforcements are said to have arrived in Italy—are not there to deal with political unrest. It is non-existent. Their job is to see that Italy delivers the goods, in spite of social discontent and apathy.

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Allowances for Children

THE White Paper on family allowances, and some statement of Government policy, were eagerly looked for this week. It has been abundantly proved by clinical inquiries that the main cause of real poverty is children. After years of hesitation the General Council of the Trades Union Congress recently decided to support a universal system of allowances to children. The objection of the trade unions has been based upon a fear that family allowances would exercise a depressing effect upon the wage level. Their view was that the most secure way of providing for the needs of workers' families is to guarantee to all workers a minimum wage sufficiently high to keep their dependants adequately, no matter what their number.

The decision of the trade unions is to some extent the recognition of a *fait accompli*. There now exists a wide variety of allowances to wives and children under wartime schemes to prevent hardship, in addition to the payments made before the war to orphans and widows' children under pension schemes, for the children of the unemployed and under other insurance and compensation schemes. (The allowances to child dependants of serving men are, of course, part of their pay.) The scarcity and dearth of goods in wartime, and the changes in relative incomes, makes family allowances peculiarly necessary in the process of distributing war rations fairly and efficiently. The following table shows the scope of state allowances, of all sorts, for children—and the astonishing discrepancies in their size, which still remain, in spite of the considerable changes that have been made to bring at least the war allowances nearer into line with each other:

ALLOWANCES FOR CHILDREN

	1st Child Weekly	2nd Child Weekly	3rd Child and each Additional Child Weekly
Armed Forces (other ranks)	8/6	6/6	5/-
Unaccompanied Evacuee (a) :—			
Aged 5 years and under 10	10/6	10/6	10/6
" 10 " " " 12	11/-	11/-	11/-
" 12 " " " 14	12/-	12/-	12/-
" 14 " " " 16	13/-	13/-	13/-
" 16 " " " 17	15/6	15/6	15/6
" 17 " " " over	16/6	16/6	16/6
Unemployment Benefit (b)	4/-	4/-	3/-
Workmen's Compensation, 100% disabled	4/-	4/-	3/-
Air-raid Victims (receiving hospital or other treatment)	4/-	4/-	3/-
War Victims (c) :—			
One Parent killed	9/6	7/-	5/6
Orphans	11/-	11/-	11/-
Parent 100% disabled	7/1	5/5	5/5
Contributory Pensions Scheme :—			
Mother living	5/-	3/-	3/-
Orphan	7/6	7/6	7/6

(a) Parents pay 6s. weekly for each child, except where means do not permit.
(b) Assistance Board allowances vary from 3s. 9d. weekly for a child under 5 years of age to 6s. 9d. for a child of 14 to 16 years.
(c) Applies to all killed or disabled by enemy action: Armed Forces, Home Guard, Civil Defence Forces and Civilians.

The proposal is that allowances for children should be made general and uniform in amount. To the existing allowances must be added the grants which, again largely under the pressure of wartime conditions, are already made in kind. Children have been given many priorities in the distribution of wartime foodstuffs; milk, cod liver oil, fruit juices, oranges and eggs have been distributed to children of various ages under special schemes.

One question is whether this method of payment in kind should not be carried forward into the payment of allowances under the more normal conditions of peacetime. The trade unions might possibly be indisposed to accept payment in kind—or state truck, as they might call it—as a complete substitute for the payment of money allowances. But there are arguments in its favour. The trade unions have never objected to free education. One obvious difficulty about the general grant of family allowances is their cost: 2s. 6d. per week for every child up to the age of 14 would cost, say, £60 millions a year; 5s. would cost £120 millions a year; 10s. would cost £240 millions

a year—though it is necessary to deduct the cost of some of the allowances already made to children, under existing schemes (an off-set which, even before the war, in 1937, was probably as much as £20 millions a year), to arrive at the net extra cost of a general system of allowances. The cost of allowances large enough to be effective for their purpose would be very considerable; and it would be correspondingly important to ensure that this public money was in fact effectively spent—that is, that it went to the maintenance of children's health and nutrition, and not to any other purpose. In wartime, it has been discovered that parents do not in fact always devote the allowances they receive, on various grounds, for their children to the purposes intended. Plainly, this is to a large extent due, in many cases, to the inadequate total household income of the family; and this situation could only be remedied by the institution of a national minimum income for all families, which would include and go beyond allowances for children. But the fact remains that money allowances are no more than an addition to parents' incomes. Control is clearly much easier when the allowance is given in kind, and administered, say, at school or in a public nursery, where they can be given direct to the beneficiaries.

On the other hand, it would be a gloomy view of family ties and obligations which dissociated entirely children's allowances from the children's parents. Moreover, it would not be easily possible to meet all the needs of every child by schemes of payment in kind. Allowances in kind should probably be used, wherever convenient, as in the case of milk and meals at school; but the onus of feeding, clothing and housing children must, in practice, involve a considerable programme of education to persuade parents that, although these allowances for their children are, in fact, simply an addition to their money incomes, they are earmarked, not for general household purposes, but for the direct benefit of the children. It must involve sanctions too—an intensification of the laws which already exist to penalise neglect.

It will rightly be replied by many people that this argument ignores the fact, already admitted, that parental negligence is very often merely a function of parental poverty. If there is a responsibility upon parents to care for their children, there is an equal responsibility upon the community to make this materially possible. It is for this reason that family allowances, or, more properly, allowances for children, cannot be regarded as sufficient in themselves. They are only part of the programme required. It is still necessary, for instance, to level up the minimum wages payable to the lowest paid individual workers. This is taking place, and £3 a week is emerging as a minimum male adult wage in many occupations. But as a minimum male adult wage in many occupations, because the wage system is insufficient to cater for the needs of families, as distinct from individual workers, because the size of families is not, and cannot be, taken into account. Wages are not based on need, but on supply and demand modified by collective bargaining power and minimum wage regulations. Men receive the same wage for the same work, regardless of their family obligations. The trade unions are now at last prepared to accept in principle family allowances, so long as every care is taken to see that they are in no way a deduction from wages. But the ultimate aim is to ensure that no family shall fall below a minimum standard of subsistence, by reason of its size or of its breadwinner's low earning capacity, or of his or her sickness or disability. The object, therefore, should be to lay down a minimum family income below which no household in the land should fall; and, although allowances for children are an indispensable step towards this end, more is needed to bring above the same lower line the sum of all the various

kinds of income through wages, insurance, pensions and allowances which make up the revenue of the working-class household.

The danger of this pursuit of minimum standards is that the working of the free sector of the economy may

be fatally impeded by the imposition of fixed charges at every point. The time is opportune to work out an immediate programme which, leaving the industrial bargain unfettered except by the widest laws against sweating, will make certain that no families fall into destitution.

Party Government

THE electors of Rugby are fed up with the dominance of the party political machines." In these words Mr Brown, the single handed guerilla who defeated Lord Margesson's friend and would-be successor, explained his victory; and if he is right, if the electors of Rugby really meant to condemn the party manoeuvres and the compromises of 1931 to 1939, then there is nothing in the result for tears except that the defeated candidate was not Lord Margesson, until so recently the pivot of the party machine *par excellence*, in person.

But, having denounced the parties and the machines, Mr Brown does a curious and rather surprising thing. He says what he himself proposes to do. He is going straight off to London and, when he gets there, he will start an organisation. That organisation will start committees. Those committees will start machines. And those machines will run candidates at by-elections. So an argument which opens with a denunciation of parties and machines ends with the announcement of a new party and a new machine straight from the makers. St. George first kills the dragon, then pops round to the nearest breeder and buys a sitting of dragon's eggs, claps them under a broody hen and hatches them out.

That last sentence is not meant as a reflection on Mr Brown's commonsense or even on his consistency. It is rather an attempt to focus the problem which faces every idealist and every iconoclast when the time comes to make terms with Reality, the problem which challenges most reformers, the problem which lies very near the heart of government by democracy. Very many of us dislike the party boss to the point of suspicion and contempt. But many of us have theories and ideas which we should like our fellow countrymen to understand and accept, and unless we can persuade others who share our views to combine with us—unless we can enrol converts and organise them—unless, in a word, we can create a party, then we are sterile and our faith will be packed with us into our coffins when we die. And in a democracy, indeed in any system of government which claims to represent the popular will, beliefs and aspirations, if they are not expressed by an active party, can have no influence on policy. Doubtless God could have made representative government possible without parties, but doubtless God never did.

As, then, an attempt is made with groping hands to fashion the scheme of democratic government as we should like it to emerge from the war, a start must be made by solving this dilemma of the party, the boss and the machine. Somehow the framework of party government, with its practical equipment, its electoral force, and its educative power, must be maintained. But it must be turned into something more representative, something which, instead of smothering ideals and enthusiasms, gives to each of them (for what it is worth) its chance, and permits an ordered balance between conflicting theories of life and politics.

Perhaps the best starting point is to look back over recent history and ask why party government, as it was before the war, led the country so terribly astray. What was it that went wrong with a system which fifty years ago seemed, with all its absurdities and disadvantages, to provide a reasonable government and to ensure, albeit to a decent balance of progress and caution? If the backward glance begins at the crisis of 1931 and the MacDonald-Baldwin-Simon coalition, it is clear enough now where the seeds of disaster lay. The National Government of the thirties was a combination of men who had no common ideals and shared no political principles except an almost paralysing fear of their opponents. They

all believed—no doubt genuinely—that, if any but themselves held office, Britain would be ruined, and that every compromise and any sacrifice of private principle was justified, so that it kept them at the helm. They were so much afraid of the electors that they openly preferred falsehood to the danger of losing an election. They were so much afraid of independence that they filled the House of Commons with tenth-rate yes-men. And they reduced both the electorate and the Commons to such a pitiful state that Mr Baldwin could admit without a blush, and without the risk of a hostile vote, that he had concealed the truth about the foreign peril which faced the country in order to avoid defeat at home at a coming general election. When that could happen without an overwhelming public outcry, representative government had surely reached its lowest point; and the country that swallowed the episode as part of its normal political diet perhaps deserved to suffer even to the brink of ruin.

The first condition, therefore, of efficient party government after the war will be an alignment of men according to genuine principles, not according to personal dislikes, personal jealousies, personal animosities and personal ambitions, stemming as they did in that recent past from the vested interests and social claims of cliques and corporations. Whatever may be possible elsewhere, the party system in Britain can only function if each party has a coherent political philosophy, which expresses the views, articulate or instinctive, of a very considerable body in the country. It may be that the old two party system will be restored; if it is possible to do that, without dragging in or suppressing the extremist and the heretic, then the problem of honest Parliamentary government will have been greatly eased. But the imperative need is for the inspiration of party by principle. To achieve that it may be necessary for all the old parties to break up and be reformed. There are signs that dissolution is proceeding. But only the event can decide. Somehow or other there must be in the parties something more worthy than fear and hatred of opponents, and the determination to cling to office; and unless the politicians can so line themselves into parties as to express honestly the differing theories of government which are entitled to expression, then that more worthy something will be wanting, and the country may drift again, which God forbid, into a Baldwin-Chamberlain-Simon tragedy.

The second condition, which flows from the first, is that a Minister who cannot get the country to accept his genuine beliefs must abjure office until it does. Every Minister must be ready to take office when the people wants the policy in which he believes, and equally ready to resign office when the people changes its mind. This sounds almost too elementary to be put into print, but how often in recent history has it been forgotten? "I have always advocated Free Trade, but you prefer Protection? Let me show you my line in tariffs. I believe the League of Nations to be crack brained, but you like it? Let me display it as the corner stone of my foreign policy. You demand sanctions? In sanctions lies our plain duty. Oh, I beg your pardon. You said you disliked them? Then they are midsummer madness."

If representative government is to survive, there must be an end to all that, and every politician—back or front bench—must be prepared to do his stretch of time in the wilderness rather than carry on without conviction. The code of party government, like the British Constitution, is unwritten, but it is none the less vital, and unless the rules are observed, democracy and party will go down together.

The Northern Neutral

WITH the entry of Russia, Japan and the United States into the war, the position of the European neutrals, who until now have all resisted repeated attempts to implicate them, has become more complex and precarious. Their success so far has depended partly on the conduct of a skilful foreign policy, and partly on certain historical and geographical accidents. In Sweden, the policy of neutrality and independence, which commands practically unanimous support in the country, has so far proved a success. Now, when the war is more than two and a-half years old, Sweden retains its territorial integrity, its political liberty, its non-combatant status, and, generally speaking, the freedom of its press. But a price has obviously been paid. Sweden's insecurity in face of Germany remains. Though neutral, Sweden has an enforced war economy, with all its rigours. Offended by the destruction of near-by free institutions, liberal Sweden has had to stay inactive. All this is widely appreciated in Sweden. Moreover, the end of the war is not yet in sight, and it is recognised that Scandinavia may still become a battlefield. Even if the Swedish Government succeeds, as it is determined to succeed, in remaining neutral and independent to the end, there is reason to believe that the course of the war has modified the Swedish attitude to neutrality and provoked a certain disenchantment.

In the first place, it is plain that a policy of traditional neutrality provides no security against a well-armed gangster nation. Good luck, geographical position, and considerations of German policy, saved Sweden from occupation in April, 1940, and continued immunity is only to a slight degree the fruit of Sweden's own diplomatic or military efforts. The plight of Norway and Denmark has driven home the lesson that it is not enough to be innocuous; and it is no secret that Swedish military equipment in the spring of 1940 was at an exceptionally low ebb, in part because considerable supplies had been sent to the assistance of Finland. Indeed, the failure of Germany to occupy the whole of Scandinavia remains something of a puzzle.

Even the most successful neutrality provides no possibility of escaping the economic influences of a world-war. Neutral Sweden is living in a war economy. Conditions are certainly superior to those in the conquered territories, but not different in kind from those in the actively belligerent countries. With the closing of the Skagerrak, Sweden has been subject both to the privations imposed by the British blockade and to the demands of the German economic order. Indeed, one of the conditions which saved Sweden from German occupation was the ability of the Reich to graft the country on to the new economic order without military effort. The results have been serious for a nation hitherto highly dependent on imports of raw materials and foodstuffs, and exports overseas.

The demand of German Europe for iron ore and certain finished products, Sweden's own rearmament programme and certain civil engineering projects, such as the further electrification of Swedish railways, have prevented widespread unemployment. They have not prevented a significant fall in the standard of living, and in the value of real wages, indicated by the introduction of clothes coupons early this year, and by the severe nature of food rationing. Bread and flour are both rationed, the weekly allowance per head amounting to 3 lb. 9 oz. of bread, or 2 lb. 12 oz. of flour, of which one-quarter must be drawn in the form of wholemeal rye bread or flour. A ration of approximately half a pound of bread a day, inclusive of flour, is distinctly tight. Of tea, coffee and cocoa, the weekly allowance is a choice of 1½ oz. of roasted coffee, 1½ oz. of tea, or 1½ oz. of cocoa. The total fats ration is 9 oz., of which half may be drawn as butter. The sugar ration is large, 15½ oz., but is alternative to syrup. The meat ration amounts to a boneless weight of 15 oz., of which a maximum of 4 oz. may be drawn as pork; there does not appear to be a separate bacon ration. Many necessary raw materials and consumption goods cannot be

imported, and a high proportion of the country's population is necessarily engaged on the production of war equipment.

Nor are the harsh limitations of a policy of neutrality exhausted by considerations of security and economic welfare. The serious attachment of popular opinion in Sweden to liberal institutions, and the democratic way of life, is well known. The violation of these institutions in Denmark, and more crudely in recent months in Norway, has deeply stirred Swedish opinion. Admiration for the Norwegian clergy, teachers and trade unionists, and detestation of the conditions now known to exist in Norwegian prisons, has provoked spontaneous sympathy with the cause of Free Norway. A rigid neutrality is still accepted as the only conceivable policy. Under existing conditions there is probably no alternative. But there is an uncomfortable remembrance that, albeit under duress, transport facilities have been granted to Norway's oppressor. Events in Norway, and to a lesser extent in Denmark, do seem to have provoked a certain change of mind about the value of neutrality; in the face of an emotional anxiety to stand by the Norwegians and mitigate their plight, it is regarded simply as *pis aller*.

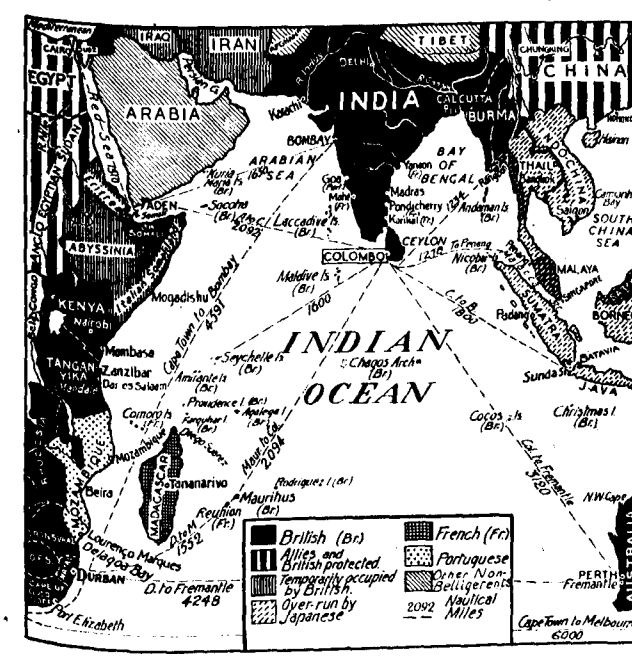
At the same time, the position is complicated by the second Finnish-Russian war. During the first war in 1939-40, Swedish opinion was profoundly pro-Finn. A substantial contingent of Swedish volunteers fought against the Russians, and important material aid was supplied. To-day, there is no enthusiasm for Finland's participation in the general war, which is regarded as introducing a tragic cleavage into the community of the northern states. There is general understanding that, when Germany marched against Russia, Finland would seize the opportunity at least to restore its original frontiers; and it is realised that the fact that Finland is fighting Germany's battles is, from the Finnish standpoint, purely incidental. None the less, there was general disappointment that the offer of American mediation was rejected; and the fact that, indirectly, Norway and Finland are fighting against each other does not inspire the maximum Swedish support for Finland in this war. Some malicious pleasure is afforded to all parties by the marked lack of success which has attended German arms on the northern front. But this fact only tends to increase Finnish anxiety for Swedish aid, and to give rise to consequent friction.

The Finnish determination to occupy the whole of Karelia is based on fundamental mistrust of Russian intentions. The Scandinavian states lie where Russian and German interests meet. If they are to preserve and develop those specifically Nordic values which each prizes so highly, some form of federation, in which Sweden, with its special advantages of experience and geography, must assume a position of leadership, is essential. The Scandinavian countries will always be in danger of being split between the spheres of influence of two powerful and antagonistic nationalisms unless, by developing a common foreign policy supported by a common defence policy, they can, in the post-war world, stand together as a strong bloc. The difficulty is that Sweden is at once the strongest member of the group, and the least exposed to attack. Nor can it be forgotten in these days that, in the long run, no separate and independent existence can be assured to any bloc of European states, unless the affairs of Europe as a whole, and, indeed, of the world, are so regulated as to restrain aggressive nationalism effectively. Until it is made plain, as it should be made plain by the United Nations, that the security and independence of Scandinavia is an Allied peace aim, a cleavage of interest must continue to exist in Sweden, and in the group as a whole, between those sections which fear Germany and those which are traditionally hostile to Russia. There is no doubt that unity of Scandinavia policy would be enormously facilitated by a declaration of the importance which the Allied governments attach to the future integrity of these four Northern countries.

NOTES OF THE WEEK

Madagascar

The Madagascar naval base of Diego Suarez was taken with efficiency and speed—although the heat was oppressive and the outnumbered French forces put up a stiff resistance for a time. The justification of this move against a key naval base in the ocean war is so apparent that it is weary work to rehearse it. Pre-Laval Vichy bartered away its Far Eastern territory to the Japanese. With Laval in charge, committed to a policy of collaboration, further transfers were likely to be speeded up. Two Japanese admirals were closeted with him last week. Japanese control of Madagascar would close the United Nations' supply route to the Middle East, to Russia and to India. It would jeopardise the southern route to Australia. Since Vichy could not be trusted, the Japanese had to be forestalled. The logic of the case is absolute and compelling, and the United Nations have made it clear that



no permanent occupation is intended—a guarantee which Vichy officials accepted fully when it was put forward by the Japanese occupiers of Indo-China. Britain's first task is clear, to secure Madagascar for the cause of freedom and to hold it against any future attack. The United Nations can afford to wait for Vichy to make any reply that Laval may decide on. The issue between them is not one of policy but of strength. If the United Nations were strong enough to take the whole of the French colonial empire into protective custody, they would do so at once. This year they have resources only for the most obviously threatened outposts. Next year, the tale will be different. If Laval chooses to attempt to embroil his regime in the struggle—he cannot embroil the French people—he must take the consequences. But it is not clear that he does so desire. There has been a certain reserve in his handling of American opinion. It looks as though he is still anxious to avoid a breach.

Minister from Australia

Dr Evatt, Australian Minister for External Affairs and Attorney-General, who arrived in England on Saturday, has lost no time in getting down to fundamental problems. Coming to this country via the United States, he was in a position to discover how the problems of the Pacific war strike opinion on both sides of the Atlantic. His forthright attack upon those people who still tend to underestimate the strength of the Japanese is well timed and salutary. The Allied cause can only be strengthened by making it known that it is as widely recognised here as in Canberra that the Japanese and the Germans are equal enemies, as Mr Henry Luce has recently argued admirably in the

magazine *Life*, and that it is a very serious error and oversimplification to suppose that success against Germany will automatically produce the collapse of Japan, like a pricked bubble, wherever the Japanese forces may have reached. There is inevitably some difference of emphasis in England and in Australia, and it is as well that the matter should be discussed in public by an envoy with the authority of Dr Evatt. The fallacy that Japan cannot attack both India and Australia must be disposed of—although whether Japan would choose to launch two such vital campaigns simultaneously remains a matter of doubt. It should be made abundantly plain that, whatever the Axis propagandists may suggest, the Allies are determined not only to defend Australia with success, but to make it the base for counter attack. Dr Evatt's presence in London, where he will be a member of both the War Cabinet and of the Pacific War Council (London edition), again attracts attention to the dual personality of the latter body—which met in Washington, in its more representative version, last Tuesday.

Chinese Strategy

Japanese progress in Burma during the last week is a cruel blow to the Chinese forces who have now been at war for close on five years. With the fall of Mandalay and Lashio, the Japanese have reached the Chinese frontier. Astride an important section of the Burma Road, they are attacking China by the back door. Whether the Chinese have dynamited a section of the Burma Road is still uncertain, but there is little doubt that such a move is necessary if the enemy is to be denied the use of a modern causeway leading to the heart of Free China. The fall of Mandalay and Lashio does not imply that China's supply lines have been finally severed. There are four possible lines of communication between China and the outer world: the Burma Road, terminating at Rangoon, and the Burma Road passing via Lashio and Mandalay to India, both of which have now been cut; the Burma Road passing via Bhamo to India, and the new India Road, which is still under construction. The route via Bhamo crosses exceptionally difficult terrain, and has an extremely limited capacity. For the present the supply position is, admittedly, critical. The Chinese estimate, however, that they have supplies to maintain an offensive on all fronts for as long as a year. Meanwhile, the setback in Burma has to be considered in the light of Chinese strategy as a whole. Since the move of the Chinese Government from Hangkow to Chungking, when retreat gave way to stalemate, the Chinese have contained the Japanese invaders on all fronts. With the entry of the United States into the war, stalemate was replaced by a see-saw counter offensive. The Chinese sought to attack the Japanese on the front which was most remote from that on which the enemy gave signs of being strongest. The guerilla raids by Chinese forces on

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numerous cities, including Shanghai, Amoy, Hangchow and Nanking, are a direct reply to the Japanese threat in the west, for enemy forces in occupied China are necessarily thinly spread and depleted. There are Chinese forces still attacking in Burma near Loilem and Taunggyi in the rear of the enemy forces, and it is still conceivable that they may be able to fray, if not to cut, the Japanese supply line. If this is not feasible, there is still every hope that, hemmed in though they will be, these Chinese forces may find it possible to filter back to China.

The Conduct of the War

The planning of strategy was debated in the Lords on Tuesday, and there were fewer red herrings than usual. Too often in discussions about planning and command the matter is made personal; it is said to be an attack on the Prime Minister, the First Sea Lord, the Air Staff or Colonel Blimp. In fact, it has been a rule of political discussion in recent years that this gauntlet of personalities has to be run before any reforms can be secured. Mr Churchill's demand for a Ministry of Supply before the war was treated simply as an attack on Mr Chamberlain, who "had his friends." The call for a Minister of Production more lately was treated as an attack on the Prime Minister, who has many more friends. So, too, is it now with the proposal for a Great General Staff to unify the command of all the Forces, and for general staffs, with no separate Service allegiance, in command of all sizeable fighting units; this is regarded as a personal attack. Actually, of course, it is nothing of the kind. It is a suggestion, with the widest backing of fact and experience, and one which, sooner or later, as in the earlier instances, will be accepted, if there is still time, under the harsh pressure of events. At present, it is at the familiar stage where the Government spokesman—once more Lord Simon—while promising that the suggestion will be borne in mind, points out the "new dangers and difficulties that might lurk in a changed organisation." In this case, the ritual is as dangerous as it is undignified. There was perhaps a good reason for the supporters of Mr Chamberlain to show a prickly sense of inferiority when faced with helpful criticisms. There is none for the supporters of Mr Churchill, whose backing, all over the free world, is bigger than that of any man in history. Mr Churchill, indeed, has his enemies, just as he has characteristic faults to leaven his historic virtues. A few of his enemies work underground, and twist good causes to serve their own bad ends. But if all honest criticism is continually to be treated as enmity, Mr Churchill himself, as well as the nation, will be very badly served by his friends.

Putney's Problem

The failure and future of parties is discussed on another page. This week the electors of Putney have been set a poser in the latest by-election. At the time of writing the result is not known. Again, there was an Independent against a Government candidate. This time—which is a measure of the grave view taken by the Government of recent political trends—the Independent had been cursed bell, book and candle by the Prime Minister himself. In a sense, Captain Acworth is unique; he is the first Independent who has frankly stated that he is anti-Churchill, on the ground that the war has been mis-conducted—which may account for the Prime Minister's unusual intervention. On the other hand, he offered only a poor alternative to the Putney electors. Mr. Churchill charges him with appeasement towards Japan as recently as last February; and there is very little in his known statements about strategy in the past to give authority to his criticisms of strategy now. Against him there was a conventional candidate, backed by Conservatives in the usual Conservative way, and receiving the now usual half-hearted and incomplete support of the other parties. Not much is known about him, except that he is the secretary of the Pharmaceutical Society, one of the many organisations which derives comfort in its vested claims from its Conservative allegiance. Truly, as a well known wit has said, these are "men of straw in the wind." The wind is important, if only because it re-emphasises the bankruptcy of the present ways of finding candidates for membership of Parliament. Until the Government learns that men of outstanding worth are needed even to represent the Government, there will be shocks and surprises at by-elections. A shock at Putney would be a shock indeed, now that Mr Churchill has placed his personal prestige in the scales against Captain Acworth.

The Power of Appointment

Policies are made by the politicians who bear responsibility for them. But they are administered by civil servants, whose duties in modern government rank so highly and are so complex and specialised that, in administering policy, in effect they shape it. It is at any rate certain that civil servants—not the host of lesser clerks but the few who lead and are in charge—can mar as well as mould the policies laid down by politicians. It is for this reason that so much attention is now being paid to the future of the functions now exercised by Sir Horace Wilson. As head of the Treasury, Sir Horace Wilson is head of the Civil Service. Under his control, because of the interest of the Treasury in the expenditure of public money, come Civil Service establishments—and, in particular, appointments to key positions. In wartime, this traditional rôle has been altered, in part because the focus of administration has shifted from the Treasury to the War Cabinet and the Prime Minister, and in part because of the large wartime expansion in the key personnel of departments. Sir Horace Wilson is due soon to retire; and the recent appointment of two young Civil Servants to be Under-Secretaries in the Treasury, following the appointment of youthful establishment officers at the Admiralty, the Board of Trade and the Ministries of Food and Supply has been taken by some commentators to mean that a change is in train already. Actually, there is nothing to suggest that these appointments are other than routine; and they were made under Sir Horace Wilson's own eye. The case for reform is that, just as the wrong men entered Parliament and became Ministers during the twenties and the thirties—so too did the wrong men come to direct departments—the sort of men who were content to see public affairs run as they were run in the Baldwin era. The chance now, with the departure of Sir Horace Wilson and the changes that the war has brought about, is to alter this and to place youth, courage and enterprise, as well as specialised knowledge, in the key places in Whitehall. It is probably desirable that the centre of gravity should remain in proximity to the Cabinet rather than at the Treasury. It is probably imperative that there should be the same sort of freedom for temporary leaders and experts to enter and leave the Civil Service as there is in wartime. All the plans for a New England after the war will be abortive unless they are matched by a flexible, efficient and enterprising Civil Service; and the way to do this is to take from the wartime set-up, not its swollen numbers, but its special virtues of originality, initiative, experience and enterprise, in both the administering and the shaping of the policy that the people want.

Division in India

The break-up of the Nationalist façade in India becomes more evident every day. Congress has split on the question of co-operation with the Moslem League. The attempt of Mr Rajagopalachari, of the Working Committee of the Congress Party, to secure recognition by Congress of Moslem claims failed. He resigned. But his resignation was followed by an offer from the President of Congress to enter into discussion with representatives of the Moslem League. Congress, in fact, is at sea. In no matter is this more clearly shown than in defence. All sections are agreed that India must defend itself, but when the question of means is faced, the only answer Congress has got is to return to non-violence and Mr Gandhi. "The Committee therefore expects the people of India to offer complete non-violence, non-co-operation to the invading forces." The blame is still, of course, thrown on Britain; "they are not prepared to leave our defence in our hands." But actually, events since the departure of the Lord Privy Seal have shown plainly enough where India's main political difficulties lie at this present moment. They distrust one another as much as they distrust the British; and Mr Gandhi's latest astonishing success in securing a Congress resolution in his own pacifist terms is an indication of the state of self-frustration to which the established political groups in India have come.

Delaying Tactics

It is by now all too apparent that the fuel rationing scheme is having to stand up to a storm raised by a number of interested parties rather than to the fire of intelligent and constructive criticism. So much is apparent from tactics which are being employed. The memorandum furnished by Sir William Beveridge pointed out frankly that the rationing of fuel is inherently more difficult than the

rationing of food or clothing. Consequently, if rationing is to be introduced, it must be introduced promptly, so that the maximum period is available for running the system in before the autumn rise in fuel consumption begins next September. If the scheme is to be given a chance, there is no time to lose before setting the new organisation in motion. Immediate and drastic steps will have to be taken to step up the output of fuel, whether there is rationing or not. They are a *sine qua non* of rationing itself. Without rationing, they would have to be much more drastic—and would still be ineffective in saving sufficient fuel and manpower. If there is serious delay at this stage, it will be impossible by any means to regulate the fuel position next winter. This is the context in which the plea of the 1922 Committee for a postponement of this week's debate on fuel rationing has to be read. The Conservative private Members are unconvinced that fuel consumption could not be restricted by some simpler method, or at worst by some simpler form of rationing. They have not the wit, or the willingness, to see that the rationing of solid fuel alone would both fail to solve the problem and cause the worst kinds of inequities next winter between rich and poor. Their suggestion that the "industries concerned" should be encouraged to work out a practical alternative and that, in the meanwhile, the matter should be shelved has a familiar and scarcely forthright ring about it. In point of fact, Sir William Beveridge had no less than eight meetings with the suppliers of coal, coke, gas and electricity in the course of his investigation, as well as consultations with women's representatives and three groups of local fuel overseers drawn from various parts of the country. If the Government gives way next week, the surrender will go much deeper than the immediate issue of fuel. The door will be ajar to the worst kind of defeatism which comes under the false guise of common-sense and anti-bureaucracy. The war effort must have men and fuel. That should be enough for the Government to stand firm.

No Choice

Meanwhile, evidence accumulates that there is no alternative to fuel rationing. Of the 10,000,000 tons of coal a year which Sir William Beveridge claims to be able to save with an average cut of 12½ per cent in the domestic consumption of all types of fuel, it is reliably estimated that three-quarters is large coal passing over a two-inch screen. This type of coal is also used by the railways, for the processing of steel and by many gasworks. Unfortunately, it forms only 50 per cent of the output of the average coal mine, so that its production involves the employment of a disproportionately high labour force. Moreover, at least one million tons of anthracite nuts are used by domestic consumers, while nuts of sizes suitable for domestic consumption form only 20 per cent of the output of the average anthracite colliery. It may be estimated that, if the proposed cut of one-eighth in domestic consumption is not introduced, no fewer than fifty thousand miners would have to be released from the Services, and the number would be even greater if the men were not returned exclusively to mines producing the required types of coal. It has also been estimated that the strain upon the railways imposed by the transport of one-eighth of domestic fuel consumption implies the use of approximately 100 trains in each direction, covering on an average the distance between London and Birmingham on 300 working days, together with the personnel required to work them. The cut would also save 1,000,000 tons of petrol and the services of 5,000 men engaged in distribution. The transport side of the matter is at least as serious as the manpower aspect, which is crucial. The argument from expediency is overwhelming; it is reinforced by the argument from equity which insists upon fair distribution of short supplies. And the technical arguments for the Beveridge scheme are equally cogent. Indeed, the silliest criticism yet advanced is that the project is cumbersome and complicated. To secure an equally fair distribution without recourse to a points system, five different rations would have to be adjusted to the individual needs of every household in the country. It is the task itself that is complicated, and there is no rule of thumb solution such as the 1922 Committee are casting round for.

Post-war Finance

On the second reading of the Finance Bill this week, Sir Kingsley Wood claimed that inflation is not a

dead issue, even currently, in spite of the wartime limitations and controls, and that the policy of making the utmost cuts in purchasing power is still necessary. This truth has by now almost become a truism even to the great mass of wage-earners—though not perhaps to their trade union leaders—but it has not yet become sufficiently realised that the morrow of the armistice will not be the moment for an orgy of pent-up spending. Actually, as the Chancellor said, the economic problems of the early post-war years may be more difficult than those of wartime—it will certainly be more difficult, in view of the psychology of the people then, to impose restraints. In a recent broadcast, Mr Lyttelton stated that there need be no fear of unemployment after the war because of all the labour that will be wanted to replace the consumption goods which have now disappeared. But it will still be necessary—in the words of Sir Kingsley Wood—"to avoid the foolish waste of our productive resources." There will be no deflation; but the wartime system of controls, with suitable adaptations, must continue for some time into the peace, because then, as now, there must be a proper allocation of manpower, plant and materials—to the peace effort—so that a false boom is not generated, only to collapse as in 1921 into depression and mass unemployment. There will still be priorities to be met; and investment, in the period of demobilisation, will need planning as much as in wartime.

Middle Eastern Front

Lend-Lease is to be extended to Iraq and Persia. Turkey and Egypt are already receiving material under its provisions. Thus American supplies now cover most of the Middle East, and the base in Eritrea is being rapidly extended as a centre for assembly and distribution. Everything must be done to strengthen this vital sector. It is the point of intersection of the arcs of German and Japanese conquest, it is the land link of the United Nations, it is a reservoir of precious oil. War hangs very near its frontiers. There are new signs of activity on the Ukrainian front, where General Kleist and Marshal Timoshenko are manoeuvring for position. It has been categorically stated in Germany that the position of Turkey was on the agenda of the Salzburg meeting, and that the Dictators are confident of the Turks' compliance when the appointed day arrives. The Turkish Government is lying very low, but the trial of two Russians and two Turks for the bomb attack on von Papen is being used by Axis agents for strong anti-Russian propaganda and it is disquieting that the Turkish Ambassador to the Soviet Union should, at this particular juncture, have left Moscow for an indefinite period. The tranquil surface of the Middle East hides deep currents of fear and hostility and preparation. On no front is vigilance more essential.

Issues in Strategy

This year may be the supreme year of crisis in modern history. The demand for aggressive action by Britain with all force is based on this realisation. The key question is which of a number of possible courses of action is likely to inflict most damage on the enemy; and only those with full knowledge of the nature of Britain's striking power, of the current and prospective output of war equipment and of the technical problems involved, and with an appreciation of Germany's strength and intentions, that is to say the General Staffs, can answer it. By faulty knowledge or methods, they may be wrong, as so often in the past. But the fact that they make mistakes adds no authority to lay strategy. For example, before deciding upon an invasion of Europe,

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it is vital to be clear about what exactly is intended, and on the scale of operation necessary to achieve that object—as well as its implications in other theatres. Any really large-scale operation would involve a reduction, perhaps even a temporary suspension, of shipments to Russia. In addition, there are the purely technical problems of carrying out such an operation. Recent experience has shown that air mastery is essential to the success of any operation of this kind, and Fighter Command is now engaged in establishing it over Northern France—not without sturdy resistance from the large number of German squadrons stationed across the Channel. But, in view of the very limited operational range of fighter aircraft, complete air mastery could only be established over a comparatively narrow strip of the Continental coast-line. Moreover, invasion could only be carried out by withdrawing ships from other duties. Again, the correct timing of an invasion is essential to its success, but only the General Staff can know how long it would take to make the necessary technical preparations and when the moment has come to strike. It is by balancing these and many other technical, strategic and economic factors that it is possible to decide. The General Staff will decide, may indeed have decided already—and all the critics can usefully do is to urge upon them the need for deciding with courage. If the chance to attack exist, if it is real and solid, then it is the chance of a century.

The Japanese Election

The Japanese have held a General Election and General Tojo has announced the overwhelming success of the Government's nominees; of the 466 seats in the Diet, they captured 377. The real puzzle is why they did not capture them all. The old political parties went into voluntary and obedient dissolution in the autumn of 1940, when the Nazi victories in the west suggested to the attentive imitators in Nippon that the era of "liberal democracy"—even Japanese style—was over. The Imperial Rule Assistance Association was set up on the model of the Nazi Party, and logically, elections should now be nothing but plebiscites. The explanation may be that there is still some fight left in the old parties, who were still able in January, 1941, to spike the Government's plan to dissolve the Diet. Alternatively, the cautious statesmen who advise the Son of Heaven may be keeping something up their sleeve. Until final victory over the plutocratic west seems assured, the Japanese will probably keep open some loophole for the Emperor. In the event of defeat he would still be able to "change his advisers," call in the loyal opposition and conveniently forget the Association which was to have Assisted his Imperial Rule.

Sir Kingsley Wood Remains Adamant

During the debate on the Second Reading of the War Damage (Amendment) Bill, Sir Kingsley Wood refused either to lower the contribution payable by property owners or to readjust the incidence of contributions in proportion to the respective financial interests in real property of the landlord and the mortgage owner. Sir Kingsley Wood pointed out that if a reduction in the total contribution was later found to be justified, his inclination would be to remit the fifth and final instalment, rather than to reduce its present rate. Similarly, if an increase in the sum required from property owners was necessary, he would prefer to add another instalment rather than to raise the present rate of the contribution. His reply to the second criticism was less convincing. It was based on the view that "the relationship between mortgagor and mortgagee differs little from that ordinarily subsisting between borrower and lender." He saw no "sufficient reason" why the latter should make a contribution. If it was the main purpose of the original War Damage Act to spread the risk of loss among all property owners, it is difficult to see why the burden of the contribution should be made to fall largely on one section of them. Admittedly, it is difficult to devise a simple formula of contributions, especially for the various types of commercial mortgage, including floating charges and debenture capital. But this does not invalidate the argument of the critics.

State versus Party in Germany

Something very close to a complete reorganisation of Germany's internal structure appears to be in process. The powers which Hitler demanded in his Reichstag speech—"to intervene immediately . . . as circumstances demand"

in every branch of the administration—had already been very widely used last winter, and through the confusion of orders, decrees, speeches and writings the general direction of the changes is beginning to take shape. First of all, the attempt has been made in almost every sphere of government to lighten the load of the central authorities. In a decree published on April 22nd, Hitler ordered that the central administration should be relieved of all work which could be carried out by regional and local offices. At the same time, he decreed an end to the making of decrees save those directly connected with the conduct of the war. The workings of this new administrative set up in the economic sphere were described on page 595 of *The Economist* of May 2nd. It entails a greater executive and administrative activity on the part of the self-governing syndical organisations and, probably in order to equip them better for their new work, Dr Funk has announced the suppression of redundant local organisations and the grouping of others—Chambers of Industry and Commerce, Chambers of Independent Artisans and so forth—in a single Economic Chamber for each *Gau* or province. The judiciary has also been "simplified" by giving individual judges greater jurisdiction and more independence. Finally, in the sphere of political administration, much more work and more responsibility for final decisions have been given to the offices of the various *Gaue*, and to the municipal and rural authorities.

This reorganisation has the obvious advantage of relieving the burden of the hard-driven men at the centre. It is among them that dissatisfaction has been strongest in recent months—inevitably, for they were in a position to judge the magnitude of the problems and the value of the steps taken to meet them. At the same time, they were not by any means all Party members. Instead of the Party swallowing the State—as ideally it should have done—the State administration was showing signs of swallowing the Party. It follows that, while decentralisation serves the double purpose of relieving overworked officials and of taking decisions away from the potentially dissident, a real problem remains. Will the regional and local organisations be any more loyal? Much must now depend upon the extent and strength of Party enthusiasm in the country at large and there are significant signs that Hitler realises how much he must continue to rely on his Party machine. For example, the big decentralising changes in political administration and in justice have all been made in close consultation with Bormann, the head of the Party Chancellery. Similarly in the economic sphere, Sauckel, Wehrlin and Speer are Party men. Or again, the need to reinforce Party enthusiasm is reflected in the decision to transfer the educational activities of Dr Ley's Labour Front to the local SS officials. It is too early to say what will be the effect of this wholesale remoulding of Germany's administrative structure. For the time, it must be an element of weakness—which Allied strategists should obviously take into account. It was the Party as a state within a state that conquered the Reich. Revived as a separate entity, it may preserve the conquest.

Radiography and TB

The Medical Advisory Committee to the Ministry of Labour has turned down the suggestion that mass miniature radiography should be a normal part of the medical examination of men and women before entry into the armed forces. The advantage of this form of radiography is that large numbers of people can be examined in a short time, which makes it far cheaper in terms of both money and manpower than the ordinary X-ray examination. There is, therefore, considerable force in the Committee's view that the pre-entry medical examination of recruits is decentralised at over 200 places, to which individuals are summoned in relatively small numbers, mass miniature radiography is not altogether suitable for this examination. But afterwards when the men are congregated in large numbers in service depots, there is clearly a strong case for the greatest practicable use of radiological examination, and the Committee commends the steps already taken by the Navy, which ensures that almost every man is thus examined every 2½ to 3 years, and the RAF, which has arranged for a similar examination of air crew recruits in this respect, but the use of mass miniature radiography is being developed as apparatus becomes available. It is somewhat disturbing, however, to detect a certain complacency in the

Committee's report. It cites figures showing the very small proportion of cases of pulmonary tuberculosis which radiological examination has discovered in members of the armed forces, and states that the problem of TB in the Services is consequently very small. It is, of course, easy to exaggerate the danger of a rise in TB, or any other disease, during a war. On the other hand, it may be worth pointing out that new recruits into the Services will very soon consist only of the 18-19 age-groups—one of the most susceptible ages to TB—and that at present young women, among whom the increase in TB since the war is most marked, are being recruited in large numbers into the ATS. There should be no tendency to underestimate the problem for the Services so long as statistics for the population as a whole, in respect both of deaths and new cases, show a rising trend. Moreover, the use of miniature radiography in medical examinations might well be extended to school children and to factory workers. A stop on new cases is dependent upon better standards of housing and feeding, which are almost impossible to secure in wartime. But a stop on the TB death rate can be achieved by early detection, which radiology now allows, and—what is more important—by prompt and effective treatment.

Shops and the War

A survey was recently carried out by the National Institute of Economic and Social Research into some aspects of retail trade in wartime and the results have been published in *Supplement No. 2* of the Institute of Statistics *Bulletin* for April 4th. The survey was conducted in Leeds and Glasgow. The results reveal, by no means unexpectedly, that small shops suffer more acutely from wartime difficulties than larger ones; in Leeds about twice as many one-door, one-window shops have been closed as larger ones. Nineteen per cent of Leeds shops were closed between January, 1940, and November, 1941; in Glasgow, the survey was made in June and July and by then 14 per cent had already closed. If Glasgow shops continued to close at the same rate during the second half of 1941 as in the first, 22 per cent would have been closed down

by November, 1941. In Leeds, probably half the closures may be attributed to purely war causes. About 43 per cent were closed as a result of "bad trade," which includes shortages of supplies, and another 14 per cent owing to the call-up of staff or owners. Other reasons for closing would have operated in any case: old age, illness, death, moving and slum clearance. An analysis of manpower showed the about half the workers in shops were women under the age of 41; the comparable percentage for men was 24. Older people are more frequently found in smaller shops, but it is likely that the proportions will change as the younger ones are called up. Conclusions drawn from a survey as small as this one must be treated with reserve. But the results emphasise the heavy burden placed on the small shop-keeper by all the circumstances of wartime. They give additional weight to the plea for some system for the concentration of retail trade, and the compensation of displaced shop-keepers, in place of the present *laissez-faire* policy by which the marginal shop is squeezed out haphazardly and by hardship, through no fault of its owner.

Meals in Restaurants

The draft of the Order limiting the size and price of meals in hotels and restaurants provides for a maximum price of 5s., but allows for extras—cover charge and so on—which will enable the cost of a meal to rise to 16s. or 17s. Thus the position, if the draft is approved, is exactly what it was before the austerity campaign began. The high price will enable unscrupulous restaurants to pay black market prices for controlled foods and will enable them all to pay more than the ordinary consumer for uncontrolled foods. Much more sensible is the provision which would prohibit the sale of fish, game and poultry in restaurants on certain days. But since the object of the Order is to discourage luxury living, the best solution might be the imposition of the double purchase tax on all meals costing more than, say, 2s. 6d. This would still enable the bomber pilot to take his best girl to the Ritz rather than to a British Restaurant, if he wants to pay the price, but both he and "the rich" could only pay it at the cost of a large payment to the State, which would rise *pro tanto* with the amount they ate.

AMERICAN SURVEY

Wages and the Labour Board

UNDER the President's seven-point plan to combat inflation, stabilisation of wages becomes the responsibility of the War Labour Board, established last January under the chairmanship of Will Davis. Mr Davis's interpretation of the President's directive is not likely to reassure the critics of this part of the programme. He has announced that the Board will not freeze wages, but that it "will not allow them to get out of hand"; that it will pursue a flexible, rather than an arbitrary policy in balancing the wage structure. Demands for wage increases will be dealt with more strictly, in view of the fixing of price ceilings for most commodities, but the Board will continue to adjust inequalities and pursue a policy of raising sub-standard wages. Rigid freezing of wage rates over the whole economy is probably both impossible and undesirable, in view of the wide regional and industrial variations in the United States, but the record of the Board—discussed below in a dispatch from a labour correspondent in the United States—is not such as to suggest that a firm policy will be pursued.

The decision to leave stabilisation to the Board was almost certainly the result of union pressure, for both the heads of the AFL and the CIO have declared themselves unalterably opposed to the setting of wage ceilings by Congress. The continued emphasis which Mr Davis places on the relationship between wages and the cost of living underlines the interdependence of the whole anti-inflation programme, and will exasperate those elements inside and outside Congress which have been vocal in demanding that labour should accept cuts in its standard of living—which, in a war economy, are in any case quite unavoidable, whether they come haphazardly and inequitably by inflation

or by stops on money incomes. The question of wage stabilisation will be the most acrimoniously debated aspect of the President's plan, and it is doubtful whether Congress will be willing to allow the Labour Board as much discretion as is contemplated under the President's directive.

The Coming Controversy

[FROM A LABOUR CORRESPONDENT]

Washington, April 5th

INFLUENTIAL blocks of public opinion have fastened on increased wages as the prime villain of the inflation spiral, and the imposition of compulsion on labour is currently being laid before the country in a score of Congressional bills. Labour's back is up against being so singled out. Labour would like to see rigid controls fixed on commodity prices and on profits, and—while skittish about making their declaration—would probably accept the pegging of wages to a cost-of-living kept within bounds by price limits and rationing.

In viewing the forthcoming Congressional search for rigid controls, it is well to have in mind the known behaviour of labour and management under the semi-compulsory powers of the War Labour Board. Its predecessor, the National Defence Mediation Board, founded last December when the closed-shop issue failed to respond to voluntary settlement. In January, President Roosevelt reconstituted the agency as the National War Labour Board, with power to make final determination and, at last resort, to compel arbitration, under the sanction of Presidential seizure of the

plant. The Board has since then given peremptory orders to one recalcitrant employer, and has caused another's enterprise to be seized by the Government. It has compelled acceptance of its order in a case concerning dilution among skilled die casters. It has asserted its jurisdiction over a closed-shop case in the face of employer displeasure. It has compelled an employer to sign an agreement, despite an alleged conflict with the anti-trust laws, on the sole ground of superior wartime powers. Concomitantly, the Board has ordered the discharge of union shop stewards who participated in a slow-down of production, and it has enforced labour compliance with its pledge not to stop work while a case was before the Board. Undoubtedly the Board has not met its severest tests. A policy of flexibility, of meeting each case on the facts, and disclaiming that the decision sets a precedent, has so far successfully achieved the delicate task of settling disputes to no one's complete satisfaction.

In the field of wages, the Board in making its decisions, takes into account the balance attained by past bargaining, changes in the cost of living, wage trends in competing industries, and, when these are duly weighted, the employer's ability to pay. Congress will have to decide whether the sum of these individual decisions amounts to economic wisdom, or whether wage standards should be set by overall administrative action.

Labour would probably rather continue this flexible system than submit its fate to Congress. There is much to support its contention that things are going well. Strikes in war plants are few and of short duration. The loss of war production through strikes and lockouts during January and February was less than one-fifth of one per cent of the labour that went into war production during those months. Both the American Federation of Labour and the Congress of Industrial Organisations move promptly against "wild cat" work stoppages by their affiliates. Labour has given up the payment of double time for Sundays and holidays. The AFL and the CIO have buried their differences in behalf of the war effort. There is no doubt that as citizens the 10,000,000 trade union members are all out for production. CIO steel workers in the Carnegie-Illinois plant, first steel company to adopt joint labour management production committees, point to a world record production at the mill in proof that co-operation pays.

Congress when it addresses itself to over-all restrictions will have special enthusiasm for imposing wage ceilings, tempered by the fact that this is a Congressional election year. Leon Henderson will applaud wage ceilings to match his price ceilings. The country is anxious to learn whether the President's leaning toward voluntary agreements will result in equality of sacrifice.

American Notes

Americans and Austerity

The President's inflation message has precipitated the foremost domestic issue of the war, the problem of how its burdens and sacrifices are to be distributed. The country was prepared for strong measures. On this score there are no complaints. Much of the comment has been favourable, and the bulk of the critics call for more drastic steps, describing the proposals as "half-hearted," "inadequate" or a "political compromise." In the main, these criticisms concentrate on two points. First, there is the failure to provide for an extension of taxation to the lower incomes, thus reducing the great mass of purchasing power, and the failure to provide for the freezing of wage rates by administrative or Congressional action. The success of price-fixing is felt to be unlikely, while so much purchasing power remains at large. The conservative press—and a very large proportion of the influential press is conservative—is almost unanimous in condemning these omissions. The second really contentious issue is that of farm prices; the farm bloc is resentful over the sacrifices the farmer is asked to make (though these consist largely of foregoing prospective income increases), while non-agricultural comment points out that, even with farm price ceilings set at parity, higher prices will still be possible if the cost of living rises, as parity is not a fixed figure, but a relationship between farm prices and the cost of the goods farmers buy. The coming struggle will be over taxation, wages, and farm prices; and the President has, perhaps, lost an opportunity to take a strong line in the matter of wages when contributions are being exacted from other sections

of the community. It may be that he senses that more drastic measures at the moment would seriously reduce enthusiasm for the war effort.

The Decline of Jesse Jones

Before the war, Jesse Jones, the Secretary of Commerce, Federal Loan Administrator, and *de facto* chief of the Reconstruction Finance Corporation, was one of the most powerful men in the United States. Some commentators believed him second only to the President. He had control over loans to banks, railroads, and factories; over the financing of plant expansion for war production, through the Defence Plant Corporation; over the accumulation of stockpiles of raw materials; over parts of the housing programme. A wealthy Texas real-estate operator and banker, Mr Jones, has extensive political influence. He owns newspapers and radio stations, has made large contributions to the Democratic Party, and is said to have a highly developed technique in handling Congressmen. Five months of belligerency, however, have seen the whittling away of much of his power, although he is said to be fighting back. The flood of criticisms and charges covers almost every aspect of his administration. He is accused of being responsible for failure to accumulate sufficient stocks of rubber and tin, for delay in making funds available for plant expansions, and for the production of synthetic rubber, aluminium and magnesium; and of favouring large corporations at the expense of smaller units. On one point all critics are agreed; that he put caution and financial soundness before preparedness, and that the results have been disastrous. As the *Nation* put it, "If the United States loses the war, it will go down to defeat in a thoroughly solvent condition." That this view is shared by the President is suggested by the fact that the past five months have seen the short-circuiting of the RFC in respect to loans for war production, which can now be authorised by the Army, Navy, and Maritime Commission; by the appointment of a rubber co-ordinator by the War Production Board; by the transfer of many powers over the import of materials to the Board of Economic Warfare, and its administrator Milo Perkins, picked as a coming man in Washington; and by the transfer of Jones's housing units to the new Housing Administration.

Steel Plates

The choice between guns and butter has been made by the Government, if not yet fully endorsed by the people and their representatives. The problem now is the allocation of limited supplies of materials between various war needs. Steel plates are an outstanding example, as the shortage of plate has been one of the main obstacles to the fulfilment of the shipbuilding programme, and deliveries to the railroads have had to be curtailed in order to increase supplies to the yards. It is calculated that 1.5 million net tons of plates are required to launch one cargo boat a day for a year, and the United States plans to be building three such ships a day towards the end of this year. The shipbuilding goal for 1943 has been raised to 15 million deadweight tons, from earlier estimates of 10 millions, which means that next year production will be nearly double this year's output. Overall requirements of steel plates are estimated at almost 12 million tons for this year. In 1941, American output of universal and sheared plate amounted to just under 6 million net tons. The deficiency is being made up, though not as quickly as could be desired, from the sheet and strip mills, which in 1941 supplied about 14 million tons to the automobile, forging, stamping, and container industries. Of the country's 28 wide continuous strip mills, 25 produce steel strip ranging from 30 to 92 inches in width. Unfortunately, the use of narrower plates in shipbuilding necessitates more welding and riveting, and delays production. Attempts are being made to persuade the industry's other customers to accept narrower plate for storage tanks and other items, so that the products of the shearing mills may be reserved for ships and tanks. Efforts have been made to standardise plate widths to sizes suitable for the most efficient rolling; the revised schedule eliminates some 100 weight specifications and reduces the total to 25. Strip mills are being converted as quickly as possible to the production of wider plate, and new mills are being built. It takes, however, about a year to erect new plant.

Fair Rents

In the recent order fixing prices, a provision was included to fix rents in 302 defence areas (in 46 States and Puerto Rico) which house more than 76,000,000 people. The only States omitted are North Dakota and Idaho. In 80 per cent of the areas, rents are fixed at the levels current on March 1, 1942, but in 64 areas, where there have been striking increases, levels have been fixed at those of January 1, 1942, or April 1 and July 1, 1941. Previously, action had been taken only in 20 areas, under the powers granted in the price control law. The reaction of landlords, and one of the difficulties inherent in rent-fixing, is suggested by the statement of the Price Administrator a few days later that wholesale evictions of war workers by landlords attempting to evade the regulations will not be tolerated. The flood of workers into centres of war industry had created a serious housing shortage by last year, and the increased pace of turnover to war production this year will make the crisis even more acute. In some cases workers have had to be housed in jails, in box-cars, and in trailers; in fact, the law specifically includes rents of trailers. In 115 areas investigated by the WPA, rents had increased in 114. In order to enforce the restrictions, the OPA may require landlords to obtain licences, may obtain court injunctions, and, in extreme cases, can bring criminal actions against landlords, with the possible imposition of a 5,000 dollar fine or two years in gaol. Tenants may also recover triple damages from landlords charging excessive rents. It may be doubted whether the order will be effective unless vigorous steps are taken to provide more low-priced housing in defence centres.

Second Front

The cautious reaction to Lord Beaverbrook's demand for a second front suggests that there is far more understanding of what this would entail than there was a few months ago, when the pros and cons of invasions anywhere from Spain to Finland were being widely canvassed. The desire for a large-scale offensive is freely admitted, but in almost all cases it is tempered by references to the shipping shortage and to the need of concentrating on deliveries to Russia. Amateur strategists are far less cocky than they were at the beginning of the year. The *New York Times* observed austere that "the layman cannot pass judgment," while less formal journals coined the slogan "No back seat driving." It is appreciated that the combination of commando raids and heavy bombing have created something approaching a second front already, and there is no disposition to urge Great Britain to undertake more than she feels prepared to risk. The Hearst press continues to minimise the importance of Germany as opposed to Japan, sounding the old trumpet call of the "yellow peril," but most commentators agree that the European theatre of war is going to take precedence over the Pacific at least this summer, and the threat of a wide split in public opinion on this subject—which at one time appeared very real—has so diminished as to be negligible.

Income Distribution

Estimates of the distribution of consumer incomes, prepared by the Research Division of the Office of Price Administration, tend to suggest that, relatively, incomes in brackets covered by direct taxation have increased more than others. Consumers' income in 1941 was about 92.6 billion dollars; in 1942 it is expected to reach 103.5 billions. Families and single consumers with incomes above 2,500 dollars a year in 1942 will receive aggregate incomes of 62.5 billions, or 60.4 per cent of the total consumer income, against 51.4 billions, or 55.5 per cent of the total income last year. Consumer units with incomes below 2,500 dollars will receive approximately the same total money income, about 41 billions, as in 1941, but it will be a smaller proportion of the whole, 39.6 per cent, opposed to 44.5 per cent. About 1,500,000 million families and individuals, who formerly received less than 2,500 dollars a year, have moved into the upper group, where in general they become liable to income tax. The aggregate income of those receiving less than 2,500 dollars a year remains at the same figure, but is distributed among 75 per cent of the total recipients rather than 78 per cent as in 1941. The contrast with 1935-36 is very strong, when those receiving less than 2,500 dollars a year were calculated to receive 62 per cent of the total income. Total

income payments then, however, were only 58.7 and 68.1 billions, compared with the estimate of over 100 billions for 1942.

Shorter Notes

Unemployment insurance payments during March indicate a decrease in the number of workers being laid off as a result of conversion and the curtailment of consumer goods manufacture. Initial claims were 4 per cent less than in February and waiting period claims were 26 per cent lower. Presumably this will increase as industries scheduled for conversion in April and May turn over to war production, but no conversion is likely to create as much temporary unemployment as that of the automobile industry.

It has been decided not to hold a nation-wide voluntary registration of women at present, as a sufficiently large number of women are already available for war work. The chairman of the War Manpower Commission has announced that more than a million additional women will be employed in war industries this year and in 1943 the total will be raised to 4 millions.

A Philadelphia weekly newspaper, written mainly in German, has been ordered to show cause why its second-class mailing privilege should not be revoked on charges of sedition.

A bill establishing a War Damage Insurance Fund totaling 1,000 million dollars has been passed by the Senate. Damages up to 15,000 dollars will be provided without cost. The details of premiums to be charged for further coverage have yet to be worked out by the War Damage Corporation, a RFC subsidiary.

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THE WORLD OVERSEAS

Price Control in Canada

(From Our Ottawa Correspondent)

April 2nd

A RECENT remark by Mr Donald Gordon, the chief price controller, that the price ceiling policy has weathered the first four months is the first official claim so far that the policy is working successfully. "Even our well-wishers," he said, "suggested we had bitten off more than we could chew." Sufficient time has elapsed to warrant a preliminary judgment on what Mr Gordon himself referred to as a noble experiment. A substantial success has been scored since the price controllers proclaimed the policy that the ceiling must hold—come hell or high water. Moreover, the effects upon economic life are becoming plainly visible.

The movement of price indices shows that a powerful arresting force is operating. In practice, the policy has been, not to maintain an over-all ceiling on all prices, as the original statement of aims suggested, but to hold the line at the retail price point. Control has been exercised directly and indirectly upon all prices, but the sacred, unbreakable, thin red line of price control, from which no retreat can be admitted, has been the level of retail prices. "We have resolutely held to the principle," says Mr Gordon, "that the retail price ceiling must not be pierced."

The cost of living has receded fractionally since November, 1941. The general index of retail commodity prices has gone down. But the general wholesale price index has still advanced slowly. So have the indices of producers' goods and farm prices. These movements are shown in the following quotations from official statistics:—

	1935-39 100			1926 100		
	Cost of Living	Retail Commodity Prices	Food	Wholesale Prices	Producers' Goods	Farm Products
1941 -						
May	109.4	110.9	109.7	88.5	83.3	69.6
June	110.5	112.7	112.5	90.0	84.3	71.0
July	111.9	114.9	116.6	91.1	84.5	71.7
Aug.	113.7	117.7	121.3	91.8	84.5	72.1
Sept.	114.7	119.4	123.5	93.2	85.6	73.3
Oct.	115.5	120.1	123.2	93.8	85.7	74.1
Nov.	116.3	121.4	125.4	94.0	85.5	74.1
		Ceiling policy established				
Dec.	115.8	120.6	123.8	93.6	85.8	74.6
1942 -						
Jan.	115.4	119.9	122.3	94.3	86.8	77.3
Feb.	115.7	120.3	123.1	94.6	87.2	78.4

One of the liveliest skirmishes in Parliament recently was the battle of the western farm bloc against the establishment of a ceiling on the price of wheat. The base period ceiling would have been 82½ cents a bushel, because of depressed market conditions last September-October. The issue was settled by the Government agreeing to pay an initial price of 90 cents (No. 1 grade at shipping points of Fort William or Vancouver), which was a technical violation of the ceiling policy, while the War Prices Board was satisfied to retain ceilings upon retail prices of all wheat products. This incident showed that considerable flexibility exists in the policy as it affects farm prices, obviously because an exceptional volume of food production is required for Canadian and Allied purposes.

The Supreme Test

A year ago seasonal factors caused a slight decline in the price level, and a repetition of these factors assisted the work of price control during the past four months. But the forces that set in motion a sharp price advance last spring, showing in the May-June-July series of readings, have renewed themselves this year. The price control authorities recognise that the supreme test is at hand. The appearance of inflationary tendencies in the United States,

where President Roosevelt gave warning in January that the battle against inflation had been by no means won, has produced responses in Canada.

The price ceiling is only one anti-inflationary weapon used by Canadian authorities, and there is no inclination to forget the others. The first weapons were, and still are, taxation and borrowing of savings. The control of supply has been exercised by twin agencies, the Wartime Industries Control Board and the Wartime Prices and Trade Board. The former operates within the munitions and supply department, and consists of twelve controllers, each responsible for essential war supply in his own field such as steel, base metals, chemicals, oil, motor vehicles, etc. The latter administers the ceiling and regulates civilian supply where the need arises. The controls have begun to curtail consumer spending. Perhaps a million automobiles are operating on their last thousand miles now, because of the rubber shortage more than the petrol situation.

A Buying Spree

Current Canadian production has been estimated by supply controllers as 50 per cent above pre-war levels, sufficient to provide substantial war requirements without seriously impairing civilian standards. But civilian purchases, officially described as "a buying spree of serious dimensions," have begun to strain supplies. Mr Gordon has issued a solemn warning that a general programme of consumer rationing may have to be established. It is clear that the final weapon against inflation is general rationing, and that the authorities are prepared to enforce it.

Since wholesale prices have advanced while retail prices have remained stationary or have receded, the retailer has constantly faced the risk of being unable to replace his stocks within the limit of lawful retail prices. The adjustment involved in efforts to permit him to do so is known as "the squeeze," in which retailers, wholesalers and manufacturers have been encouraged to simplify, to standardise and to rationalise in order to eliminate waste in the production and marketing of goods. In some cases they have been ordered to effect economies or suffer penalties.

Yet, in the last analysis, many articles must be subsidised if they are to continue to move under the price ceiling. The Commodity Prices Stabilisation Corporation, an agency of the War Prices Board, is beginning to pay such subsidies. No one knows how far the Government is prepared to go in spending money to stabilise the cost of living or the price level in general. The problem is naturally twofold; it involves decisions on the degree of essentiality of imports, and, in regard to domestic manufacture, more complicated decisions of cost accounting and the control of profits. The degree to which the public will accept a Spartan economy will no doubt decide the extent of subsidy payments. Both milk production and the import of grape-fruit juice have been subsidised, for example, and while the former raises no objections from the public the latter lies in a more doubtful category.

The ceiling, as a mechanism of total warfare, is effecting changes in Canadian economic life more rapidly than any agency previously devised. It is forcing the rationalisation of production and marketing of goods. It is eliminating the non-essential variety in many lines of production, and it will undoubtedly eliminate many products entirely. By compelling manufacturers and distributors to operate within price boundaries, it represents a life-or-death power over imports, and over many articles of home manufacture. It is assisting greatly in the conversion of industry to war production. The power to grant or withhold a subsidy, where it means the difference between staying in business or shutting up shop, is a form of extreme economic control.

The power such a policy confers upon the Government

to regiment industry, to convert the civilian economy to war purposes, and to mobilise the nation, has hardly been appreciated yet in Canada. But it has been recognised clearly by the farmers and administrators of ceiling policy. Mr Gordon said recently that total war on the home front required a comprehensive plan of procedure. But he added that the main thing was to bring the entire national productive equipment under control to permit rapid adjustments to new conditions. "I do not mean," he said, "that we should try to make a rigid plan for winning the war and slavishly adhere to it. Events crowd upon each other so quickly in modern warfare that we must be ready to adjust our position at a moment's notice." The civilian population, he said, must be placed on a standard of living which is based on bare essentials.

In a speech to the Toronto Canadian Club on March 20th, Mr Gordon outlined the broad objective in blunt language: "We must demand a complete inventory of our entire productive machinery. Each unit must be studied in terms of maximum production, regardless of vested interest and without too much concern about long-term effects. Arbitrary decisions will have to be made in the light of immediate needs. A definite control of everything produced must be undertaken to decide, first, what is to be produced, second, who is best equipped and qualified to produce it, and, finally, who is to get the production. Selfish or private interest must be ruled out completely. The competitive system must go, to be replaced by one which is based entirely upon the criterion of maximum production, with the most efficient use of labour, machinery and materials to operate steadily without cease except for necessary rest or maintenance."

Germany and French Agriculture

[BY A FRENCH CORRESPONDENT]

April 30th

ON March 29th, Marshal Pétain explained to the French farmers why the Government had been compelled to decree that all surplus grain must be handed over to the authorities by April 21st. This order was preceded by a similar one on December 24th, which requisitioned all wheat and attempted to evade it. That this order was ineffectual, and has had to be renewed, is a measure of the impotence of the Government. Marshal Pétain concluded with a pathetic appeal: "I am fully aware of all your difficulties; you are short of manure, fuel, horses, and means of traction; you are short of labour, and you are anxiously waiting for the return of prisoners. No doubt you are to be pitied, but you are not the only ones, and I am, believe me, better placed than anybody else to realise the urgency of our needs, and to remind everyone of the duties of mutual help and solidarity imposed by present circumstances. . . . Help me once again to give all Frenchmen their daily bread."

This appeal was not unexpected. The transition period between the harvest of 1940 and that of 1941 was an anxious one. In the spring of 1941, the Food Control came to the conclusion that there would be a deficit in the unoccupied zone until the month of August of between five and six million quintals of wheat. There was sufficient wheat in the occupied zone, but there was no transport and no good will on the part of the occupation authorities. Famine threatened central and southern France, and the Vichy Government used this in its negotiations with the United States for the delivery of foodstuffs. The negotiations fell through, but, thanks to a severe reduction in the bread ration, and, it appears, to deliveries from the occupied to the unoccupied zone, the harvest was reached without undue suffering.

The latest harvest, however, after having raised considerable hopes, finally turned out to be extremely mediocre—in any other circumstances it would have been called bad. The official figure is 64 million quintals, against 79 million quintals for the ten-yearly average 1930-39. But it is a marked improvement on that of 1940, which did not exceed 51 million quintals. If a balance of 13 million quintals which was reported to be in hand immediately before the 1940 harvest, but which had disappeared a year later, is taken into account, the total resources available for consumption in 1941-42 were about equal to those available

in 1940-41, on which France managed to exist. If it is considered that rationing and food control in general were organised by then, that the Government had the experience of the preceding year, that transport needs could be foreseen well in advance, it was possible to say that the French grain position had improved.

Hopes Falsified

In fact, up to the end of 1941, all official declarations had the print of a certain optimism. "France's bread is secured," was a statement made on numerous occasions. It was only during the last days of 1941 that the tone of official declarations was modified, and that tempered optimism gave way to the blackest pessimism. What had happened in the meanwhile?

The change of tone is the more difficult to understand because other crops, apart from the wheat crop, generally exceeded the 1940 harvest. Although no official figure was provided, it is learned that the harvest of secondary cereals was as much as 60 million quintals, against 50 million quintals in 1940 and 70 million quintals before the war. The estimates of the potato crop are contradictory. It appears not to have appreciably exceeded the 1940 crop of 80 million quintals, compared with a normal crop of 150 million quintals. The sugar beet crop made possible the production of 600,000 tons of refined sugar, compared with 425,000 tons in the previous year. But, as in the case of wheat, a balance of 170,000 tons in July, 1940, was consumed in 1940-41, so that the quantity available this year did not exceed last year's supply.

In order to explain the deterioration in the French food situation, two sets of factors must be taken into account. In the first place, deliveries of wheat by farmers did not reach the estimated total. If the harvest figures are assumed to be accurate, the farmers must have been hoarding an appreciable proportion of the available food supplies. There is no question of a conspiracy or even of a conscious movement, but it would be sufficient for each agricultural worker to increase his basic stock very slightly for a shortage to appear in the towns. In his appeal, Marshal Pétain declared that if each French peasant retained one extra sack of flour he would be responsible for one breadless month in the towns.

It is perfectly natural that, in present circumstances, the peasant only delivers his produce "across his dead body." The Government has allowed price increases which very markedly surpass the increase in the prices of manufactured goods for private consumption. But manufactured goods have almost completely disappeared from the market. It is, for example, impossible to buy clothes, shoes or cooking utensils. Thus, the rise in agricultural purchasing power in terms of industrial produce is pure fiction. Capital goods—horses, agricultural machinery, and so on—have risen in price very considerably; it is not unusual to pay Fr. 45,000 to Fr. 50,000 for a horse which would have cost Fr. 10,000 before the war, and they are rarely on sale. Moreover, rather than let his livestock perish the farmer tends to feed it on food meant for human consumption.

But none of these factors is new, and they scarcely provide an explanation of the drastic change in the situation which took place at the end of 1941. But this change is not peculiar to France. The European food position as a

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whole has deteriorated recently. Even in Germany, where rations have remained very much above the level in the rest of the Continent, and where the sale of potatoes has never even been controlled, new restrictions have just come into force.

German Looting

The fact that the Germans control the greater part of the wheat crop and of the harvest in general has to be taken into consideration. For agricultural purposes, France can be divided into seven natural regions: north, west, central, east, *massif central*, south-west, *midt*, and south-east. The first four roughly correspond with the occupied zone. Moreover, these, and in particular the first two, are the great grain-producing regions. The following table indicates the distribution of the average harvest of 1932-36 between the various regions, and the average production of each region:

	Production Millions of Quintals	Production per Hectare Quintals
North.....	27.1	23.8
West.....	19.5	15.1
Central.....	11.2	15.1
East.....	9.2	16.9
Total Occupied Zone..	67.0	
<i>Massif Central</i>	5.4	11.5
South-west.....	6.7	11.7
<i>Midt</i> and South-east..	4.4	14.0
Total Unoccupied Zone	16.5	

The German Government would hardly have imposed drastic restrictions in the Reich, just when they are speeding up production, without first looting everything possible from the occupied territories. Huge requisitions by the occupation authorities of existing wheat stocks in the occupied zone would account for the sudden aggravation of the French food position, and for the appeals of the Vichy Government. Moreover, the requisition of food stocks and the stopping of food deliveries from the occupied to the unoccupied zones were obviously a means of pressure used by the Germans to force Pétain to take back Laval.

In other spheres of agricultural production, it has been possible since the autumn to find traces of German looting. Attention must be drawn to a remarkable fact—the successive reduction in the metropolitan vine harvest from 70 million hectolitres, which corresponds to a normal harvest, to 50 million hectolitres. This could be the result of climatic conditions, but, clearly, it could also prove a method of concealing German requisitioning from the French public.

Concerning the French meat supply, the official statements are full of obscurity and veiled implications. According to the Minister of Agriculture, the reduction in livestock is of the order of 5 to 10 per cent, while, according to another declaration of the same Minister, French meat resources have fallen from 1,700,000 to 800,000 tons a year. It is possible to explain this discrepancy by the tremendous reduction in the supply of concentrated food-stuffs available to farmers for fattening animals. But it is necessary to fall back on German requisitioning when it is considered that the consumption of meat has been reduced by over 50 per cent. The Minister of Agriculture himself declared that "for practical purposes our resources are much lower than 800,000 tons a year."

Left to herself France could hope for some time to maintain her agricultural production at least at a level which would prevent serious damage to the health of her population. German requisitioning has destroyed this hope. To-day France is on the verge of famine, and the responsibility can only be laid on the invader.

Allied Merchant Fleets

[BY A CORRESPONDENT]

April 30th

The British Merchant Navy has been considerably reinforced by the merchant shipping of the Allied Governments in Britain. The latest data, relating to the last quarter of 1941, show that 1,529 vessels of 500 gross tons and over, totalling about 6½ million gross tons, are in the

service of the Allies. These figures do not include 95 vessels of over 311,000 gross tons, which were formerly under the Danish flag, nor do they cover the Swedish ships on charter to Britain.

The total merchant shipping of the Allies in Britain is made up as follows:

	Ships	Gross Tons
Norway.....	702	3,150,000
Netherlands.....	471	2,160,000
Greece.....	221	930,000
Free France.....	125	590,000
Belgium.....	51	190,000
Jugoslavia.....	48	180,000
Poland.....	31	90,000

The Allied merchant ships are in general manned by Allied seamen. Many of these were in their home ports when the invasion of their countries took place, and it was only at great risk that they succeeded in escaping. Together with the neutral seamen who have volunteered their services, they bring the total of Allied and friendly seamen serving the Allied cause up to over 40,000.

Almost all officers and seamen are cut off from their homes, and get little or no news of their families and their friends. The Allied Governments, in co-operation with the British authorities, are, however, doing their best to make their stay in British ports as pleasant and comfortable as possible. Each of the Allied mercantile marines has its own seamen's pool, and wherever these have been established there will also be found hostels or facilities for recreation. Some of these hostels serve national food; national customs and amenities have been introduced, and the result is that in most of the principal ports, little colonies of life in the created, which preserve many of the features of life in the homeland overseas.

The largest of the Allied merchant navies is the Norwegian, whose gross registered tonnage amounted in June, 1939, to 4,834,902. After Germany invaded Norway, about 90 per cent of the fleet managed to reach safety in Allied and neutral ports. To control such a fleet, consisting of nearly 1,000 ships, and employing nearly 30,000 seamen, the Norwegian Government established the Norwegian Shipping and Trade Mission which also has offices in New York, San Francisco and Montreal. A large number of the Norwegian vessels are driven by Diesel engines, and the average age of the fleet is lower than that of any other in the world. The modern equipment of the Norwegian ships, and the higher speed allowed by the Diesel engine, gives the Norwegian fleet an annual carrying capacity 30 to 40 per cent higher than that of the steam vessels. Its outstanding feature is the large number of oil tankers.

The next in size of tonnage is the Dutch merchant navy, which ranges from big passenger liners to motor coasters and rescue tugs. The fleet includes a large number of modern ocean-going liners, which are used as troopships, and is most efficiently maintained and manned. The newest Netherlands passenger ship, the 20,000-ton liner *Oranje*, was placed at the disposal of the British Empire as a hospital ship, and was manned, maintained, and equipped with doctors and nurses at the expense of the Netherlands East Indies for Australian and New Zealand casualties.

The Dutch Ministry of Trade, Industry and Shipping is assisted by the Netherlands Shipping and Trading Committee. Over 8,000 officers and men of Dutch nationality man this large merchant navy. About 2,500 of these men are coloured, and include some Chinese; the terms and conditions for them are the same as for others.

The Greek merchant navy has suffered most since the beginning of the war. Then, Greek merchant shipping included 319 cargo vessels of over 3,000 gross registered tons, totalling 1,485,215 gross tons; 141 vessels of under 3,000 gross registered tons, totalling 201,683 gross tons; 69 passenger steamers, totalling 55,463 gross tons; one liner of 17,000 gross tons; 19 salvage tug steamers; and a number of sailing boats and fishing vessels. When Greece entered the war, the Greek Shipping Committee requisitioned all ships, and they were later taken over by agreement by the British Government.

During the invasion of Greece, efforts were made to enable all vessels, large or small, lying in Greek ports to escape. The losses, however, were very heavy. Up to November, 1941, of 319 ocean-going vessels, about 45 per cent had been lost; these included those sunk through enemy action, detentions, seizures and marine losses. Of the 141 vessels under 3,000 gross tons, 103 had been lost through war causes. The remaining small vessels, which used to ply between the islands, managed to escape to Egypt, where they are serving the Allied cause in the Near

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East. Particularly severe are the losses of passenger ships; of these only three remain, and are in the service of the Allies in Egypt. The Greek liner was also delivered to the British authorities by a special agreement.

The Free French merchant fleet is composed of only a part of France's merchant shipping. But the fleet controlled by Great Britain and Free France includes two giant vessels, the *Ile de France* (53,000 tons), the second largest ship in the French merchant marine, and the newly built luxury liner *Pasteur*. Many of the ships are manned by French crews, whose numbers have risen from 600 in June, 1940, to nearly 3,000 at present. The Free French ships are controlled by the "Direction de la Marine Marchande" and the "Direction du Personnel." The British Government has assumed an obligation to pay for the use of the ships, and to return them to France after the war, or, if they are lost, to pay compensation.

Eire's Financial Position

[FROM OUR DUBLIN CORRESPONDENT]

April 20th

THE Irish Exchequer return for the financial year ended on March 31st discloses the following results:—

	1940 41	1941 42
Revenue	£34,637,659	£36,979,659
Expenditure	£37,772,031	£40,624,567
Deficit	£3,137,372	£3,644,908

When the great increase in expenditure on the army and on other objects because of the war is considered this result is not unsatisfactory. Revenue has shown an elasticity that is surprising in view of the effects of the war on Irish economic life, and the deficit, though growing, is still less than 10 per cent of current expenditure. The financial condition of Eire is better than that of the other European neutrals. The principal increases in revenue were £2,079,000 in income tax, £482,000 in excise and £358,000 in corporation tax. A decrease of £807,000 took place in customs, reflecting the reduction of imports. When figures "under the line" are considered, it is found that £7,920,000 was raised by the 3½ per cent loan and that ways and means advances amounting to £500,000 were repaid. A sum of £2,460,000 was advanced to found a new foreign exchange

account to acquire non-sterling currencies. The balance in the Exchequer on March 31st was £2,394,375 and there was no floating debt outstanding.

The outlook for the coming financial year is doubtful. The intensification of sea warfare will still further reduce the yield of customs, and the receipts of the various taxes connected with motoring will also fall off. Meanwhile, expenditure continues to mount. The army is growing; large sums are being spent on civil defence; and the subsidies on essential foodstuffs to keep down the cost of living are certain to be increased. Expenditure this year will necessarily be greater than last year, and the only question is to what extent it can be covered by further taxation. The Minister for Finance has stated that the fact that the Irish national income is not growing is a reason for refraining from additional expenditure. This is doubtless true, but it is also a reason for refraining from further taxation. There is no analogy between British and Irish conditions. In Great Britain boom conditions prevail. There, gigantic capital expenditure is generating a great expansion of incomes, which must be deflected, in as large a degree as possible, into the Exchequer. Ireland, on the other hand, is experiencing all the symptoms of a slump. Capital expenditure is far below normal. Housing is almost at a standstill, replacements are not being made on the railways or in industry, and stocks are being used up. The growth of employment is, to a large extent, concealed by the increased emigration. It is generally agreed that these are the conditions that justify an unbalanced Budget.

As might be expected in a period of such reduced investment, savings are accumulating. All the available statistics—bank deposits, savings banks and savings certificates—point to an increase of savings in the country. While it is true that part, probably a large part, of these savings will be utilised on the first possible occasion to purchase imports of capital goods and raw materials, a large amount can be safely borrowed by the Government in the current financial year. The banks would welcome the issue of a new Irish security which would yield a higher return than they are able to earn in the London money market, and the public, as was shown by the experience of last year's loan, are also willing lenders on a large scale. In these circumstances, borrowing is definitely preferable to an attempt to squeeze any more out of the direct taxpayer, who is already sufficiently burdened. There are two things that the Minister of Finance should bear in mind when preparing his Budget: first, that conditions in Great Britain and Ireland, far from being identical, are very dissimilar; and, second, that financial "orthodoxy" at the present day prescribes unbalanced Budgets in periods of sub-normal investment.

Russia at War

Front Line Industries

THE distinction between front and rear has become blurred in Russia. By the autumn advance of the German armies, three great industrial centres of a sudden found themselves in the immediate fighting zone. They were the Leningrad region, the Moscow basin and the Donetz basin. In some fields of production, these provinces have held the first place in Soviet economic life. The following figures give some idea of their importance. The Leningrad region alone employed in its industries nearly one million men in 1940; 40-45 per cent out of these were employed in metallurgical plants. About 20 per cent of the total value of the Russian metallurgical output was produced in this region. Engineering, precision tools, shipping, synthetic rubber—these were Leningrad's foremost industries. The number of industrial workers and employees in the Moscow region was over 1.5 million, out of which 25-30 per cent worked in metal industries, mainly in electrical engineering, machine tool plants and motor production; 40 per cent of the Soviet cotton and textile manufacture was in the Moscow region. About 700,000 workers and employees are engaged in the mining and manufacturing industries of the Donetz basin, which accounted for no less than 80 million tons of coal, 60 per cent of the total Soviet coal output in 1938, as well as for about a third of the Soviet iron and steel output, raw and semi-manufactured.

All these great centres sustained heavy losses. Some of them were caused by bombardment and actual fighting; but a great deal of the damage was done by the Russians themselves in pursuance of their "scorched earth" policy. In the Donbass, the flooding and destruction of mines by the Russians did more havoc than enemy fire. The same was true of the Moscow province. The bombardment of Leningrad, on the other hand, though it must have led to considerable stops in production, has failed to cripple its industries. Evacuation, too, has greatly reduced the productive capacity of all the three centres.

The German retreat in the autumn and winter raised the problem of putting the damaged industries back to work. In the Leningrad region, bombardment by both long-range artillery and aircraft went on on a smaller and less frequent scale; and Russia's second capital found itself in a position partly resembling that of British industrial towns in the spring and summer of 1941. Scarred plant was healed, and the clearing of debris was carried out with the help of mobilised civilian labour. Intermittent raids caused no serious disturbances in output; and there has been no resumption of large-scale air raids.

In the Moscow region, industrial destruction was confined mainly to the Moscow province. Coal mines suffered most through flooding. The coal output of the Moscow basin amounts to no more than about 5 per cent of the total. But its importance is much higher. Moscow's industrial and domestic fuel supply largely depends on local output; and transport shortages impelled the Mining Commissariat to insist upon the speediest possible restoration of the flooded pits. Obviously enough, there have been enormous difficulties, and only partial success has been claimed. A part of Moscow's fuel deficit has, however, been met by the use of peat.

Reports from the Donetz basin say that production went on under the fire of long-range batteries during the winter. To stimulate the recovery of flooded pits, "socialist emulation" between miners was organised. It is impossible to find out the proportion of the Donetz mines under German occupation and of those which have been put back to work under the Russians. True, the main coal centre around Shakhty lies to the east of the fluctuating front line. But, here again, the extent to which the Russians have succeeded in undoing the effects of the "scorched earth" policy is unknown. The shortage of fuel has, generally, been very acute throughout the country, but less so than the shortage of iron ore.

The fact that these three industrial zones could, at least partly, recover their losses and keep up production has played an important part in maintaining the productive capacity of the Soviets during the winter. The resumption of large-scale fighting is bound to hamper their industries in the near future, unless a German retreat puts them beyond the range of heavy artillery. Towards the end of April, it was reported from Donbass that air raids on

mining villages and industrial towns were becoming more frequent than before, but at the same time it was claimed that "factories and mines do not stop working for a single hour."

The striking thing about the working of all the three centres is that arms have been produced there, on a mass scale, almost on the battlefields where they were to be used. The distances between factories and fighting outposts were sometimes shorter than those which used, according to "orthodox" rules, to separate the first line of a fighting division from its munition dump.

*

War Loan.—The 1942 "War Loan" was floated on April 14th and the subscription was closed on April 25th. The subscription yielded about 13 milliard roubles, 3 milliards in excess of the sum originally fixed. Compared with State expenditure in 1941 (216 milliard roubles), the sum subscribed amounts to more than 6 per cent. The interest on the new loan has, for some reasons, not been stated; the usual interest on Soviet State loans is 3 per cent, apart from lottery prizes. According to the Soviet press, workers and employees have subscribed sums which, on the average, amount to one month's wages; the new loan will, therefore, have cut down the purchasing power of the town population by about one-twelfth.

The revival of credit, which has taken place in Soviet economy during recent years, is illustrated by the following figures. The First Five-Year Plan Loan yielded 5,900 million roubles; the Second Five-Year Plan Loan 19,000 million roubles; and loans floated during the Third Five-Year Plan, between 1938 and 1941, amounted to 29,000 million roubles. The first "Industrialisation Loan" (in 1927) was subscribed by 6 million people, whereas the number of subscribers to the Third Five-Year Plan Loan was no fewer than 60 millions. This high figure is explained by the fact that subscriptions are drawn from collective farmers, as well as from industrial employees, and from school children as well as from adults. Subscriptions to the latest loan were even made by entire army units in the fighting zones. Besides this, a kind of "moral compulsion" has made it impossible for any Soviet employee not to subscribe to a State loan, even in peacetime. Under such conditions, a loan has usually had about it more of a reduction in wages than of an actual investment. The primary aim of Soviet credit policy has for several years been, not so much to obtain financial means for the State, as to reduce the purchasing power of the civilian consumer.

*

Agricultural Mobilisation.—The labour shortage in agriculture has become acute, according to a statement made by M. Benediktov, the People's Commissar for Agriculture. The shortage has been aggravated by a comparatively high degree of absenteeism on the collective farms. Between 2.5 and 12.5 per cent of farmers in various districts have failed to fulfil their labour quotas. The need for more labour has, at the same time, become even more pressing because of the unusually cold spring, which has delayed the spring sowing in various parts of the country.

The decree on agricultural labour of April 17, 1942, has raised the minimum quota of labour that has to be performed by farmers on the collective fields from 100 to 150 days yearly. These days are so-called basic labour days, for which certain standards of productivity have been fixed. Stakhanovites do two or three "basic labour days" in one day, and the payment (mostly in kind) is calculated according to the number of labour days performed; it may be 300, 400 or even more during the year. The new decree makes agricultural work obligatory for children between 12 and 16 years old, and fixes their minimum quotas at 50 labour days. The earnings of the children must not be paid out to their parents; they will be put on special accounts, with the management of the collective farms. Under the decree, town people aged between 16 and 55 (45 for women) are also liable for agricultural mobilisation. According to Benediktov, 1,500,000 school-children, students, teachers and office employees were being trained for agricultural work before the mobilisation was ordered.

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General Bank Balances	£130,752,178
Savings Bank Balances	150,553,585
Note Issue Department	77,144,818
Rural Credits Department	2,389,454
Other Items	19,795,546
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THE BUSINESS WORLD

Liquidity v. Profits in Shipping

THERE is apparently a difference of view between those who manage British shipping and those who hold its shares. According to Stock Exchange records, shipping company equities are so well regarded that their average yield at current prices is among the lowest of any group in the *Actuaries' Index*—comparing, at 4.58 per cent, with 7.61 per cent for home rails and 10.91 per cent for aircraft manufacturing. The utterances of prominent shipowners, by contrast, seem as full of foreboding as a Gaelic play. Both points of view, however, can be readily explained, if not reconciled. The investor who likes shipping shares—through the worst days of depression they have always had a faithful clientèle—is aware that wartime operation, under conditions of full employment for available tonnage at guaranteed rates of return, has brought increased profits, for the time at least, and greatly increased financial liquidity. The shipowner or shipping company chairman, on the other hand, sees his fleet more or less continually diminishing, while the cost of such new tonnage as is available, under Government control of shipbuilding, has risen by a third to a half since the war (and more for ships built privately), and may well show a much greater increase when the time for replacement comes after the war. Owners want ships, not money, and their dissatisfaction with the prospect of being progressively metamorphosed into investment trusts, holding large blocks of Government securities, is not diminished by the policy of the revenue authorities in lowering their EPT standards whenever tonnage is lost and cannot be physically replaced.

Many of the industry's fears are too well founded to be dismissed as mere case-making. But some of the more extreme statements which have been made recently have been bound up with the progress of the negotiations between the General Council of British Shipping and the Government, for an agreement allowing owners to replace some part of their shipping lost during the war. On April 22nd, the Parliamentary Secretary to the Ministry of War Transport announced that these negotiations were on

the point of completion. A scheme, he declared, had been drawn up under which new vessels built on Government account would be allocated to owners in replacement of losses. The owners concerned would enter into an agreement to purchase the ships six months after the cessation of hostilities at a price representing the cost of construction, less depreciation on the usual basis adopted by the Inland Revenue. For political reasons, owners have been anxious to stake a claim to the tonnage being constructed by the Government in order to avert nationalisation or state competition. Since replacement of losses by suitable vessels after the war will take time and may be expensive, the prospect of securing ships at current prices, available for profitable employment immediately after the war, is apparently set off by owners against the disadvantage of being saddled with obsolete tonnage.

The tonnage made available under the scheme is likely to fall below the losses sustained. The severity of wartime losses is emphasised by estimates of the Chamber of Shipping that, from the outbreak of war to the end of 1941, about 8½ million tons gross of British, Allied and neutral merchant shipping were lost, making, with 5 to 6 millions of enemy losses, a total of 13 to 14 million tons out of a pre-war world total of 63 million tons. Since the end of last year, it has been officially stated that the rate of Allied losses has increased, and though new building has been proceeding all the time, and is being geared up to huge dimensions, in the United States, the authorities are agreed that total replacements up to now have represented only a part of the total tonnage lost.

Events in the decade before the outbreak of war compelled British shipbuilding to concentrate on a policy of quality rather than quantity. To-day, efforts to introduce mass-production methods are hampered by the fact that technical expedients for reducing the time taken in building and fitting out a new ship—such as the substitution of welding for riveting and the adoption, generally, of "assembly line" methods—are unsuitable to existing

British plant, which cannot readily be converted in the middle of a war. Above all, the volume of merchant ship construction is limited by the huge naval programme, by the large volume of repair work, and by the shortage of labour. British owners, naturally, welcome the prospect of the coming into service of big tonnages of new American vessels from next winter onwards. Their importance for an Allied victory may well be decisive; but they will presumably fly the American flag.

So much for the shipowner's viewpoint. On the shareholder's side, it is indisputable that profits have improved since the war, compared with the period immediately before its outbreak, when earning power had fallen appreciably below the level of 1937, the industry's best year in the pre-war decade. This improvement is attested by the figures in the table at the foot of page 652, in which the results for the latest available years are shown of three large holding concerns, five important liner companies and three sizeable tramp-owning companies. Almost without exception, gross earnings are well above pre-war and ordinary dividends have been either maintained or increased. The Cunard Company has succeeded in paying off all outstanding arrears of dividend on one class of preference shares, and is hopeful of doing the same, before the current year ends, with another class and of making some return to its risk-bearers, the ordinary stockholders, next year.

But the position thus stated needs qualification in two important respects. Some of the profits of 1940 were earned in the period before Government requisitioning took effect, when net receipts were higher than under current conditions. The picture for 1941 is incomplete, as a number of companies have not yet issued that year's accounts. In some instances, however, a declining tendency is evident in 1941 earnings before depreciation, which seems to be the more noticeable the later the date to which published accounts are made out.

The second limiting factor on earning power is the reduction in the size of fleets. One measure of its incidence is the fact that the "book value" of the ships of the companies shown in the table, for companies reporting during the year 1940, even then showed a fall of 8 per cent compared with 1939. The figures for 1941, for those companies whose reports are available, show a further decline of 11½ per cent from the 1940 figure for the same companies, despite the fact that some of the biggest concerns made up their accounts to relatively early dates in the calendar year. If the "book values" for P. & O. are omitted, because their size makes them "overweight" the comparison, and the Cunard figures are left out for the opposite reason—that they are small and unrepresentative of the tonnage in which

the company is interested—then the corresponding decreases are 12 per cent for 1940 against 1939, and 22½ per cent for 1941 against 1940.

The counterpart of these reductions is the remarkable rise shown in liquid assets. For the seven companies whose 1941 figures are available, these increased in 1940 by 150 per cent and in the latest year by a further 100 per cent. There is a high correlation between these changes and those shown under the heading "reserves." The greater part of the increase under the latter head is attributable to a single wartime item: "Fleet replacement reserve." Thus, the difference between the book value of lost ships and the amounts received as insurance money, is a function of two variables—namely, the diminution of available tonnage and the unemployability of the funds received in compensation.

Perhaps the best way of summarising the present position is to say that owners would like to have less "free" resources now, and more after the war. The Government terms of remuneration for the use of ships are revised from time to time to cover owners against increases in operating costs, and their basis of allowance for depreciation, though certainly not generous, would be adequate if only pre-war book values of tonnage were comparable with replacement values, under the conditions the industry will have to face, when the war is over. Unfortunately, they are not, and here any parallel between the shipping and railway transport industries under Government control breaks down. In both cases, existing plant is being worked right up to capacity and is being worn out more quickly than under peace conditions. But the railways, under their agreement with the Government, will be protected, financially, against a repetition of the enormous accumulation of arrears of capital maintenance which arose after the last war. Shipping, on the other hand, will have had a large part of its plant destroyed, while replacement costs will have risen sharply against it.

At the back of the mind of many owners is the fear that some form of Government assistance (which may have to be invoked, anyhow, in the realm of high policy in international shipping relations after the war) may become necessary if the problem of the rehabilitation of the physical assets and earning power of the Mercantile Marine is too big for the industry to tackle unaided. Though facilities such as those to be outlined in the forthcoming White Paper for the allocation of war-built tonnage will be helpful, it seems that a final solution of the problem may well have to await the end of the war itself. For that reason, shipping shares undoubtedly include a certain speculative element under present conditions, which is, perhaps, not fully discounted by an average yield basis which is still lower than that for British industrial equities as a whole.

Finance and Banking

Return to Abundance

The symptoms of stringency which manifested themselves in the money market last week have quickly vanished. The modest special assistance given to the market towards the middle of last week quickly restored the threatened equilibrium, and this week the banks have found themselves abundantly provided with cash and have returned to the discount market as ready buyers of bills. There were £75,000,000 of Treasury bills to be taken up this week as against maturities of £60,000,000, but the discount market saw its allotment at the weekly tender fall from 44 to 37 per cent, and with the banks again good buyers of July maturities the market found no difficulty in taking the new bills allotted to it. TDR's to the amount of £35,000,000 were required from the banks during the week against nominal maturities of £30,000,000 and effective maturities slightly under this figure. These encroachments on bank cash, due to the increased floating debt borrowing, were made good by heavy Government expenditure which, as may be seen from the last Exchequer return, has been running at record levels. The Bank return shows a fall of £4,173,000 in bankers' deposits to £118,454,000, but in reconciling this movement with the easing of the credit position it must not be forgotten that "window dressing" was in progress last week. The main feature of the return is the further increase of £5,796,000 in the circulation. As notes go out, so Government securities in the banking department, which were depleted by £50,000,000 on the occasion of the recent increase in the fiduciary issue, are

being built up again, and last week showed an increase of £6,125,000.

Bank Advances

The individual clearing bank statements for April so far published indicate that the recovery in bank advances which, between the beginning of the year and the closing week of March, had carried this item from £806,718,000 to £837,719,000, had at least been halted last month. The three months' expansion in this item is, unfortunately from the banks' point of view, unlikely to prove more than a temporary check to the long term downward trend maintained since the early months of the war. It had been widely assumed, on the basis of recent clearing bank returns, that the increased demand for credit by war industries had at long last caught up with the contracting effect on advances of the telescoping of civilian industries and the repayment of personal advances. This, however, does not appear to be the case as yet. The bulk of the working capital for the war industries is now provided through the Ministries' progress payments, and the banks have found that there has been little or no reflection in their industrial customers' demands for credit of the recent considerable expansion in their production. The increase in advances over the first quarter of the year may have been in part an echo of the customary seasonal movement which occurred towards the end of every financial year. This is unlikely to have accounted for more than a small fraction of the movement, since the Treasury instructions on the subject of bank

SHIPPING COMPANY RESULTS, 1939-41

(Amounts in £000)

(Amounts in £000)												
(Balance Sheet Dates shown in Brackets)	Large Holding Companies			Liner Companies					Tramp Companies			
	Cunard S.S. (Dec. 31)	Furness Withy (April 30)	P. & O. (Sept. 30)	Cairn Line (Dec. 31)	Houlder Line (Dec. 31)	Lampport & Holt Line (Dec. 31)	Royal Mail Lines (Dec. 31)	Union- Castle (Dec. 31)	Court Line (Dec. 31)	King Line (Dec. 31)	Pool Shipping (Feb. 20)	
PROFITS AND APPROPRIATION :—												
Total Profit	1939 320.2*	505.1	2,383.1	31.7	155.6	117.5	528.1	340.1	124.8	72.8	156.9	
	1940 416.3*	618.7	2,976.5	58.2	152.8	193.9	765.1	831.6	152.9	93.1	69.7	
	1941 656.9*	665.1	2,421.8	...	69.3	180.2	...	...	...	86.5	194.2	
To Depreciation and Reserve	1939 24.4	300.0	985.0	...	132.1	25.0	331.3	100.0	40.0	...	110.0*	
	1940 20.8	300.0	1,584.1	40.0	104.5	40.0	351.4	350.0	40.0	...	69.0*	
	1941 20.8	350.0	1,230.2	...	35.4§	100.0	...	...	...	52.2	102.0*	
Earnings for Ord. Div. (%)	1939 Nil	3.5	9.9	8.4	3.1	11.5	11.2	4.3	16.7	22.9	5.3	
	1940 Nil	7.9	31.4†	19.4	11.3	24.3	18.9	37.7	27.5	32.4	0.1	
	1941 5.8†	9.2	19.4‡	...	7.8	16.7	...	...	...	13.7	12.6	
Ord. Divs. Paid (%)	1939 Nil	4.0	6.5	Nil	7.5	6.0	5.0	Nil	15.0	12.5	5.0	
	1940 Nil	5.0	7.5	4	7.5	6.0	5.0	5.0	15.0	12.5	Nil	
	1941 Nil	6.0	8.0	...	7.5	6.0	...	...	...	12.5	9.0	
BALANCE SHEET POSITION :—												
Paid-up Capital (incl. debts, if any) — Latest year	12,754	7,500	14,546	600	775	893	4,000	7,480	525	500	937.5	
Total Reserves (including Carry Forward(a))	1939 778	1,688	4,165	16	317	61	1,839	288	335	204	209	
	1940 920	1,790	5,535	62	489	416	3,931	1,442	669	438	209	
	1941 1,078	1,908	7,428	...	1,190	1,383	...	...	...	441	331	
Book Value of Fleet	1939 77	2,158	24,307	336	931	806	4,602	11,202	627	423	845	
	1940 68	2,158	23,322	50	922	540	4,944	9,012	523	317	762	
	1941 58	1,780	21,120	...	373	440	...	...	...	272	780	
Surplus Liquid Assets(b)	1939 152	1,771	Dr. 409	280	246	253	1,354	Dr. 41	200	100	432	
	1940 10	2,078	2,092	612	427	768	3,261	414	639	457	546	
	1941 Dr. 173	2,716	5,654	...	1,677	1,838	...	...	...	487	653	

(a) Also including Fleet Replacement Reserve, where shown. (b) Including cash, investments, debtors, etc., less creditors, dividend amounts, etc., but excluding current items with subsidiary companies. * Income, less expenses, before depreciation. † Equivalent rate allowing only for normal preference dividends. ‡ Before deducting appropriations to Tonnage Replacement Reserve. § Total increase in Fleet Replacement Amount was £700,000. * Including provision for surveys.

in the shorts, which has in the recent past formed the basis for a further advance throughout the list. A considerable section of the market believes that the time is past when any sustained rise in long-dated or irredeemable Government stocks is to be expected. This argument is based on the supposition that, in the post-war world, it will be impossible to prevent some rise in the rate of interest. In the long run, and insofar as it is necessary to abandon a closed capital market, those who argue thus are probably justified. But it is mere guesswork at this juncture to attempt to assess how far free markets, for capital, or for anything else, will be restored even after a fairly extended period of reconstruction. However this may be, the time will come when the investor prefers once more the prospect of capital appreciation in equities to safety in fixed interest. The week's movements continue to suggest that, except for the adventurous, who continue to buy kaffirs, oil shares and South American stocks, safety is still the first consideration, for the rise in shorts was followed by a considerable improvement in the whole list of Government securities.

London, 28th April, 1942.

lor's words must await the publication of the Finance Bill. Meanwhile, an authoritative opinion largely confirms the views expressed in *The Economist* of April 18th. It is that the refund represents a contingent asset, the date of whose conversion into cash cannot be determined. In these circumstances, it cannot properly be included in the accounts of the company without distorting the financial position. At the same time, the estimated amount of the refund ought to be included as a note to the balance-sheet. It is, of course, a common experience to find that the amount of EPT has not been precisely determined. But in view of the fact that Exchequer receipts for 1940-42 under the head of EPT and NDC amount to some £365 millions, it is evident that a temporary decision has been reached in most cases, and that it would not be impossible for most companies to produce a reasonable estimate of the amount of refund. That this might be substantially varied, or completely eliminated, by the experience of subsequent years is not a sufficient reason for withholding the information, for this is almost equally true of a large part of the information supplied. If this figure were given, it would provide an important new element in the valuation of company investments, and there is no doubt that its disclosure should be made obligatory. There remains to be considered the question of disclosure upon the public interest. It is believed, as was pointed out on page 578 of the issue of April 25th, that the information to be obtained from a disclosure of EPT would not be of any material use to the enemy. If, however, the authorities maintain their attitude—as they will—and if directors and auditors continue to place the interpretation which they have on official advice, it seems very probable that most companies will withhold the information altogether. It is highly desirable that the authorities should be as zealous to compel disclosure, where they do not consider concealment essential to the national interest, as they are to encourage vagueness in other cases.

Local Authority Mortgages

A good deal has been heard from time to time as to the relative cost to local authorities of raising money by Stock Exchange issues and by other means. Few figures are available, and those which come to hand usually lack definition. Some importance, therefore, attaches to a table, showing the composition of the mortgage debt of local authorities at March 31, 1941, for England and Wales, and May 15th for Scotland, supplied by the Treasury and published in *Local Government Finance* this month, which are repeated below. Although 76 local authorities failed to reply to the questionnaire, it is not felt that this seriously distorts the picture. There is some uncertainty about the extreme

Range of Interest Rates	Optional 6 Months or Less		One Year or Less		Over 1 Year	
	Total	Over £5,000 each	Total	Over £5,000 each	Total	Over £5,000 each
3% or less	40,721	24,463	23,777	12,851	137,293	85,116
Over 3% to 3½%	37,729	22,715	7,805	4,835	324,074	220,746
3½% to 4%	13,270	9,115	1,189	812	187,290	140,864
4% to 4½%	2,105	1,245	2,111	423	18,689	13,574
4½% to 5%	1,495	745	5,278	2,880	136,387	101,477
5% or more	784	665	2,178	1,864	111,769	98,812
	96,104	58,949	42,338	23,665	915,502	660,589

range of rates charged, but it is evident that, on the third class of debt, which is most nearly comparable with stock market issues, the average rate is between 3½ and 4 per cent for periods probably shorter than those for loans raised on the market, which at present yield some 3½ per cent and upwards. The interest charge is, of course, not the sole expense of the loan; but, except when the life is very short, it is presumably by far the most important. It is, however, doubtful whether any very precise interpretation can be placed upon the figures in the absence of any information about the life of the mortgages at the date of compilation or about the date of issue.

Company Notes

Marks and Spencer Taxation

The preliminary figures of Marks and Spencer for the year to March 31st last contain a definite surprise. The figure of profit is not comparable, since it is after War Damage premiums which were not called for in the earlier years, but in any case a fall was anticipated. That which

has occurred, from £2,881,925 to £2,050,282, is not greater than might have been expected. It is, however, difficult to explain the fall in tax provision, other than tax on dividends, from £1,519,961 to £472,995. This is less than £100,000 above the figure for 1938-39, when there was no question of EPT, when the standard rate was not much more than half the present level and when gross profits were little if any

	Years to March 31,		
	1940	1941	1942
Profit†	2,860,157	2,881,925	2,050,282
Depreciation	481,203	456,574	467,194
Tax	1,198,745	1,519,961	472,995
Preference divd. (gross)	105,000	105,000	105,000
Debt redemption	13,230	13,965	14,700
Staff Pensions	25,000	25,000	25,000
Ordinary and "A" Ord. —			
Available	1,036,979	761,425	965,393
Paid	810,459	739,984	739,984
Earned %	55.5	37.0	35
Paid %	38½	35	35
Carry forward	325,089	346,530	571,939

† After directors' fees, all interest, and in 1941-42 War Damage premiums.

higher. The conclusion seems inescapable that, while the bulk of the fall arises from a smaller EPT liability, some of it is accounted for by the fact that the provision of 1940-41, and possibly that of the preceding year, was over-generous. The result is that, after very minor changes in other appropriations, the amount available for the gross ordinary dividend is up from £761,425 to £965,393, representing an earned percentage of 56.3, which is the highest since 1938-39 and compares with only 37.0 for 1940-41. In the circumstances, the maintenance of the 35 per cent distribution on ordinary and "A" ordinary shares is easily explained, but the percentage earnings are valueless as a guide to the true position. The price of the "A" ordinary improved a few pence on the announcement, but subsequently lost more than this gain, falling to 35s. 3d., at which the yield is some £5 os. 9d. per cent.

Johnson and Phillips' Good Year

In common with other manufacturers of electrical equipment, Johnson and Phillips realised a further improvement in 1941, total disclosed profits rising from £516,861 to £543,019—a record for the past decade. The allocation for taxation remains at the £260,000 provided in the previous year, while there is an increase in the total transferred for maintenance of buildings and for depreciation from £57,740 to £72,394. Equity earnings are thus rather higher at £165,987 against £154,572, representing a rate of 26.5 against 23.6 per cent. The ordinary shareholders receive 15 per cent, as in the two previous years, and the transfers of £5,000 to research and development account and of £30,000 to contingencies reserve are repeated. The surplus is devoted to raising the carry forward, which was reduced from £106,026 in the previous accounts to £91,491, through the subsequent allocation of £14,535 for a work people's bonus, to £102,478. It is probable that these excellent results are due mainly to increased turnover, though little clue to the details of the year's experience is provided in the accounts. In the balance sheet, stocks are up and debtors have remained relatively stable; stocks are up from £626,305 to £647,904, an increase no doubt partly due to the rise in the price level, and cash holdings are some £10,000 higher at £67,871. The bank overdraft is unchanged at £250,000, as is general reserve at £400,000. War damage contributions amounting to £20,000 have been charged to contingencies, leaving the fund at £120,000 after the latest transfer from profits. Such steady and apparently effortless progress must command the admiration of shareholders. The chairman's speech will be awaited with particular interest. The £1 ordinary shares, at 60s., offer £5 is. 3d. per cent.

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Tankers Report

The report of Tankers Limited for the nine months ending December 31, 1941, discloses profits after taxation of £51,467, against £43,865 in the twelve month period ending March 31, 1941. Despite this improvement, no further payment has been made in respect of arrears on 8 per cent preference shares. In the previous financial period one year's dividends were distributed, leaving the shares in arrears since April 1, 1934, requiring a gross sum at December 31 last of £484,849. Instead, £39,500 against nil is provided for depreciation and the whole of the available surplus of £3,287 is used to increase the carry-forward to £11,809. The improvement in net trading profits is similar to that enjoyed last year by the vast majority of shipping companies and is mainly due to the increase in business, and, of course, to the falling off in sinkings. The company appears to have received the £265,000 due nine months before under War Risks Insurance, and to have used the money in making an advance of £65,000 to an associate and increasing gilt-edged holdings by £174,335. Meanwhile, general investments at £200,000 represent the reinvestment of requisitioned stock proceeds, but this figure is after appropriating £34,232 from general reserve to write these, and other holdings, down to market value. Remaining liquid assets stand at £146,337, against £149,297, whereas current liabilities are down from £87,814 to £75,037. The net result is that the excess of liquid assets over current liabilities has fallen from £901,360 to £814,254, but there is the loan to the associate, which did not exist nine months before. After the draft, the total of reserve stands at £78,812, against £113,044. Further news of the acquisition by United Molasses will be awaited with interest.

Union Corporation Group

East Geduld had a most successful year. Profits were increased, but, owing to higher taxation, dividends were reduced from 70 per cent to 62½ per cent, on which basis

the yield at 8½ is 7 per cent. The ore reserves represent eight years' supply to the mill. The mine is in a very strong position and for many years must remain one of the leading South African mining investments. *Grootvlei* acquired the *Palmietkuil* property during the year, so that available reserves show a substantial increase over those of the previous year and now represent five years' supply of the milling capacity. The tonnage milled was substantially increased, but the plant can now deal with 1,800,000 tons a year. Owing to higher taxation, the dividend was reduced to 20 per cent, on which basis the yield at 4½ is 4.2 per cent. The mine is now a vast property, and with a still higher milling tonnage in prospect should continue to show increased profits. The second year of *Marievale's* production shows satisfactory results. Increased development took place and results in the lower levels are satisfactory, though this does not apply to the mine in general. Dividends amounted to 10 per cent, on which basis the 10s. shares at 20s. 6d. give a yield at present of around 5 per cent. *Marievale* is a young property with reasonably good prospects. The effort to increase the ore reserves of *Van Dyk* failed, and development continued to be disappointing, in spite of increased footages. The reserves represent about three years' supply to the mill. Milling results continued to be satisfactory and dividends were maintained at 17½ per cent, on which basis the yield at 21s. is 8.3 per cent. The mine has continued to suffer from excessive minor faulting and from the fact that the mine workings require more support than was at first anticipated. The report of *Geduld* shows that, in spite of increased development on the Main Reef and work on the Black Reef, the ore reserves show a decline and a fall in grade. These represent about six years' supply to the mill, but the tendency may well be for a further fall in tonnage and grade in the future. The company is becoming increasingly more dependent upon its very substantial holding in *East Geduld*. Dividends were reduced to 67½ per cent, upon which basis the yield at 6½ is 10 per cent. This does not appear to be over generous in view of the potential life of the mine.

	Tonnage Milled ('000)		Revenue per Ton		Working Costs per Ton		Working Profit ('000)		Dividends		Reserves			
	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	Tons ('000)	Averaging (dwts.)	1940	1941
<i>East Geduld</i>	1,910	1,932	48/5	48/5	16/8	16/7	3,033	3,075	70	62½	15,200	5-2	5-2	5-2
<i>Grootvlei</i>	1,235	1,495	44/-	45/1	23/4	23/2	1,277	1,638	22½	20	7,500	5-2	5-2	5-2
<i>Marievale</i>	532	592	43/5	44/8	30/1	30/2	355	429	2½	10	2,000	5-7	5-9	5-9
<i>Van Dyk</i>	1,128	1,183	42/4	43/6	24/10	26/8	984	997	17½	17½	3,100	5-4	5-2	5-2
<i>Geduld</i>	1,370	1,398	38/5	40/-	17/10	19/5	1,409	1,440	75	67½	9,000	4-5	4-4	4-4

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Industry and Trade

Motor and Pedal Cycles

Ever since July, 1940, no new private cars and goods vehicles could be purchased except by licence from the Ministry of Transport; the purpose of this restriction was to prevent the use of new vehicles for unessential purposes. A similar restriction was placed on new motor cycles last Monday. Applicants for licences must declare that they require a motor cycle for essential purposes and that they have been unable to obtain a suitable second-hand one. This restriction on the purchase of motor cycles should have been imposed long ago. Moreover, on November 1st, the basic petrol ration for motor cycles will be abolished and applications for allowances submitted to a needs test. The abolition of the basic petrol ration for private cars (on July 1st) and for motor cycles is expected to lead to an increased demand for pedal cycles, which can scarcely be met in full by new supplies for the home market, which have been fixed at 500,000 this year, compared with an annual pre-war output of about 1,500,000. But there is no reason why it should be met in full. The production and use of pedal cycles for unessential purposes is no more justified than that of private cars and motor cycles. For many workers, bicycles are a necessity; but no more of them should be produced than are necessary and, as in the case of private cars and motor cycles, their acquisition might be made subject to a needs test.

Price Control in Cotton Industry

The need for controlling the price of cotton goods as a means of preventing an undesirable rise in the cost of clothing was recognised early in the war. As long ago as January 4, 1940, an Order was issued applying price control at the initial stage of manufacture, that is to say, in the production of yarn; it provided for fixed margins between the cost of raw cotton and the selling price of single yarn. Margin control was subsequently extended to doubling yarns, but the task of fixing margins for weaving, the second stage of production, was not tackled until last month. The Control of the Cotton Industry (No. 32) Order, fixing weaving margins, covers about 80 per cent of the cloth currently produced in Lancashire. Criticism of the Order has been confined mainly to details, and a number of adjustments may be necessary. On the whole, however, the introduction of fixed weaving margins is a big step forward in the control of the prices of cotton goods. It now remains to extend price control to the retail stage. So far as utility goods are concerned, this has already been done. But a large proportion of the output of cotton cloth is made up into essential household goods which remain uncontrolled, and have risen sharply in price.

Cotton Output

At the annual conference of the United Textile Factory Workers' Association, Mr A. C. C. Robertson, in his

presidential address, suggested that the difficulties in which the cotton industry now finds itself are due to the way in which the concentration scheme was carried out. The general uncertainty in the industry which existed at that time tended to attract operatives into munition factories, and no compulsion was applied to them to staff fully the nucleus mills. The result has been that the target output, which was set by the Cotton Controller last January, has not been reached in any week, and has fallen short of it at best by 15 per cent. The few overtime hours are not likely to raise output to the required level. Nor was it expected to do so. In the last week of March, output was raised by the 8 per cent or so which overtime was calculated to yield. Thus, an unfulfilled margin of 15 per cent remains. The target is said to represent "minimum requirements for barest essentials" but is not further defined. The gap should be bridged by making better use of the present labour force, by more efficient work and longer hours if need be, and by a strict redefinition of "minimum requirements" and "barest essentials." Substitutes can be found for cotton for civilian use, and even for some Service requirements. It may be possible to scale down Service requirements, but certainly no civilian use should be made of cotton while real war requirements are not fulfilled.

Unified Coal Control

In the memorandum which has been prepared by the Coal Sub-Committee of the National Council of Labour, in support of the demand of the Mineworkers' Federation for the unified national control of the coal industry, it is emphasised that production and distribution can only be planned through a national authority. It is suggested, therefore, that measures must be taken by the Government to requisition the industry and to bring into existence a national authority composed of representatives of the Government, the Mining Association and the Mineworkers' Federation to deal on a whole-time basis with its affairs. The scope of this authority is indicated in the following paragraph: "The function of the Board would be to plan and organise the industry; to decide on matters which directly or indirectly affect it, including coal production, the allocation of supplies, prices, wages, mining conditions, safety, pensions and welfare; and to settle all matters affecting the financial and labour aspects of the industry irrespective of pre-war interests or post-war prospects." It is added that the Board should have control of the disposition of mining man-power; to review the whole of the production units throughout the country; and to institute new methods and plant wherever it is found to be necessary and to secure a more efficient generation and use of heat and power in existing works. The regional administration of these functions would be carried out by regional boards and pit committees, on which workmen and employers would be equally represented. The memorandum concludes with the expression of the view of the Council

that "the adoption of this plan would further the national interest and would make possible a greater degree of planning and better organisation, and would go far to remove the distrust of private ownership which is so widespread amongst the miners."

Coal and the Guaranteed Wage

An agreement has been reached by the Joint Consultative Committee for the coal industry about the application of the guaranteed weekly wage provision under the Essential Work Order to cases where men are absent or late, owing to the breakdown of the normal transport service between their homes and the pits. When consulted on the point by a deputation from this Committee last February, the Minister of Labour said he had no authority to give a binding interpretation of the condition in the Order making availability for work one of the two basic conditions of the workmen's right to the guaranteed wage, but he expressed the view that, if the workman had made every effort to reach his place of work on a particular day, and failed to do so (or arrived late) through extreme inclemency of weather, or other causes over which he had no control, he should be treated as if he had been available for work on that day for the purpose of a guaranteed wage under the Essential Work Order. Both sides have now accepted this ruling, and colliery undertakings have been instructed to act in accordance with it in future; the agreement is to have retrospective application from January 1st last to claims which have been held up pending the settlement of the question by the Joint Standing Consultative Committee. A management may concede claims outright as they arise, but in cases where the parties are in disagreement over the facts of the case, the dispute must be dealt with by the established machinery for dealing with disputes under the Order. A similar arrangement was already in force concerning miners' rights to the attendance bonus of 1s. per shift; but, while both confirm the original intention of the Order to give miners greater security both of wages and employment, they involve the risk of widening the door for absenteeism and slackness, and both these evils are now, unfortunately, more prevalent than they were when the guaranteed wage and the attendance bonus were applied to the industry simultaneously last June.

Government Tonnage

On April 22nd, it was announced in the House of Commons that a scheme for the transfer to British ship-owners of ships built to Government account was now on the point of completion and that a White Paper would be issued shortly. An owner who has been allocated a ship in replacement of a loss will not receive delivery until six months after the end of the war, but in the meantime, he will agree to buy the ship for the building price, less depreciation at the Inland Revenue rate of 6 per cent per annum up to the time of delivery. The management of the ship will be transferred to the prospective owner. The scheme has been under discussion for many months and its main principles have been common knowledge for some time. The ships will be allocated according to a rota of losses. Because of the rise in shipbuilding costs, this will mean that a shipowner who suffered a loss early in the war will receive a less costly ship than an owner lower down on the rota. Government-built ships are also being transferred to Allied Governments in replacement of war losses. In this case, however, the ships are delivered and paid for and, while under charter to the Ministry of War Transport, are paid a rate of hire similar to the requisition rates for British tonnage. As part of the agreement, the Allied Governments will take over some of the old ships bought by the Ministry early in the war. The tonnage involved is fairly large, replacement being in relation to the losses suffered. British shipowners have complained that this arrangement shows unfair discrimination between them and Allies who will be competitors after the war.

Production Committees in Engineering Works

Details of the agreement, signed on March 18th, between the Engineering and Allied Employers' National Federation, and the Amalgamated Engineering Union, the National Union of Foundry Workers and the Confederation of Shipbuilding and Engineering Unions, providing

for the setting up of joint production committees in engineering works, are given in the April issue of the *Ministry of Labour Gazette*. Its terms correspond closely with the agreement of February 26th, relating to Royal Ordnance Factories, described on page 405 of *The Economist* of March 21st. The principal difference between the two agreements is in the provisions relating to the election of the members of the committees. The number of workers' and management representatives is not to exceed ten. The period of continuous service qualifying workers for election to the committees is two years, compared with one year in the case of Royal Ordnance Factories. Voting is by ballot, open to all adult workers, and conducted jointly by the management and the union representatives in the shops. The representatives of management are to be nominated by the management, and must not exceed the number appointed by the workers. Since the most economic way of expanding the output of war equipment is to increase the "yield" per man-hour and per machine-hour, it is to be hoped that joint production committees will concentrate on this, their vital task.

Zinc Smelting Developments

Largely because of the exceptional fact that the reduction temperature of zinc is far higher than its volatilisation temperature, the refining of zinc offers considerable technical difficulties. As a result, an unusually large part (more than one half) of the world's zinc output is treated in so-called customs refineries—refineries without a mining basis of their own. As the treatment of one ton of zinc concentrate secures the recovery of roughly half a ton of zinc metal plus one ton of sulphuric acid, the chief by-product of zinc smelting, transport considerations favour the establishment of zinc customs refineries near the chief consuming centres of both zinc and sulphuric acid. This fact led to the development of extensive zinc refining industries on the European mainland. Belgium, which before the war used to produce less than 5,000 tons of zinc per year from domestic mines, refined over 225,000 tons of zinc from all parts of the world in 1937. The loss of Belgium, which had already created a serious zinc refinery problem for the Allies in the last war, once again dislocated the supplies of the United Nations in 1940 and 1941.

When Belgium was attacked and occupied by the German army, just two years ago, the world's zinc smelting capacity was approximately 1,900,000 metric tons per year, of which between 700,000 and 800,000 tons were accounted for by the United States and a similar quantity by the Continent of Europe, excluding the United Kingdom. Smelters in this country were capable of refining just over 70,000 tons per year. Canada had a scheduled capacity of 160,000 tons and Australia one of 75,000 tons. The only other zinc smelter open to the United Nations was the Rosita smelter in Mexico, controlled by American Smelting and Refining Co., with an annual capacity of about 36,000 tons. The combined refining capacity outside the European mainland was insufficient both to treat all supplies of zinc concentrates outside Europe and to meet the combined requirements of the United Nations. Since then, Canada and Australia have extended their smelting capacity, but details of these extensions are not known. The United States, however, has just published official data about recent zinc refinery extensions. Its total capacity of both distillation and electrolytic plants at the end of 1941 approached 1,000,000 tons per year, against 754,000 tons in the summer of 1940. Extensions now in hand will raise the capacity of the United States by another 100,000 tons this year. Consequently, the refining capacity for zinc outside the mainland of Europe has practically reached the present limit of ore supplies and should reduce the Allied zinc smelting problem for the remainder of the war to one of shipping space.

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£15,591,715

TWENTY-FOUR MILLIONS

W. W. BENHAM, Chairman.

J. G. SLEIGHT, Managing Director.

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

COMPANY MEETINGS

MERCANTILE BANK OF INDIA,
LIMITED

INTERNAL RESOURCES STRENGTHENED

SIR CHARLES INNES' STATEMENT

The annual general meeting of the Mercantile Bank of India, Limited, will be held on the 19th instant.

The following are extracts from the statement by the chairman, Sir Charles A. Innes, KCSI, CIE, circulated with the report of the directors and balance-sheet for the year ended December 31, 1941:—

The grave events which have happened recently in the Far East and the implications of those events for the Bank must be fully present to your minds, and quite clearly they limit the range of subjects on which I can usefully comment. For instance, it would be a waste of time to review the course of trade in the past year. International trade in the Far East has to a large extent been brought to an end by the war, but there is one tendency of permanent significance which I must again emphasise.

I referred last year to the way in which the growth of industry in India has been stimulated by the war. During the past year the pace of advance has been accelerated, an astonishing variety of new industries have been started and India is now playing an increasingly important part in the joint productive effort of the Allied nations. This development is an encouraging fact. It means, of course, that India will end the war with a very different economy but, if the result of these developments is a general raising of the standard of living and an increase in the purchasing power of the vast population of India, the effects on the volume of the world's trade in the future may be very far-reaching. Another matter of great significance has been the repatriation since the war began of practically the whole of India's external debt.

LATEST AVAILABLE FIGURES

The accounts present the latest information in our possession but the balance-sheet cannot, of course, give a complete picture of the Bank's position at the end of 1941. Quite briefly, I may say that at the end of November it looked as if, in spite of the many difficulties and anxieties, we should be able to report that the Bank had had another prosperous year and was in a stronger position than ever before. In December, however, the Japanese attack began and before the end of the month our branches at Shanghai, Hongkong, Bangkok and Penang had passed temporarily into their hands. In respect of these branches all we have been able to do is to incorporate in the balance-sheet the latest figures available, namely those relating to the second half of October in the case of Shanghai, and to the first half of November in the other branches. We have had to adopt the same course as regards our Rangoon branch. The final accounts for the year were despatched from Rangoon but we have not received them and we can only suppose that they have been lost in transit.

In the circumstances there are only one or two comments which I think it necessary to make. As in the case of most banks there has been an increase in our current accounts with a corresponding rise in our holding of Government securities. The increase in bills receivable and loans receivable and advances is largely due to lack of shipping and to delay of bills in transit. You will notice that our cash position is again very strong. Normally, of course, we should not keep so large a proportion of our assets idle, but it is part of the policy which we have deliberately followed for the last two years. We had constantly to bear in mind the possibility that the Japanese would enter the war against us, and so far as lay in our power, we tried to provide against this and the other contingencies inseparable from a war so widespread. Losses have inevitably been incurred, but had it not been for Mr Crichton's foresight and prudence, it is fair to say that they would have been considerably greater.

RESULTS OF THE YEAR

The profit for the year at £173,000 is lower than in recent years but you must remember that we have taken no account of the substantial profits made in the second half of the year by the four

branches before they were overrun. Moreover, before striking the balance we have judged it advisable to transfer a considerable sum from the profits of the year to contingencies account as provision for losses so far ascertained. The truth is that, in spite of our misfortunes in December, the profits of the year were good. Nevertheless, we have thought it prudent to reduce by half the second interim dividend which is in effect the final dividend for the year. We have again allocated £25,000 to premises account we have increased our additional allocation to contingencies account from £30,000 to £40,000 and we have slightly added to our carry forward. I regret very much the reduction of the dividend but I am sure that you will agree that circumstances call for a policy of strengthening the internal resources of the Bank.

OPERATIONS RESTRICTED

The overturning of so many of our branches means that for the time being the earning power of the Bank has been greatly reduced. Our operations are now confined to India, Ceylon and Mauritius and, so long as the war lasts, the board must pursue a cautious policy and I am afraid that you must expect smaller dividends than you have been accustomed to in the past. As regards the position in occupied branches, we must wait until the end of the war before we shall know exactly how we stand.

I told you last year that the fortunes of the Bank were bound up with the outcome of the present war. In recent months the Allied Forces have suffered serious reverses in the Far East and, through no fault on our part, the Bank has been caught up in the web of these misfortunes. The bad times will pass, and I have no doubt that in the fullness of time the Allies will recover what has been lost and that our branches will again be opened. Till then we must possess our souls in patience. I can say with confidence that the internal resources of the Bank were never so strong as when the Japanese made their onslaught, and our policy for the time being must be one of rigorous economy and conservation of those resources. The turn of the tide may come sooner than we expect and I hope sincerely that next year I may have better news to give you.

EQUITABLE LIFE ASSURANCE

MR D. ABEL SMITH'S STATEMENT

The one hundred and eightieth annual general meeting of the Equitable Life Assurance Society will be held at 19 Coleman Street, London, E.C., on the 20th instant, at 12.30 p.m.

The following is a summary of the statement by the president, Mr Desmond Abel Smith:—The society had been forced to curtail its efforts to obtain new business because it had released 55 per cent of the male and 25 per cent of the female staff for war service and circularising had been reduced. The few circulars that had been sent out were printed before, or in the early months of the war. In any event, he doubted whether the society would have kept up its new business, as the Equitable appealed largely to professional and business men with fixed incomes who had been financially hit by the war.

Up to now the society had contributed either directly or through the two controlled reversionary societies over £1,650,000 to new Government loans: of this, £428,000 was subscribed in 1941, and this figure had already been exceeded in 1942. The substantial sums paid out for claims and matured endowments had, no doubt, been largely invested by the recipients in Government securities or used to pay death duties. The claims paid on whole-life major profit assurances had given the usual remarkable results; in one case more than six times the original sum assured had been paid. Since the war started £117,658 had been paid in claims as a direct consequence of enemy action; of this, £70,952 was included in the accounts for 1941.

The increased charge to the society for income-tax, the low rate of interest on investments in new Government loans, and other wartime factors had had, and would continue to have, a considerable influence on bonus-earning capacity; however, there was no need to reduce interim bonuses for claims in 1942 below those allowed for similar claims in 1941.

There was a substantial margin in the society's favour between book and market values of Stock Exchange securities, and other securities were conservatively valued.

The great merit of life assurance was the security given by the sum assured (and any existing bonus); as far as could be foreseen these liabilities were amply provided for.

UNION BANK OF SCOTLAND, LIMITED

SUCCESSFUL RESULTS—INCREASED PROFIT

SIR A. STEVEN BILSLAND'S ADDRESS

The annual meeting of shareholders of the Union Bank of Scotland, Limited, was held on the 6th instant, Sir A. Steven Bilsland, Bt., MC, DL, chairman of the Bank, in the chair.

The chairman, in submitting the directors' report, mentioned that the balance-sheet total of £51,700,000 was more than £7,000,000 above the highest previously recorded at April 2nd. This increase was mainly due to an expansion of £4,400,000 in deposits, which totalled £41,045,000. Although the amount of deposits shown in the balance-sheet constituted a record in their long series of published accounts, it was considerably less than the highest figure reached during the year, because the date of the annual balance coincided not only with the close of a period of heavy withdrawals for payment of taxation and for the purchase of tax reserve certificates, but also with the culmination on March 31st of special nation-wide Warship Week efforts.

The general and progressive increase of banking deposits was a direct result of colossal Government expenditure in connection with the war. It must not be regarded in any way as an indication of increased national prosperity. For the same reason, the Bank's note circulation continued to expand rapidly, and at £4,245,000 was £1,073,000 higher than last year and also constituted a record.

The Bank's position continued to be one of great liquidity and strength. Cash and money at call and short notice amounted to £9,693,000, representing over 23½ per cent. of their deposits.

As a result of higher deposits they had been able to increase their support of new Government issues. The Bank's holding of British Government Securities showed an expansion on last year's figure of £4,140,000 and now stood at £20,601,000. Bills discounted showed a decrease of £643,000 on account of a reduction of £815,000 in the Bank's holding of Treasury bills, but this was more than offset by an increase of £1,000,000 in Treasury deposit receipts, where the total held on April 2nd this year was £2,500,000.

Notwithstanding the progressive decline in general banking advances during the past year or two, the Bank's loans and advances at £11,129,000 showed an increase of £1,261,000 over last year, which more than compensated for the decline reported a year ago.

PROFIT AND ALLOCATIONS

Although the margin of profit continued to shrink, their increased resources had resulted in an expansion of earnings, and the profit of £304,000, which was arrived at after full provision for every known liability, showed a moderate increase of £6,000.

This year £50,000 had again been placed to the published reserve, which now stood at £1,900,000, and it had been thought desirable to resume allocations to bank and other premises account by a provision of £10,000. They were being asked to approve of the usual sum of £25,000 being set aside towards liability for pensions and allowances, and after giving effect to these allocations and providing for the dividend of 18 per cent. recommended by the board, the carry forward would amount to £146,000, an increase of £3,000.

The volume of banking transactions showed little, if any, diminution, while the requirements of the Government for services of various kinds, soon to be increased by the handling of clothing coupons, tended to grow, and accordingly they were confronted with the problem of making a maximum contribution in manpower to the national war effort and at the same time endeavouring to maintain an adequate banking service. To some extent the difficulty had been met by closing certain branches and by reducing the period of attendance at others, but a position had now been reached where, with due regard to the needs and convenience of the public, further action in the closing of branches would require to be taken.

In conclusion, the chairman recorded their warm appreciation of the excellent services rendered by both permanent and temporary members of the staff in Scotland and in London during the past year. He also expressed on behalf of the board and the Bank their sincere appreciation of the services of the general manager, Mr Norman L. Hird, whose outstanding qualities as a banker had been of the greatest value to the Bank in the present difficult period.

The report was unanimously adopted and a dividend at the rate of 18 per cent. per annum declared.

Sir A. Steven Bilsland, Bt., MC, DL, was re-elected chairman of the Bank.

CALEDONIAN INSURANCE COMPANY

SUCCESSFUL RESULTS OF DIFFICULT YEAR

The one hundred and thirty-seventh annual general meeting of the Caledonian Insurance Company was held within the company's office, Edinburgh, on the 7th instant.

The chairman, Professor William Annan, CA, in moving the adoption of the report, said: We have continued to support the Government in its financial demands and our investments in the new Loans have now passed the £800,000 mark, while our total holdings of British Government securities at December 31, 1941, as shown in the life and general balance sheets, amounted to nearly £4,000,000.

LIFE DEPARTMENT

The net new life assurances granted during 1941 amounted to £957,964, as compared with £627,450 in 1940. With the reduction, however, which has been taking place in our field staff it is not anticipated that the 1941 figure will be maintained in 1942.

While there is practically no change in the amounts of the death claims and maturities and the premium income at £589,777 is only slightly less than the figure of £591,838 for the previous year, there is a substantial reduction in the surrenders from £87,582 to £41,340.

The expenses for the year 1941, excluding those applicable to annuities, showed a ratio to net premium income of 14.3 per cent. compared with 15 per cent. in 1940.

The average rate of interest earned for the year 1941 on the life assurance and annuity fund, in common with the experience of other offices, has suffered a further reduction. It was £3 7s. 4d. per cent. after deduction of income-tax, as compared with £3 9s. 9d. per cent. for the previous year, the reduction being accounted for by a general fall in interest rates.

As regards the assets, you will notice that the Stock Exchange securities stand in the balance-sheet in the aggregate at less than the value at middle market prices as at December 31, 1941, and the directors believe that the other assets are in the aggregate fully of the value stated in the balance-sheet.

Despite the existence of the considerable unappropriated surplus of £563,752 which the quinquennial valuation disclosed, the directors decided that under existing conditions the wisest course was to carry forward this amount. It is the intention of the directors to take into consideration at the next division of surplus the fact that no profits, excepting interim bonus, have been allotted to policyholders in respect of the premiums paid for the quinquennium ended December 31, 1941. In the meantime, and until further notice, an interim bonus of £1 per cent. per annum is being paid on all ordinary participating policies becoming claims by death or maturity during 1942 in respect of each year's premium due and paid for the years 1937 to 1940 inclusive.

FIRE DEPARTMENT

You will notice that the premium income for the year 1941 was £771,311, as compared with £732,755 in 1940, and that the profit was £53,931, as compared with £14,665.

ACCIDENT DEPARTMENT

The premium income in 1941 was £575,817, as compared with £510,930 in 1940, and the profit in 1941 was £6,208, as compared with £16,520 in the previous year.

MARINE DEPARTMENT

The premium income for 1941 showed a large increase at £351,692, as compared with £255,794 in 1940. After making full provision for all claims paid, outstanding and contingent, I am glad to say we were in a position to transfer a sum of £10,000 to the profit and loss account.

In addition to the funds for the fire, accident and marine departments, there is a general reserve fund of £650,000.

The chairman concluded by paying a tribute to the general manager, officials and staff both at home and abroad.

The report was adopted; the allocation of £20,000 to the staff pension fund was approved, and a dividend of 15s. per share, subject to deduction of income-tax, was declared for the year 1941, payable in equal half-yearly instalments on May 15th and November 11th next.

NATIONAL BANK OF INDIA, LIMITED

PROFITS MAINTAINED

MR R. LANGFORD JAMES'S STATEMENT

The following statement by the chairman (Mr R. Langford James) has been issued to the shareholders with the report and accounts to be submitted at the one hundred and twenty-eighth ordinary general meeting of the National Bank of India, Limited, to be held on the 12th instant:—

As was the case last year, the proceedings at our general meeting will be purely formal. This short statement which accompanies the report and balance sheet is therefore in substitution of the usual address by the chairman.

THE DIRECTORATE

Since we last met, Mr J. K. Michie has been appointed deputy-chairman of the board, and I take this opportunity of expressing our appreciation of the services he is rendering to the bank in that capacity.

In September, 1941, we lost a distinguished and highly respected colleague, Sir John Hewett, who had been a member of the board since 1915. Sir John, who was a great personality, was possessed of outstanding ability. The value of his service to India and, after he retired from the Civil Service, to the companies with which he became connected will not soon be forgotten. To fill the place of our old friend we appointed Mr W. G. Lely, of Messrs Wallace Brothers and Co., Limited, to a seat on the board, and we have every reason to congratulate ourselves on securing his services.

Owing to the war-time uncertainties of the postal service, it has again been found impossible to complete the 1941 accounts at the usual time, and our annual meeting must necessarily be held some few weeks later than the normal pre-war date.

In my last year's address to the shareholders I expressed some apprehension as to prospects for 1941. My fears, however, in regard to the bank's results were not justified as the net profits—amounting to £437,738—closely approximate those of the previous year, after providing a substantially increased sum for taxation and after making full provision for bad and doubtful debts.

In order that there should be no undue delay in payment of the final dividend this was again declared in the form of a second interim, but at the rate of 6 per cent. instead of 8 per cent., reducing the total dividend for the year from 16 per cent.—a rate at which it has stood for the past few years—to 14 per cent.

RECORDS and STATISTICS

STOCK EXCHANGES
London

Note: all dealings are for cash

WHILE the British landing in Madagascar served to improve sentiment, and partially to offset the news from Burma, the effect on prices and turnover throughout the markets was small, except for a slight revival of buying, from the Cape, of kaffir issues. Turnover in the gilt-edged market was moderate, but while irredeemable and long-dated stocks were easier in early dealings, some institutional demand for short-dated issues has occasioned a general improvement among these stocks. The feature of the foreign bond market has been the steady demand for Brazilian stocks. After a general improvement of $\frac{1}{2}$ to a point before the week-end, the 6½ per cent loan rose $\frac{1}{2}$ at the reopening, while point gains were registered for the 5 per cent loans of 1903 and 1914. Peruvian bonds were also in demand and Mexican issues improved slightly on some enquiry. In contrast with the previous week's activity, the home rail market was quiet, but prices showed no marked change. Among junior issues, GW ordinary rose $\frac{1}{2}$ at the reopening, as did LMS ordinary the following day, while preference issues moved narrowly. Interest in the foreign rail market was slight, prices

showing little movement, but elsewhere Canadian Pacific ordinary advanced $\frac{1}{2}$ on Tuesday on the latest traffic receipts. Later there was a distinct rally in long and irredeemable Government stocks, and little feature elsewhere.

Apart from occasional interest in particular stocks on dividend prospects, the relatively small turnover in the industrial market has not affected the firm undertone of the past few weeks. Brewery shares were firm throughout, Guinness, Ohlssons Cape and South African Breweries all showing marked improvement, but tobacco shares continue to be dull, both BAT and Imps easing $\frac{1}{2}$ at the end of last week, although the former recovered this loss at the reopening. Light dealings in the motor and aircraft section gave rise to some irregularity, but apart from an advance of $\frac{1}{8}$ for Rolls-Royce on Monday, changes were small throughout. A gain of $\frac{1}{8}$ for Indian Iron at the reopening was the only feature of a quiet heavy industrial section, although Bolsover was rather weak. Shipping shares, apart from a small improvement in Cunard, were unchanged, but the textile group, while generally quiet, became more active on Monday with interest centred chiefly on Fine Cotton Spinners issues. The maintenance of the dividend by Marks & Spencers occasioned an advance of 9d. in both the "A" and

JAPAN'S ENTRY INTO WAR

Although circumstances have indicated that pessimism as to the 1941 results was not justified, it is patent that the entry of Japan into the war cannot fail to have repercussions on our business. Up to the present we have been relatively fortunate in that, not having any branches farther to the east than Burma, Rangoon and Mandalay are the only places from which it has been found necessary to move (temporarily we both hope and believe). But whatever may be the outcome of the Japanese efforts to penetrate farther to the west, it appears obvious that, until the allied nations can impose greater restraint on the naval activities of our enemies, trade from and to the Bengal ports and the areas they serve must suffer some restriction, and the same may apply not only to other Indian ports on the Bay of Bengal, but to Ceylon also.

This being the present position, shareholders will doubtless approve of our having decided, as a measure of prudence, to make a slightly smaller distribution from the profits, which enables us to add £38,000 to the sum carried forward—raising it to £284,253—after allocating £50,000 to the pension funds and £70,000 to house property account.

SOUND FINANCIAL POSITION

With regard to the balance sheet, the bank's total liabilities and assets are £5,000,000 higher than at the end of the previous year. On the liabilities side this is almost entirely accounted for by an increase in current, fixed deposit and other accounts, while amongst the assets, cash and bullion appear as £1,000,000 higher, British and Indian Government securities are nearly £3,000,000 up, and the figure representing bills of exchange shows an increase of £1,700,000 as compared with the previous year. The long period occupied in transit of mails has again swollen this latter item. Discounts, loans receivable and other sums due to the bank appear at £600,000 less. The ratio of the combined items of cash and Government securities to the bank's total liability on current, fixed deposit and other accounts is 70 per cent., which indicates a sound position.

It is a pleasure to pay a tribute to the staff of the bank both at home and overseas, who have maintained an efficient service notwithstanding the depletion caused by the large number now on duty with His Majesty's Forces which has necessitated their re-employment by a less experienced staff. In consequence an extra strain has been placed on the senior members of the staff remaining with us who have cheerfully overcome their difficulties and enabled our business to be carried on with as little dislocation as possible. Our appreciation of the work of all members, both old and new, is well deserved.

ordinary shares despite the sharp reduction in trading profits, while Woolworth's improved 1s. Elsewhere, Cable & Wireless ordinary improved a point on Tuesday on dividend hopes. In midweek Marks & Spencer and Woolworth lost their earlier rises, but Cable & Wireless stocks remained strong.

A sharp revival of activity in the kaffir market reflected the satisfaction felt by the Cape at the Allied action in Madagascar. After quiet support had occasioned several small advances at the close of last week, widespread buying on Tuesday resulted in further gains for many stocks. Union Corporation rose $\frac{1}{2}$ and West Wit Areas $\frac{1}{8}$, as did Vlaktfontein, although Crown Mines fell $\frac{1}{8}$. With stock in short supply, buying of diamond issues, in particular De Beers and Anglo American, resulted in sharp advances for both shares in the early part of this week. Both the tin and rubber markets were quiet, and the small turn-over left prices practically unaltered, but steady investment demand for tea shares, coupled with small supplies has continued to raise prices. Quiet conditions prevailed in the oil market and changes were in general negligible. Among the leaders, Anglo Iranian and Shell improved $\frac{1}{2}$ and $\frac{1}{8}$ on Tuesday, while Burmah Oil was steady throughout. Later all the oil leaders showed gains, but Anglo-Ecuadorian slumped on the dividend cut.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	30 Ord. shares*	20 Fixed Int.†
April 30.....	2,847	2,391	76.9	134.6	
May 1.....	2,705	2,558	76.9	134.5	
" 4.....	3,194	2,639	76.9	134.5	
" 5.....	2,413	2,928	76.9	134.4	
" 6.....	2,726	2,372	77.0	134.5	

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942; highest 135.6 (Apr. 29); lowest, 132.2 (Jan. 5).

New York

OWING to the technical position, the past week on Wall Street has seen some improvement from the low levels registered in the previous period. Utilities, in view of hopes of more favourable tax treatment than other sections of industry, have received some support, and elsewhere small gains have been scattered over a wide range of securities, although the volume of buying is still very slight. Later a sagging tendency reasserted itself, with falls in steel, motor, utility and rail shares.

New York Prices

Total share dealings: April 30, 279,000; May 1, 301,000; May 2*, 156,000; May 4, 260,000; May 5, 273,000; May 6, 268,000.

* Two-hour session.

STANDARD STATISTICS INDICES
(1935-36=100)

	WEEKLY AVERAGES				
	Low April 29	High Jan. 14	April 15, 1942	April 22, 1942	April 29, 1942
347 Industrials.....	62.4	75.0	64.6	64.2	62.4
32 Rails.....	60.1	71.0	60.2	60.3	60.1
40 Utilities.....	53.1	67.4	57.0	56.3	53.1
419 Stocks.....	60.8	73.3	63.2	62.7	60.8
Av. yield*.....	8.40%	7.65%	8.27%	8.29%	8.40%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4.

DAILY AVERAGE OF 50 COMMON STOCKS

April 23	April 24	April 25	April 27	April 28	April 29
76.1	76.4	75.9	75.2	75.2	76.7

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Capital Issues

Week ending May 9, 1942	Nominal Capital	Conversions	New Money
By Permission to Deal..	240,045	...	306,067
Particulars of Government issues appear on page 664.			
Year†	Including Conversions	Excluding Conversions	
1942.....	671,176,949	667,174,896	
1941.....	458,088,282	439,264,986	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1942.....	666,938,094	199,308	37,488
1941.....	436,719,883	2,549,103	Nil

COMMODITY AND INDUSTRY NEWS

manufacturers contend that they have not been fairly treated and some adjustment may be necessary. It is being urged that the conditions of sale should be extended to all cloth contracts—at present less than 80 per cent of cloths are covered.

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

	April 30, 1942	May 1, 1942	May 4, 1942	May 5, 1942	May 6, 1942
Crops.....	115.5	115.8	115.8	115.8	115.8
Raw materials.....	172.7	172.7	172.7	172.7	172.7
Complete Index.....	141.3	141.4	141.4	141.4	141.4

	Mar. 31, 1937	Aug. 31, 1939	May 6, 1941	April 7, 1942	April 29, 1942
Crops.....	147.9	92.2	108.4	115.0	115.5
Raw materials.....	207.3	122.9	172.9	172.7	172.7
Complete Index.....	175.1	106.4	136.9	140.9	141.3

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES
(1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Apr. 29, 1941	Apr. 14, 1942	Apr. 28, 1942
Cereals and Meat.....	93.0	66.9	97.3	110.0	111.2
Other food.....	70.4	61.1	93.3	99.5	99.1
Textiles.....	74.2	54.3	90.9	93.3	93.3
Minerals.....	113.2	95.4	129.8	130.7	130.7
Miscellaneous.....	87.0	77.6	114.2	118.3	118.3
Complete Index.....	87.2	70.3	104.8	110.4	110.6
1913=100.....	119.9	96.8	144.2	151.9	152.2

* Highest level reached during 1932-37 recovery.

NUMBER OF FOOD PROSECUTIONS

	Prosecutions	Number Successful	Percentage Successful
Oct., 1939-Dec., 1940	10,598	10,043	94.8
Total 1941.....	29,329	27,475	93.7
March, 1941.....	2,141	1,994	93.1
April ".....	2,300	2,199	95.6
May ".....	2,537	2,410	94.9
June ".....	2,762	2,627	95.1
July ".....	2,846	2,679	94.1
August ".....	2,524	2,336	92.5
September ".....	2,501	2,280	91.2
October ".....	3,130	2,887	92.2
November ".....	2,400	2,228	92.8
December ".....	2,955	2,752	93.1
January, 1942.....	2,420	2,218	91.7
February ".....	2,670	2,535	94.9
March ".....	2,366	2,211	93.5

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942.....	663,360,459	157,423	3,657,008
1941.....	436,603,472	34,400	2,627,054

† Includes Government issues to April 28, 1942, only. Above figures include all new capital in which permission to deal has been granted.

TO THE PUBLIC

3 Per Cent Savings Bonds.—Issue in multiples of £50 for 3 Per Cent Savings Bonds at price of £100 per cent, payable in full on application. Repayable at par September 2, 1970, or after September 1, 1960, at 3 months' notice. Principal and interest will be a charge on the Consolidated Fund of the United Kingdom.

CONVERSIONS AND REPAYMENTS

Brush Electrical Engineering.—This company proposes replacing £143,170 5½ per cent prior lien debenture stock, £77,007 4½ per cent debenture stock and £64,482 4½ per cent second debenture stock by share capital. If the whole amounts of the debenture issues are replaced, the issued capital will be £391,489 5½ per cent cumulative preference stock and £536,488 ordinary stock.

Canadian National Railways.—The Canadian Government will repay at par on November 1, 1942, the £12,500,000 outstanding 4 per cent Guaranteed Stock (Grand Trunk Railway Company of Canada). This is one of the Canadian National Railway Securities acquired by the Treasury in January under the Acquisition of Securities Order 1942.

Rio Cape Line Limited.—The outstanding £299,150 3½ per cent First Debenture Stock will be repaid on July 31, 1942.

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

	Home	Export	Total	% Change from a Year ago
1937.....	100	100	100	+ 1.0
1938.....	94	82	93	- 7.0
1939.....	105	80	103	- 10.7
1940.....	116	83	114	+ 10.7
1941 Feb.....	106	68	105	- 5.4
Mar.....	124	102	123	- 19.1
1942 Feb.....	119	83	117	+ 10.3
Mar.....	128	114	127	+ 3.1

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is not included; figures are therefore comparable throughout. For annual figures 1935-1940 and monthly figures Sept., 1940-Oct., 1941, see *Economist* Nov. 29, 1941. Source: *Board of Trade Journal*.

RETAIL FOOD PRICES.

	Average price per lb. at			Per cent increase since Sept., 1939
	Sept. 1, 1939	Feb. 28, 1942	Apr. 1, 1942	
Beef, British—	s. d.	s. d.	s. d.	
Ribs.....	1 2½	1 3½	1 3½	11
Thin flank.....	0 7½	0 9½	0 9½	27
Beef, ch'd or frozen				
Ribs.....	0 9½	1 1	1 1	34
Thin flank.....	0 4½	0 6	0 6	23
Mutton, British—				
Legs.....	1 3½	1 5½	1 5½	13
Breast.....	0 7½	0 8	0 8	8
Mutton, frozen—				
Breast.....	0 10½	1 0	1 0	16
Bacon.....	0 4	0 4	0 4	—
Fish.....	1 3	1 8½	1 8½	36
Flour (per 7 lb.).....	1 1½	1 3½	1 3½	15
Bread (per 4 lb.).....	0 8½	0 8	0 8	- 3
Tea.....	2 4	2 6	2 6	7
Sugar (gran.).....	0 3	0 3	0 3	—
Milk (per qt.).....	0 6½	0 8½	0 8½	31
Butter (salt).....	1 4½	1 7	1 7	15
Cheese.....	0 10	1 1	1 1	24
Margarine, special.....	0 6½	0 9	0 9	12
Standard.....	0 6½	0 5	0 5	- 5
Eggs, fresh (each).....	0 2	0 2½	0 2½	1
Potatoes (per 7 lb.).....	0 6½	0 8½	0 8½	28
Index all foods weighted (July 1914=100).....	138	162	160	17

Source: Ministry of Labour Gazette.

Finance

GOVERNMENT RETURNS

For the week ended May 2, 1942, total ordinary revenue was £63,433,000, against ordinary expenditure of £127,468,000, and issues to sinking funds of £120,000. Thus, including sinking fund allocations of £443,155, the deficit accrued since April 1st is £278,551,000 against £274,053,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 2, 1941	April 1 to May 2, 1942	Week ended May 2, 1941	Week ended May 2, 1942
Income Tax	35,832	62,799	5,801	12,550
Sur-tax	4,480	4,560	540	630
Estate, etc., Duties	9,483	10,860	1,963	1,500
Stamps	940	770	30	30
N.D.C.	1,376	2,472	370	254
R.P.T.	15,512	17,560	2,098	3,595
Other Inland Rev.	30	60	...	...
Total Inland Rev.	65,653	99,121	10,792	18,459
Customs	31,941	29,774	6,349	5,937
Excise	19,120	39,159	11,666	25,245
Total Customs and Excise	51,061	68,933	18,015	29,182
Motor Duties	3,375	2,044	426	431
Canadian Govt. Contribution	...	22,472	...	8,989
Post Office (Net Receipts)	2,150	4,000	1,700	2,400
Wireless Licences	...	270	...	270
Crown Lands	170	160	...	...
Receipts from Sundry Loans	66	394	...	133
Miscellaneous Receipts	833	6,948	...	3,569
Total Ordinary Rev.	123,308	204,342	30,933	63,433
SELF-BALANCING P.O. and Broadcasting	6,550	7,700	900	2,600
Total	129,858	212,042	31,833	66,033

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to May 2, 1941	April 1 to May 2, 1942	Week ended May 2, 1941	Week ended May 2, 1942
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	45,944	51,930	17,068	18,869
Payments to N. Ireland	299	327	...	...
Other Cons. Fund Services	286	278	9	10
Total	46,529	52,535	17,077	18,879
Supply Services	350,366	429,915	69,410	108,589
Total Ordinary Expenditure	396,895	482,450	86,487	127,468
SELF-BALANCING P.O. and Broadcasting	6,550	7,700	900	2,600
Total	403,445	490,150	87,387	130,068

After increasing Exchequer balances by £733,919 to £3,352,040, the other operations for the week (no longer shown separately) raised the gross National Debt by £64,709,818 to about £14,352 millions, after deducting sinking fund allocations in 1941-42, but before allowing for issues to sinking funds in 1942-43.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 2nd and May 8th. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-02-03; mail transfers 4-02-03. Canada. \$ (4-88) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-24) 17-30-40. Sweden. Krona (18-159) 16-85-95. Argentina. Peso (11-45) 16-95-17-13; mail transfers 16-95-17-15. Dutch West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$ 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta (28-224) 40-50 (Official rate); 46-35 (Voluntary rate). Turkey. Piastres (110) 520. Italy. 71-25 lire.

NET ISSUES (£ thousands)

P.O. and Telegraph	120
Overseas Trade Guarantees	12

NET RECEIPTS (£ thousands)

Tithe Act	310
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FLOATING DEBT (£ millions)

Date	Tender	Tap	Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1941						
May 3	875-0		Not available			
1942						
Jan. 31	945-0	1584-0	191-0	9-2	764-5	3493-7
Feb. 7	14 915-0		Not available			
" 21	905-0		"			
" 28	905-0	1612-7	215-4	21-7	677-5	3432-3
Mar. 7	905-0		Not available			
" 14	905-0		"			
" 21	905-0		"			
Apr. 4	905-0	2620-6	195-1	...	496-5	3312-2
" 11	905-0		Not available			
" 18	910-0		"			
" 25	920-0	1757-3	251-7	17-0	487-0	3432-9
May 2	935-0		Not available			

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
May 2	75-0	170-4	75-0	s. d. 20 3-16	11
1942					
Feb. 6	60-0	148-6	60-0	20 0-23	21
" 13	65-0	139-9	65-0	20 0-20	26
" 20	75-0	153-7	75-0	20 0-52	31
" 27	75-0	142-6	75-0	20 0-18	35
Mar. 6	75-0	139-4	75-0	20 0-31	38
" 13	75-0	128-0	75-0	20 0-34	44
" 20	75-0	121-4	75-0	20 0-72	54
" 27	75-0	124-6	75-0	20 0-63	50
Apr. 3	75-0	147-2	75-0	19 11-69	60
" 10	75-0	185-0	75-0	20 3-02	35
" 17	75-0	147-5	75-0	20 2-89	36
" 24	75-0	133-0	75-0	20 3-15	44
May 1	75-0	148-0	75-0	20 0-30	37

On May 1st applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 37 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on May 8th. For the week ending May 9th the banks will be asked for Treasury deposits to a maximum amount of £35 millions.

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

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Mar. 24	10,394	8,015	48,220	48,975
" 31	11,415	9,936	34,110	31,324
Apr. 7	4,932	3,367	11,008	4,206
" 14	4,810	3,203	7,372	4,566
" 21	6,203	2,843	6,735	4,001
" 28	5,472	2,665	8,937	2,970
May 5	...	...	12,118	3,608
Totals to date	530,453	452,166	712,894	398,232

* 127 weeks. † 70 weeks. ‡ 30 weeks.
§ Including series "A." ¶ Including all Series.
Interest free loans received by the Treasury up to May 5th amounted to a total value of £47,885,474. Up to Apr. 25th, principal of Savings Certificates to the amount of £64,472,000 has been repaid.

MARKET RATES.—The following rates remained unchanged between May 2nd and May 8th.

Egypt. Piastres (97) 97-1/2. India. Rupee (18d. per rupee) 17-1/2-18-1/4. Belgian Congo. Francs 176-1/2. China. National \$ 21-3/4d.

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 1 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Sweden. 5 cent pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between May 2nd and May 8th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months.

BANK OF ENGLAND RETURNS MAY 6, 1942

ISSUE DEPARTMENT	
Notes Issued: 776,949,708	Govt. Debt... 11,015,100
In Circ. 53,291,867	Other Govt. Securities... 817,208,234
In Bankg. Dept. 53,291,867	Other Secs... 1,767,044
	Silver Coin... 9,622
	Amt. of Fid. Issue... 830,000,000
	Gold Coin & Bullion (at 168s. per oz. fine) 241,575
	830,241,575

BANKING DEPARTMENT

Propos. Capital 14,553,000	Govt. Secs... 117,387,838
Res. 3,167,802	Other Secs... 7,406,685
Public Depts. 16,801,947	Discounts & Advances... 31,137,439
	Securities... 53,291,867
Other Depts. 118,453,677	Notes... 168,080,928
Bankers' 49,627,251	Gold & Silver Coin... 816,533
	202,603,677

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

COMPARATIVE ANALYSIS (£ millions)

	1941	1942
May 7		
Apr. 23		
Apr. 29		
May 6		
Issue Dept.	626-0	767-1
Notes in circulation	54-3	63-1
Notes in banking department	677-2	928-2
Government debt and securities	2-8	1-8
Other securities	0-0	0-0
Silver Coin	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00
Deposits:		
Public	12-2	7-4
Bankers'	115-6	128-7
Others	54-0	51-0
Total	179-8	187-1
Banking Dept. Secs.	102-5	110-1
Government	19-4	8-6
Discounts, etc.	19-8	22-4
Other	141-7	141-8
Total	55-9	63-6
Banking dept. res.	31-0	34-0

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £780 millions to £830 millions on April 22, 1942.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
April 30	234	234
May 1	234	234
" 4	234	234
" 5	234	234
" 6	234	234

NEW YORK EXCHANGE RATES

1½%; 4 months, 1½-1½%; 6 months, 1½-1½%; Treasury Bills: 2 months, 1½-1½%; 3 months, 1½-1½%; Day-to-day money, 1½-1½%; Short Loans, 1½-1½%; Bank deposit rates 1½%. Discount deposit at call 1½% at notice 2½%.

New York on	April 29	April 30	May 1	May 2	May 3	May 4	May 5
Cables	403½	403½	403½	403½	403½	403½	403½
London	88-000	88-125	88-000	88-000	88-000	88-000	88-000
Montreal	23-30	23-30	23-30	23-30	23-30	23-30	23-30
Zurich	23-65	23-65	23-65	23-65	23-65	23-65	23-65
B. Aires	5-14	5-14	5-14	5-14	5-14	5-14	5-14
Brazil	5-14	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1941	Prices, Year 1942	Name of Security	Price, Apr. 28, 1942	Price, May 5, 1942	Yield, May 5, 1942	Prices, Year 1942			Last Two Dividends	Name of Security	Price, Apr. 28, 1942	Price, May 5, 1942	Yield, May 5, 1942
						High	Low	Jan. 1 to May 5					
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
82½	76½	83½	82½	82½	82½	45/9	43/1	7/8	a	Iron, Coal and Steel	44/4½	44/4½	4 19 0
113½	110	113½	111½	113½	113½	50/3	46/6	3½	a	Babcock & Wilcox £1	44/4½	44/4½	4 19 0
100	98½	100	99½	100	100	28/4½	26/9	17½	a	Bolover Colliery Ord. £1	48/1½	48/1½	4 0 0
100	98½	100	99½	100	100	22/9	18/3	3	a	Brown (John) Ord. 10/-	27/-	27/-	4 0 0
100	98½	100	99½	100	100	22/9	18/3	3	a	Colvilles Ord. £1	19/9	19/9	8 2 0
106½	101½	106½	101½	106½	106½	20/8½	14/-	7	c	Dorman Long Ord. £1	15/-	15/-	Nil
106½	101½	106½	101½	106½	106½	22/6	20/-	7½	b	Guest Keen & Co. Ord. £1	21/9	21/9	8 5 9
106½	101½	106½	101½	106½	106½	22/6	20/-	7½	b	Hadfields Ord. 10/-	26/3	26/3	8 11 9
95½	91½	95½	93½	95½	95½	45/6	42/1½	14	b	Stewarts and Lloyds £1	43/1½	43/1½	2 19 9
101½	97½	101½	99½	101½	101½	47/4½	45/-	12½	a	Swan, Hunter Ord. £1	31/3	31/3	6 8 0
101½	97½	101½	99½	101½	101½	35/0½	31/-	5½	b	United Steel Ord. £1	23/-	23/-	6 18 0
101½	97½	101½	99½	101½	101½	23/7½	21/-	4	a	Vickers Ord. 10/-	16/6	16/6	5 19 3
101½	97½	101½	99½	101½	101½	22/6	20/-	7½	b	Textiles			
101½	97½	101½	99½	101½	101½	10/10½	7/-	Nil	c	Bradford Dymers Ord. £1	7/3	7/6	Nil
101½	97½	101½	99½	101½	101½	6/3	3½	Nil	c	British Celanese Ord. 10/-	6/9	6/9	5 0 0
101½	97½	101½	99½	101½	101½	39/1½	34/-	3½	a	Coats, J. & P. Ord. £1	32/9	32/9	4 11 9
101½	97½	101½	99½	101½	101½	31/1	28/6	2½	a	Courtaulds Ord. £1	25/6	25/6	5 17 9
101½	97½	101½	99½	101½	101½	22/9	20/-	7½	b	Electrical Manufactures			
101½	97½	101½	99½	101½	101½	73/9	72/-	10	b	Callenders Cable, &c. £1	72/6	72/6	4 2 9

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	May 3, 1941	May 2, 1942	May 3, 1941	May 2, 1942
Working days	6	6	104	103
Birmingham	2,593	2,452	39,788	45,568
Bradford	2,836	2,601	40,887	40,734
Bristol	2,044	2,816	33,986	40,579
Hull	702	799	11,683	14,668
Leeds	1,179	1,677	18,273	21,417
Leicester	921	884	15,309	15,866
Liverpool	4,819	4,934	96,863	85,685
Manchester	12,616	15,179	210,415	221,085
Newcastle	1,394	1,951	23,435	28,587
Nottingham	461	475	8,373	8,734
Sheffield	949	846	11,842	16,367
Southampton	110	134	1,908	2,234
12 Towns	30,629	34,748	512,751	541,524
Dublin*	5,045	6,703	104,628	119,820

* April 26, 1941, and April 25, 1942.

OVERSEAS BANK RETURNS
U.S. FEDERAL RESERVE BANKS
Million \$'s

	May		April	
	1941	1942	1941	1942
12 U.S.F.R. BANKS	2	16	23	30
RESOURCES				
Gold certifs. on hand and	1941	1942	1941	1942
due from Treasury	20,193	20,494	20,475	20,488
Total reserves	20,533	20,840	20,826	20,823
Total cash reserves	329	333	332	319
Total U.S. Govt. sec.	2,184	2,254	2,296	2,350
Total bills and sec.	2,194	2,272	2,309	2,367
Total resources	23,686	24,581	24,335	24,325
LIABILITIES				
F.R. notes in circ.	6,282	8,699	8,714	8,782
Excess nr. bank res.	5,770	2,890	2,750	2,820
Mr. bank res. dep.	13,524	12,502	12,470	12,662
Govt. deposits	865	301	243	128
Total deposits	16,220	14,287	14,243	14,211
Total liabilities	23,686	24,581	24,335	24,325
Reserve ratio	91.3%	90.7%	90.7%	90.6%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	22,505	22,678	22,686	22,689
Treasury & bank currency	3,122	3,280	3,284	3,286
LIABILITIES				
Money in circulation	9,071	11,624	11,612	11,723
Treasury cash and dep.	3,148	2,549	2,432	2,314

AUSTRALIAN COMMONWEALTH BANK—Million £'s

	Mar.		Feb.	
	1941	1942	1941	1942
ASSETS				
Gold and English ster.	17.71	21.95	21.95	22.95
Other coin, bullion, etc.	6.02	6.01	6.44	6.70
Call money, London	61.41	35.00	31.65	33.51
Secur. and Treas. bills	87.84	105.51	101.68	95.59
Discounts and advances	24.68	33.60	35.40	35.59
LIABILITIES				
Notes issued	62.62	83.11	85.61	87.11
Deposits, etc.	1122.07	167.49	162.78	159.73

CENTRAL BANK OF ARGENTINA
Million paper pesos

	Mar.		Feb.	
	1941	1942	1941	1942
ASSETS				
Gold at home	1,071	1,075	1,075	1,075
Other gold and for. exch.	291	448	496	506
Non int. Govt. bonds	119	119	119	119
Treasury bonds	395	394	394	394
LIABILITIES				
Notes in circulation	1,238	1,398	1,412	1,421
Deposits: Government	131	63	42	68
Banks	486	586	612	582
Certs. of participation	99	30	18	18
Reserve ratio	73.8%	75.4%	75.1%	75.4%

SOUTH AFRICAN RESERVE BANK
Million £'s

	Mar.		Mar.	
	1941	1942	1941	1942
ASSETS				
Gold coin and bullion	48.26	46.55	46.83	47.76
Bills discounted	0.27	0.33	0.34	0.32
Invest. and other assets	37.56	58.26	58.47	58.88
LIABILITIES				
Notes in circulation	21.24	28.50	27.59	27.35
Deposits: Government	9.81	14.69	15.51	16.84
Banks	45.89	52.09	53.68	52.00
Others	4.73	4.85	4.00	5.44
Reserve ratio	59.3%	46.8%	46.8%	47.2%

SWISS NATIONAL BANK
Million Swiss Frs.

	May		April	
	1941	1942	1941	1942
ASSETS				
Gold	2168.3	3394.5	3435.0	3441.9
Foreign exchange	360.6	183.0	141.6	135.3
Discounts, etc.	174.3	118.2	118.1	125.2
Advances	143.8	20.8	20.3	17.9
Securities	85.9	66.4	66.4	66.4
LIABILITIES				
Notes in circulation	2245.6	2238.4	2216.3	2172.1
Other sight liabilities	565.1	243.2	216.1	245.0

RESERVE BANK OF INDIA
Million rupees

	May		April	
	1941	1942	1941	1942
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	363	274	311	302
Balances abroad	351	492	462	485
Sterling securities	1,088	2,319	2,319	2,349
Ind. Govt. rup. sec.	913	1,253	1,303	1,382
Investments	79	94	82	78
LIABILITIES				
Notes in circ.: India	2,516	3,883	3,960	4,083
Burma	181	283	283	288
Deposits: Govt.	131	173	164	128
Banks	267	413	422	409
Reserve ratio	54.6%	64.4%	63.1%	63.1%

PRAGUE NATIONAL BANK
Million crowns

	Mar.		Mar.	
	1941	1942	1941	1942
ASSETS				
Gold	1,465	1,513	1,514	1,517
Foreign exchange	770	777	777	777
Other cash	1,453	469	504	49
Bills and securities	250	840	840	12,35
Advances	8,525	12,358	12,206	12,35
Other assets				
LIABILITIES				
Note circulation	6,682	9,416	9,411	9,35
Cash certificates	1,506	1,837	1,837	1,837
Clearing deposits	2,243	2,843	2,715	2,59
Other liabilities	1,490	1,318	1,334	1,153

NATIONAL BANK OF ROUMANIA
Million lei

	Dec.		Nov.	
	1941	1942	1941	1942
ASSETS				
Gold and gold exchange	32,131	33,903	34,006	34,007
Foreign exchange	2,078	20,000	29,972	19,972
Commercial bills	20,228	26,679	27,060	26,635
Treasury bills issued agst. losses on credits	4,416	4,082	4,082	4,083
Advances on sec.	5,895	6,394	6,276	6,105
State debt	3,566	3,548	3,548	3,548
Secs. and Participations	2,585	4,553	4,553	4,553
LIABILITIES				
Notes in circulation	62,219	93,561	93,729	93,667
Other sight liabilities	16,280	29,315	29,960	29,946
Long term liabilities	2,751	1,658	1,709	1,692

WESTERN REEFS EXPLORATION & DEVELOPMENT COMPANY, LIMITED.
(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £1,500,000. Issued £1,325,000 in 5,300,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1941.

The Company owns the following property:—
13,069.79 Morgen, Freehold including Mineral Rights.
2,813.14 Morgen, Freehold with Rights under Reserved Minerals Development Act, No. 55 of 1926.
296.96 Morgen, Freehold excluding Mineral Rights.
5,027.93 Morgen, Mineral Rights only.

It also holds the following Government Leases:—

	Morgen.	Square Rods.
Mining Lease on portions of the farms Goedgenoeg No. 62, Nootgedacht No. 53, Vaalkop No. 110, and Witkop No. 46	5,898	128
Prospecting and Mining Lease on portions of the farm Nootgedacht No. 53	2,688	565
Prospecting Lease on portion of the farm Zandpan No. 13	815	40

Tons milled.....294,500		Yield (per ton 4.34 dwts.).....63,851 ozs.	
Revenue (per ton milled 26/5.1)	£536,780	Government Taxes	£18,150
Working Costs (per ton milled 28/7.5)	421,571	Reserve for Liability under Miners' Phthisis Act	1,624
		Dividend No. 1—5%	1,313
Working Profit (per ton milled 7/9.0)	£115,209	Directors' Special Remuneration	404
Expenditure, less Sundry Revenue	516	New Share Issue Expenses	26,952
		Balance unappropriated at 31st December, 1941	2114,693
Total Profit	£114,693		

ORE RESERVE (based on pay limit of 3.0 dwts.):—

	Tons.	Stope Width, Inches.	Stope Value, Dwts.	Inch-Dwts.
1941	2,002,000	60.13	5.58	336
1940	1,509,000	62.22	5.70	355

OPERATIONS.—During the year the mine reached the production stage, and mining started on the 28th June, 1941. The tonnage milled has shown a progressive monthly increase. During July, the first month of crushing, a loss was made, but results for the remaining months of the year disclosed a steadily improving profit.

DEVELOPMENT.—The footage accomplished was 61,739 feet, the percentage payable was 51.1, average channel width 37.85 inches, average assay value 13.02 dwts.

CAPITAL EXPENDITURE during the year amounted to £668,528, of which £508,657 was expended prior to production. Capital Expenditure for 1942 is estimated at £60,000.

REDUCTION PLANT.—No trouble was experienced in starting up the Reduction Plant, and all sections have operated successfully. The average value of the residues for the period of operation was 0.27 of a dw. and reduction costs at 3s. 6.3d. per ton can be considered as satisfactory in view of the small tonnage dealt with. The monthly tonnage milled increased from 35,500 tons in July to 62,500 tons in December, and provided an adequate supply of labour is available, it is anticipated that a progressive increase in the monthly milling rate will be maintained during the current year.

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BRAKPAN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,150,000 in 4,600,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1941.

Tons milled.....1,648,500.		Yield (per ton 4.39 dwts.).....361,752 ozs.	
Revenue (per ton milled 36/11)	£3,043,014	Government Taxes	£540,440
Working Costs (per ton milled 23/6.1)	1,938,019	Government Participation in Profits	82,700
		Reserve for Liability under Miners' Phthisis Act	3,379
Working Profit (per ton milled 13/4.9)	1,104,995	Dividend No. 58—25%	287,500
Sundry Revenue, less expenditure	135,199	Dividend No. 59—25%	287,500
Total Profit	1,240,194	Directors' Special Remuneration	7,500
		Capital Expenditure	27,581
Add—		Balance unappropriated at 31st December, 1941	82,358
Balance to credit of Appropriation Account at 31st December, 1940	78,764		
	£1,318,958		£1,318,958

ORE RESERVE (based on pay limit of 2.8 dwts.):—

	1941	1940
Tons	6,316,500	6,980,400
Stope Width (inches)	44.74	45.95
Stope Value (dwts.)	4.93	5.29
Inch-dwts.	221	243

In the Witpoort Section the Reserve amounts to 2,105,180 tons having a value of 5.40 dwts. over an estimated stoping width of 40.57 inches. The tonnage is included in the total of 6,316,500 referred to above.

DEVELOPMENT.—The development accomplished was 62,461 feet. The percentage payable was 28.9, average channel width 40.85 inches, average assay value 9.26 dwts.

GENERAL.—The Company's holding in the South African Land & Exploration Company, Limited, remains unchanged at 361,067 shares. Capital Expenditure for 1942 estimated at £16,000.

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EAST DAGGAFONTEIN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Issued £1,865,000 in 3,730,000 Shares of 10s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1941.

Tons Milled.....988,000		Yield (per ton 5.28 dwts.).....260,769 ozs.	
Revenue (per ton milled 44/4.7)	£2,193,098	Government Taxes	£346,552
Working Costs (per ton milled 26/6.8)	1,312,324	Government Participation in Profits	289
		Reserve for Liability under Miners' Phthisis Act	233,125
Working Profit (per ton milled 17/9.9)	880,774	Dividend No. 3—12½%	233,125
Sundry Revenue, less expenditure	1,781	Dividend No. 4—12½%	8,750
Total Profit	882,555	Directors' Special Remuneration	49,388
		Capital Expenditure	128,300
Add—		Balance unappropriated at 31st December, 1941	
Balance to credit of Appropriation Account at 31st December, 1940	116,994		
	£999,529		£999,529

No amount is payable to the Government under the Mineral Lease due to the offset of excess taxation.

ORE RESERVE (based on pay limit of 3.0 dwts.):—

	1941	1940
Tons	3,001,000	2,852,000
Stope Width (inches)	36.12	36.39
Stope Value (dwts.)	6.12	6.08
Inch-dwts.	221	221

The above tonnage includes ore developed on the Kimberley Reef Series, which totalled 750,000 tons averaging 7.56 dwts. over a width of 38.76 inches.

DEVELOPMENT.—

WEST SPRINGS LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,935,000 in Shares of £1 each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1941.		Yield (per ton 4.30 dwts.).....230,081 ozs.	
Tons milled.....1,069,500.			£135,150
Revenue (per ton milled 36/2.2).....	£1,931,762	Government Taxes.....	306,250
Working Costs (per ton milled 22/10.6).....	1,222,678	Government Participation in Profits.....	5,757
		Reserve for Liability under Miners' Phthisis Act.....	96,750
Working Profit (per ton milled 13/3.6).....	711,084	Dividend No. 32—5%.....	96,750
Sundry Revenue, less Expenditure.....	2,570	Dividend No. 33—5%.....	9,000
		Directors' Special Remuneration.....	15,678
Total Profit.....	713,654	Capital Expenditure.....	131,250
Add—		Balance unappropriated at 31st December, 1941.....	£798,585
Balance to credit of Appropriation Account at 31st December, 1940.....	82,931		
	£796,585		

ORE RESERVE (based on pay limit of 2.7 dwts.):—

	1941	1940
Tons.....	1,009,100	4,180,300
Stope Width (inches).....	56.38	58.41
Stope Value (dwts.).....	5.12	5.14
Inch-dwts.....	289	300

DEVELOPMENT.—The development accomplished was 33,677 feet. The percentage payable was 43.2, average reef width 25.17 inches, average assay value 20.07 dwts.

GENERAL.—Joint Ore Shaft was sunk and concreted to a depth of 22 feet during the year, and the collar set was completed. Orders have been placed overseas for the winders, and sinking proper will not commence until these have been delivered and erected. Capital Expenditure for 1942 estimated at £55,000.

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DAGGAFONTEIN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Issued £1,750,000 in 7,000,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1941.		Yield (per ton 5.68 dwts.).....554,562 ozs.	
Tons Milled.....1,958,000.			£1,220,270
Revenue (per ton milled 47/7.8).....	£4,664,938	Government Taxes.....	504,709
Working Costs (per ton milled 19/10.6).....	1,946,586	Government Participation in Profits.....	4,225
		Reserve for Liability under Miners' Phthisis Act.....	461,220
Working Profit (per ton milled 27/9.2).....	2,718,352	Dividend No. 17 2/3%.....	626,000
Sundry Revenue, less expenditure.....	75,875	Dividend No. 18 30%.....	7,500
		Directors' Special Remuneration.....	24,294
Total Profit.....	2,794,227	Capital Expenditure.....	103,536
Add—		Balance unappropriated at 31st December, 1941.....	£2,862,686
Balance to credit of Appropriation Account at 31st December, 1940.....	88,658		
	£2,882,885		

ORE RESERVE (based on pay limit of 2.5 dwts.):

	1941	1940
Tons.....	8,789,000	8,771,000
Stope Width (inches).....	39.88	40.47
Stope Value (dwts.).....	6.21	6.25
Inch-dwts.....	248	253

The Reserve includes ore developed on the Kimberley Reef Series, which totalled 79,000 tons, averaging 5.43 dwts. over a width of 46.93 inches.

DEVELOPMENT

	Footage	Percentage payable	Average reef width (inches)	Average assay value (dwts.)
Main Reef Leader.....	30,010	59.1	10.46	17.94
Kimberley Reef.....	13,208	31.4	34.86	9.91

GENERAL.—The Joint Ventilation Shaft was completed in July at a final depth of 3,188 feet below collar, and a connection has been made from the workings of the property. Delay in the delivery of the fan ordered from overseas necessitated ordering a fan locally; this is now in process of erection at the shaft site, and should be in commission during the first quarter of 1942. Capital Expenditure for 1942 estimated at £17,000.

The Company's holding in East Daggafontein Mines, Ltd., remains unchanged at 449,892 shares.

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SPRINGS MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,560,000 in 6,240,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1941.		Yield (per ton 5.37 dwts.).....530,286 ozs.	
Tons Milled.....1,974,000.			£843,476
Revenue (per ton milled 45/2.4).....	£4,461,601	Government Taxes.....	693,000
Working Costs (per ton milled 21/8.1).....	2,139,505	Government Participation in Profits.....	17,362
		Reserve for Liability under Miners' Phthisis Act.....	312,000
Working Profit (per ton milled 23/6.3).....	2,322,096	Dividend No. 44—20%.....	312,000
Sundry Revenue, less expenditure.....	12,159	Dividend No. 45—20%.....	7,500
		Directors' Special Remuneration.....	34,527
Total Profit.....	£2,334,255	Capital Expenditure.....	206,796
Add—		Balance unappropriated at 31st December, 1941.....	£2,426,959
Balance to credit of Appropriation Account at 31st December, 1940.....	92,704		
	£2,426,959		

ORE RESERVE (based on pay limit of 2.5 dwts.):

	1941	1940
Tons.....	9,860,200	7,124,200
Stope Width (inches).....	43.66	43.41
Stope Value (dwts.).....	4.91	5.07
Inch-dwts.....	214	220

DEVELOPMENT.

	Footage	Percentage payable	Average reef width (inches)	Average assay value (dwts.)
Main Reef Leader.....	30,059	34.1	25.17	11.75
Kimberley Reef.....	2,421	10.9	63.28	3.77

GENERAL.—The Joint Ventilation Shaft was completed in July at a final depth of 3,188 feet below collar, and a connection has been made from the workings of the property. Delay in the delivery of the fan ordered from overseas necessitated ordering a fan locally; this is now in process of erection at the shaft site, and should be in commission during the first quarter of 1942.

THE JOINT ORE SHAFT was sunk and concreted to a depth of 22 feet during the year, and the collar set was completed. Orders have been placed overseas for the winders, and sinking proper will not commence until these have been delivered and erected. Capital Expenditure for 1942 estimated at £25,000.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANY, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11, OLD JEWRY, LONDON, E.C.2.

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ONE SHILLING

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War and Peace

WE have no Churchill to show us a silver lining," writes a correspondent from Lincoln, Nebraska, rather wistfully. Actually, he is wrong. On Sunday, Mr Churchill spoke his words of confidence and good cheer: all the United Nations. Walter Bagehot once wrote, after the Crimean War:

If any politician had come forward in this country, on the topic of war, with prepared intelligence, distinct views, strong will, commanding mastery, it would have brought support to anxious intellects and comfort to a thousand homes.

This time, there is such a man—*cui par est nihil et nihil secundum*. When he speaks with the vigour and grasp of the Prime Minister's latest broadcast, he brings comfort, not to a thousand homes, but to scores of millions.

The theme of the broadcast was victory; "there can only be one end." The balance of military power is passing to the Allies. In the air, there is the growing strength of Britain and the United States; on land, there is the proved power and vast reserves of Russia. Mr Churchill did not speak of the overwhelming potential resources of the United Nations as a bank balance to be drawn upon in the future; he spoke of them as a treasury which is being expended now.

But the real reason why Mr Churchill can display the silver lining is that he has never hidden the dark clouds. On Sunday, he said little about the further sacrifices that must strew the path to victory. He was counting blessings.

But he did lay down the first condition of victory, which is to "endure and persevere." The one lesson which, above all, the free peoples have learned from the disasters of a decade is that he who wills the end must will the means. Those who call for more austerity, not less, in the years of attack are not upholders of self-denial as an end in itself. They simply know now that the only way to win is to permit no man, no machine, no material and no ship that might be used for the war to be used for other purposes.

The end is victory, the means austerity and endurance. But victory is more than the finish of fighting. There is another condition of victory, to decide upon the world that must follow the peace, the goal. The Prime Minister did not look beyond the fighting. The first and overriding need is to win the war. Other Ministers, in other speeches and broadcasts, have looked ahead. All of them, Mr Lyttelton, Sir Stafford Cripps, Mr Eden and Sir Kingsley Wood, are agreed on certain fundamentals. There must be no mass unemployment; there must be no malnutrition or poverty that can be remedied. It is the responsibility of the state, not always to carry out these cures, but certainly to see that they are carried out. From the Ministerial speeches can be collected the heads of a programme—Minimum Standards for every family; Equal Opportunity for every individual; Regularity for the entire economy.

The coming political controversy will not be about

the programme, but about the means to achieve it. Mr Lyttelton has said that the essence of democracy is to secure a balance between the organising power of the state and the driving force of the free individual. Sir Stafford Cripps has said that, though the responsibilities of the state must grow, the state cannot do everything. Sir Kingsley Wood has said that the peace effort, like the war effort, will require state control over the use of economic resources. It is in the distribution of functions between the state and the organised economic interests that the real conflict of views is already emerging. The corporations will say, "Away with control and red tape." Already the Association of British Chambers of Commerce has made this plea; it has called for the end of state control, and for more power to its own elbow—more power for trade associations to direct state policy. It is a plea which will find quite widespread favour among the public. "The most hateful of all names in English ears is Nosey Parker." Most ordinary busy people are naturally more aware of the frictions and failures of a swollen wartime administration than they are of the pressing necessities, social and economic, which make it inevitable that the effort of a nation towards a single end should be controlled and guided communally.

It is, therefore, above all necessary that this issue of the rôle of the state should be placed in its roundness before the people, and that the alternatives should be plainly shown, so that the people may freely decide. Against the cry of bureaucracy should be put the need for the use of the community's organising power, on the community's behalf, to set standards of life and work below which no individual should fall; to provide the opportunity for any individual to rise as high as any other; and to avert the fluctuations in economic activity which have been the besetting evil of social and economic life for generations. Against the cry "state control is stagnation" should be set the argument that economic feudalism, controlled by corporations in the misused name of free enterprise, is an abuse and a restriction. More important, deeds or the earnest of deeds must reinforce words. It is not enough to speak of minimum standards; a policy of family allowances and a National Minimum is needed. It is not enough to speak of equal opportunity; a new policy for education is required. It is not enough to speak of economic regularity; a national investment policy

is required, by which state investment will always be used to supplement private investment, in order to make up the level of investment needed for full employment. Mr Lyttelton has said that the state must take the initiative in improving the country's capital assets—its transport, its roads, its ports, its towns, its houses and its amenities. He has suggested that, if this is done, a long step will have been taken towards removing the mass unemployment that comes from trade fluctuations and making this "a spacious, active, enterprising, gay country."

The arguments against planning and control after the war cannot simply be set aside. The case must be argued item by item *coram publico*. A twofold process is needed: to obtain agreement about the ends in view—minimum standards, equal opportunity and economic regularity; and to prove in detail that only by the intervention of the state in the free affairs of business can these be secured. The point is not that capitalism has collapsed or failed to deliver the goods, as all sorts and conditions of planners have wrongly argued. It is rather that, for all its technical successes, unemployment, malnutrition and poverty have remained endemic. The chronic tendency of free enterprise has been to leave the rails and become restrictive monopoly; and the state's task, in the interests of citizens and consumers, is to keep it on the straight path, to use and guide the energy of enterprise, not to supersede it—except in those spheres of economic activity where the state must be ready to step in directly to make certain of the necessities of life and their fair distribution.

Nor can the outcry against inefficient bureaucracy be set aside any more lightly. Too often bureaucracy is inefficient, in its procedures and in its personnel; and not the least need of New England is the overhauling of the administrative machine. It is a process which must begin at the top, as suggested in an article on page 672; but it must go right down through the ranks of the Civil Service, until there is free entry to every post for the person best able to fill it and scope for every administrator to do his job with speed and efficiency.

These ends and these means, these objectives and the ways to reach them are the components of victory. They are its definition. They add up to a reinterpretation of Liberty, Equality and Fraternity; and Mr Churchill would strike a great blow for his country and for the cause of freedom if he were to set his personal seal upon them.

Russia's Task

ON the eastern front, the two great armies are massing to strike the knockout blow each side is straining every sinew to deliver. The sudden flare-up of battle in the Kerch Peninsula may even be the first step in a campaign which will roll from the gates of Leningrad to the frontiers of Caucasia. Germany's difficulties, strains and grim measures of reorganisation have been widely discussed since Hitler's speech; but what of the Russians? Are they stronger for the winter respite? What use have they made of the breathing space? Do they emerge refreshed or worn down?

The significance of the winter months does not lie primarily in the military sphere. The Russians have not been able to force a decision, on the scale of the retreat of the Grande Armée in 1812; they have not even achieved what might be termed a "minimum programme," the relief or recapture of vital strategic and industrial centres—Leningrad, Smolensk, Kharkov, Taganrog. The Germans begin the new campaign with good military springboards and in command of a functioning front line railway system. Winter war gave the Red Army a certain advantage. For a few months manpower was more important than machine power. A frozen tank could be at the mercy of a few men on home made skis. But now the pendulum is swinging back to the machine, and the really crucial question is whether, during the five months that have elapsed since the invader was halted before Moscow, the Russians have been able to increase

the striking power of their mechanised armies to match their reserves of men.

The magnitude of the task can be appreciated only against the background of the Russians' original preparations for war. At first, while they were still non-belligerent, they undoubtedly counted on a prolonged struggle in the West. The collapse of France made a sudden reorientation essential. A series of decrees were issued in the first weeks after the French disaster. In the economic sphere, they were directed towards putting Russia on a war footing. They covered such matters as the further cutting down of the production of certain goods, the shifting of industry to the east, a lengthening of the working day, and the decentralisation of the organisation and control of industry. The political decrees were concerned with stiffening home morale, chiefly by way of concessions to the peasants. In the military sphere, less could be done. The Soviets had been manoeuvred into the awkward position of expecting attack, yet of being unable to do anything sensational to forestall it for fear of loosing the avalanche. The Russian armies were not fully mobilised all through the anxious winter and spring of 1941. When the blow fell, the frontier forces were only strong enough to fight an ordered retreat. But in the sphere of discipline, the decrees prepared for the strain of war by introducing a severer system of military authority and a more rigid military hierarchy.

Hitler's invasion burst upon a nation politically,

economically and militarily only partially mobilised. Happily the political front held superbly. Even in the dark days of November and early December, the signs of panic and collapse were isolated and could be dealt with. The political commissars were particularly efficient in their handling of disheartened troops. In the hour of crisis, the reversal of values in recent years—the restoration of the cult of the fatherland, the resurrection of history and patriotism—stood the Government in good stead. Traditional love of "Holy Russia" fused with pride and devotion to the gains of the revolution to produce a fighting spirit which rallied the nation during five months' steady retreat. It was significant how quickly the old witch-hunting ceased to figure in home propaganda. The "enemies of the people" disappeared. They have not re-emerged in the winter waiting. On the contrary, the terrific psychological fact of having once stopped the irresistible, unconquerable German machine has bred a mood of remarkable self confidence—which fresh retreats would be very unlikely to shake. The Germans have been stopped once; *ergo*, it can happen again.

In one sense, the outbreak of war made mobilisation on the economic front much easier. The chief problem was the transfer of industries and of workers to the east. With the enemy on their heels, people were far readier to move, and the war situation made it possible for the authorities to act very drastically. The great trek went on throughout the months of the retreat. The Germans did not catch it up and, in spite of the loss of territory, it is estimated that 60 to 70 per cent of Russia's industrial capacity is still intact. The problem in the winter months was to get this uprooted industrial system working at full pitch, and the evidence goes to show that this supremely difficult task—much more difficult than the actual shifting of the industries—has been achieved. Tens of millions of workers have settled down in the Volga and Ural regions, accepting the makeshift and squalid conditions of camps and billets with typically Russian endurance. The schemes for decentralisation, too, appear to be working well. Regions have their own reserves of raw materials; the regional and local Soviets have been given very wide powers of discretion in the organisation of production, and are being heavily discouraged from referring everything back to the centre—as in the days of super-centralisation—with demands for lengthy instructions in writing. This tendency—which has become manifest only with war—is an interesting parallel to Germany's contemporary efforts at decentralisation through the self-governing industrial corporations. It may have far-reaching consequences. The success of the decentralisation policy—and everything points to it being a success—has encouraged a slackening of the former oppressively centralised control in economic matters; later this may even spread to the political sphere. Men are learning to act independently and responsibly within a larger framework of common purpose and common loyalty. The process is bound to leave its mark.

The winter months have seen the completion of the process of concentrating the whole of industry on war production. Production for civilian purposes has been ruthlessly cut, and most of the increased output in the Urals—the third Five Year Plan catered for something like a 100 per cent expansion—has gone into the war effort. Thus, in spite of the loss of the Ukraine and the difficulties under which the Leningrad and Moscow industrial centres have been working. President Kalinin can claim that Russia faces the second summer offensive better armed and with larger reserves than in June, 1941.

In the military sphere, the stopping of the retreat was naturally the most important factor. The semi-mobilised army of the first few weeks was constantly reinforced during the summer and autumn; but the reserves were thrown into an army already in some disarray, and there was a quite disproportionate loss of manpower and material. The winter pause has altered all this. It has been possible to build up fully equipped and properly integrated armies behind the line, and to prepare defence positions in very great depth behind Moscow.

There is no doubt that the situation in Russia is in many ways far more hopeful than in the spring of 1941. But this is not to say that there is no darker side to the picture. Industrial equipment has been very largely salvaged; but the Ukrainian mining industry is an almost total loss, and without the iron ore of Kivroï Rog and the Donetsk coal, Russia's industrial capacity is bigger than the raw material basis on which it rests. On a short term view, this is not so serious. Stocks have been built up—with great foresight—region by region. Collections of scrap have been made. But stocks and salvage are wasting assets. A decline in output must come sooner or later, and it is probably true to say that Russian industry is reaching a peak this year which it will be difficult to maintain into another year of war.

The same holds good of the labour situation. The massive call up and the great losses of population in conquered territory are producing a serious labour shortage, in spite of the number of new workers who are being trained and drafted into industry, the employment of children and the combing out of women from civilian occupations. The margin for transfer from non-war industries is in any case far smaller than in countries like Britain or the United States, with their higher standards of living and their wide range of non-essential production. The loss of valuable agricultural supplies will also tell sooner or later on the labour force. The workers are working longer hours for less food. The strain is bound to affect the volume and quality of their output.

These danger signals are, however, bound up with the time factor. They show that Russia is reaching its peak this year, and that the war effort must slacken if the campaign is allowed to drag on and on. The Russian slogan "Victory in 1942," which replaced the grim "They shall not pass" of 1941, is simply a plain statement of what Russia needs most if the nation is not



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to crack under the strain of the combined industrial and military effort that is being made. Russia's allies are, it is to be hoped, fully aware of this time factor. It must be balanced against their own expectation of maximum military and economic efficiency. It affects the problem of

The Machinery of Government

THE machinery of reconstruction is simply the machinery of government, for reconstruction is only another—and rather misleading—name for governmental policy. Reconstruction—the “peace effort”—if it is to be in any way adequate to the demands of the people, will have to be comparable to the scale of the war effort itself; two years or so of war have brought to light many symptoms of strain and maladjustment in the administrative machine. The first step toward successful reconstruction must be to reconstruct the reconstructors.

It is a measure of the political doldrums in which this country has lain for the last twenty years that the recommendations of the Haldane Report on the Machinery of Government, published in the last boom period of reconstruction, towards the close of the first world war, are still largely unadopted. They were swept away—along with so many other schemes of reform—down the Gadarine descent into “normalcy.” To-day, two of the principles of administrative reform, laid down, twenty-five years ago in this Report, offer a clue to the solution of the whole complex problem of creating an administrative framework within which decisive and forward-looking action can be taken. First, the Report pointed out that:

Many of the departments have been gradually evolved in compliance with current needs, and the purposes for which they were thus called into being have gradually so altered that the later stages of the process have not accorded in principle with those that were reached earlier.

Nowadays it is even more true that department after department has grown out of its original functions and become a thing of patchwork. The second crucial point emphasised in the Report underlines the first; it is the impossibility of combining the task of thinking out a policy with that of directly administering it.

The reason of the separation of work has been the proved impracticability of devoting the necessary time to thinking out organisation and preparation for action in the mere interstices of the time required for the transaction of business.

The war has made it obvious that these two principles—the reconsideration of the sphere of work covered by the departments and the separation of policy-framing from administration—both apply at the highest level of the executive machine, in the Cabinet. Very few departments can be left to “tick over” under the drastic demands of total war. More and more decisions can only be taken at Cabinet level because they involve major developments in policy. A separation of policy from administration becomes imperative in wartime; and this state of affairs will last on into the post-war period, for the work involved in transforming a war economy into a peace economy will make similar demands upon the Cabinet. It is not only the breaking of normal routine that involves more frequent reference to the Cabinet. The point is that total war involves governmental intervention in a much wider sphere of the nation's life and, though the controls will be relaxed when the war is over, the post-war responsibilities of the state during the period of reconstruction will inevitably be greater than they have been in the past.

The War Cabinet will serve as a starting point for reform. The pressure of events has put a limit to the pre-war conception of a Cabinet composed of departmental chiefs under the chairmanship of the Prime Minister. The present War Cabinet goes some of the way towards fulfill-

supplies to Russia. It affects the wider issue of a second front. Whatever the decision, it must not be based on an illusion of a continuously strengthened and expanding Russian economy. The peak has probably been very nearly reached.

ing the second criterion of the Haldane Report. It represents a partial separation of the work of deliberating policy from that of carrying it through departmentally. Four members have no direct departmental responsibility at all. The Peace Cabinet might carry the principle of avoiding direct departmental responsibility further. It might even be composed only of Ministers without Portfolio engaged upon thinking out and deciding policy.

There is, however, an obvious danger that a Peace Cabinet constructed on this basis would lose contact with the machine it had to control and with the realities it had to administer. The departments have the accumulated experience, the knowledge of detail, the expert information on the job in hand. The Cabinet Ministers have the unencumbered minds, the grasp of policy as a whole, and the end in view. The two have to be brought together. Here again the solution is suggested by wartime practice. It almost certainly lies in some form of “regional” responsibility for Cabinet Ministers over groups of departments. One of the reasons why a Minister charged with the administration of a single department is not the most suitable person to decide high policy is because the field of work covered by his particular department—the field therefore with which he is thoroughly familiar and in which he is completely engrossed—embraces such a small part, not merely of the nation's life, but of the particular aspect of the nation's life—defence, social welfare, industrial policy, foreign relations—to which it is related. There is not only need to set Cabinet Ministers free from departmental duties so that they can see the policy of the nation as a whole. There is also need to set them free so that they can see particular aspects of the nation's policy as a whole. It is a need that has been dimly recognised in the Cabinet system for a generation. Every British Cabinet in the last 30 or 40 years has conducted a large part of its business by Cabinet Committees—often based (as Mr Churchill has said) “upon the Ministers, the co-ordination of whose departments is essential to the solution of the problem.” During the war, the method has hardened. There has been the Defence Committee, grouping defence departments; the Production Council (or Executive), grouping production departments; and the Committee under the chairmanship of the Lord President of the Council, grouping departments concerned with domestic policy. More than that, and most suggestive of development of all, single Ministers have emerged from these nuclei, or been superimposed upon them, with a “regional” responsibility over the group of departments. Mr Churchill is Defence Minister; Mr Lyttelton is Production Minister; behind the scenes, Sir John Anderson focuses home policy. Thus, two at least of the present War Cabinet Ministers—Mr Churchill and Mr Lyttelton—while they have no one particular department to administer, have the oversight of a group of related departments. Once again the pressure of war has reinforced the criteria of the Haldane Report; the re-grouping of Ministries on a broad functional principle implies a reconsideration or a reintegration of the field of work they are supposed to cover, while the Minister exercising general oversight works at a sufficient distance from day-to-day administration to make planning practicable; and, at the same time, the way is found to anchor the War—or Peace—Cabinet firmly in the departments.

On the home front, the position of the Lord President of the Council with his Committee of Ministers and the interdepartmental committees of experts working under

him represents a first step towards the integration of the departments dealing with domestic affairs. The future of the coal industry was already being surveyed for the Lord President's Committee when the present coal crisis came to a head. There is probably a case here for a further division between the departments concerned with the social welfare of the citizen (the Ministries of Health and Food, the Home Office, Board of Education, the Assistance Board and so forth) and those which deal with production (the supply departments, the Mines Department, the Ministry of Agriculture, the Board of Trade—under some aspects—the Ministry of War Transport, the Ministry of Labour, again under certain aspects). This second group of departments—those concerned with production—is now over-seen in part by Mr Lyttelton, and for the time being it is dominated by the prosecution of the war. Reconstruction problems, such as the change-over of industry from a war to a peace economy and the location of industry, obviously cannot be adequately dealt with now by the Minister of Production. But it is important that the principle established by his general supervision over war production should be remembered after the war, when the problem of remarrying the nation's productive resources for peace comes to be solved. While the Minister of Production is wholly engaged in war work, the surveys that are being done by experts for certain departments on post-war industries might perhaps be grouped for the time being under Sir William Jowitt—whose position as Minister responsible for reconstruction is curiously outside the Ministerial hierarchy.

There is one sphere of government in which there is so far not even the first sign either of an integration of the sphere of work or of a separation of agencies conduct administration. A large variety of agencies conduct Britain's relations with the outside world—the Foreign Office, the Ministry of Information, the Political Warfare Executive, the Department of Overseas Trade and the BBC—and there is nothing to suggest that their work is being properly brought together. Yet nowhere is it more necessary. Hitler and Dr Schacht between them put an end to the dying era of diplomatic specialisation. Economics, social policy, propaganda are all vital parts of a country's external relations. An effective foreign

policy demands that they should be seen as a coherent whole; nor should it be at all difficult to bring about the necessary administrative changes. Mr Eden is already in the War Cabinet. At present his departmental responsibility is confined to the Foreign Office. It could be enlarged to cover all the agencies dealing with external affairs. Then Mr Eden's position would resemble that of, say, Mr Lyttelton, in that it provided general oversight over an entire “region” of policy and administration.

Thus, in the War Cabinet and in these “regional” Cabinet Ministers, wartime practice has carried administration some way along the road marked out by the Haldane Report. It has done more. In the development of the Cabinet Secretariat by the drafting in of experts, by the addition of staff experts to the various Ministries and by the institution of Mr Lyttelton's general staff, it has pointed the way to efficient governmental planning. For efficient foresight as well as oversight, it is almost certainly necessary to go farther and to reinforce each War—or Peace—Cabinet Minister with his own general staff. The function of the Minister is primarily policy or planning, an impossible task for a man working alone or only with assistance from the pool of experts in the Cabinet Secretariat. Each Minister should have his own Ministerial secretariat made up of precisely the kind of experts who have come in and done so well as temporary wartime civil servants. Again, the field of foreign relations is a glaring exception to the steps that have already been taken in this direction. It is impossible to avoid the conclusion that part at least of the incoherence in Britain's formulation of war and peace aims is due to the lack of any adequate machinery for working them out.

The reorganisation outlined here is only a formalisation and extension of the changes the war has already brought about. As far as the machinery of government is concerned, the problems of peace will not differ so greatly from the problems of war, for the peace effort will lay as heavy responsibilities upon the State as the war effort has done. A Peace Cabinet freed of direct departmental responsibilities; Peace Cabinet Ministers entrusted with the supervision of properly integrated spheres of government and assisted by qualified staffs of experts—the skeleton already exists and the need to articulate and clothe it has been obvious since the last peace.

The Home Guard's Third Year

IT was on May 14, 1940, that Mr Anthony Eden appealed for volunteers for Britain's people's army. Within a few minutes of his broadcast, the police stations were stormed by citizens anxious to seize the opportunity to serve their country actively in its hour of supreme peril. The movement was hastily improvised under the threat of imminent invasion; it was laughed at, sneered at, and threatened by Dr Goebbels; its preliminary organisation contained many defects; its equipment was, at first, pathetic. Yet it survived its teething period and, at first, growing pains, and emerged a real and useful part of Britain's defence organisation—and His Majesty the King has honoured its services by assuming the appointment of Colonel-in-Chief. To some extent, of course, some of the earlier faults remain. Sometimes, it is to be feared, wealth, status in civilian life, or experience in earlier wars, are still the primary qualifications for commissioned rank, and a Mons star sometimes remains an automatic passport for a stripe. But a considerable amount of weeding out has occurred among commissioned and non-commissioned officers, and for the greater part of its first two years the Home Guard has worked out its own training under its own volition, built up its own organisation, and familiarised itself with its weapons and the special part it would have to play in invasion.

The movement enters its third year under new conditions. From February last, the right to resign disappeared. Conscripts will shortly be appearing in the ranks. Members must serve a fixed number of hours each month. How are these changes likely to affect the Home Guard?

Can conscription and regimentation be applied successfully to a movement which, despite the official attitude, has till now persisted in regarding itself as a body of volunteers—the direct descendants of the Fencibles of the Napoleonic period.

To answer these questions, it is first necessary to appreciate the composition of the Home Guard. In the main, it is of necessity made up of the older male members of the population. Its numbers are drawn either from workers in direct war industries (who are working long hours in those industries), or from the remaining key workers in less essential, but still important occupations—the retail trades, transport, banking, insurance, and so on—who are carrying on their civilian occupations under difficult conditions. The average Home Guard is thus a man of mature mental development, perhaps past the acme of physical fitness, engaged in civilian life in work of national importance, and often in a key or executive position. Many fought in the last war, and received training and experience in the use of the primary infantry weapons—the rifle, bayonet, hand grenade, and mortar—as well as a thorough grounding in drill, guard-mounting, and patrol work. The great majority have already spent two years in polishing up this old knowledge and in acquiring new.

The average Home Guard, it will be seen, is a very different quantity from the average full-time soldier. Yet it would still seem that the authorities are not fully aware of the difference—or if they are, that they fail to allow for it. It should, of course, be made clear that some of the

new conditions of service are wholly welcome to the Home Guard. The "housemaid's clause," for example, under which any man could contract out of his obligations at any time by means of a fortnight's notice, was regarded by members as an offence, and no one was more pleased at its demise than the Home Guard—witness the negligible number of resignations last February. The need for effective discipline is also realised, and it is appreciated that the authorities must have some sanction against the minority which has in the past been guilty of absenteeism. Under the voluntary system, the movement was often under strength, particularly in the rural districts, and those who have borne the strain of the past two years welcome the spreading of the burden which conscription will bring.

But other aspects of the new regulations threaten to undermine the spirit which has so far actuated the Home Guard. Generalisations are notoriously misleading, but there seems to be a danger that the ugly but expressive term "browned off" will extend from the vocabulary of the Army to that of the Home Guard. This possibility is indicative of the kind of danger which now threatens the movement. The temptation to transform the Home Guard into a time-serving unit, regardless of how its time is spent, is strong when the movement is regarded merely as an appendage to the regular army, and when its peculiar characteristics are ignored. Under the new regulations, members must serve up to a maximum of forty-eight hours each month, including time spent on night duty. In practice the maximum is seldom reached, a fair average probably being 34-40 hours a month, exclusive of time spent in travelling, cleaning equipment and the like. This is a formidable period, often equal to a normal working week, to men who may be working 60 hours a week in their civilian occupations; but the real point is that it has already proved no easy task to fill the period fixed for training and opera-

tions in a profitable and stimulating manner—there is an obvious limit to the amount of time which can usefully be absorbed, for example, in learning to throw a grenade. Yet the hours of compulsory duty have recently been extended in some areas, and some at least of those directly responsible for the training of the men are at their wits' end to know how the time can be filled. The repercussions of such a state of affairs are obvious. Each motion is spread over the longest possible period of time; of necessity, a "go-slow" policy is the only alternative to one of endless repetition which reduces instructors and men alike to a state of frustrated boredom; and if the members feel that the hours of compulsory attendance are unduly long, or are not properly utilised, then those hours are regarded as an absolute maximum—a call for volunteers for any extra effort falls on deaf ears.

This is not to say that nothing has been done to provide able and informed instructors. On the contrary, much has been done, at week-end schools and the like, to educate platoon commanders and NCOs, and these in their turn have passed on their knowledge, with considerable skill, to the men. Admittedly, greater use could possibly be made, as instructors, of the regular Army officers of 45 and over who are now being retired from active service. And the local administration may at times be at fault. But the root of the trouble would seem to be that the Home Guard is a movement which can reach reasonable proficiency in the arms with which it is furnished in a relatively short period. Provide it with more advanced arms, enable it to co-operate on manœuvres more frequently with the Regular Army, and there will be few complaints, however long the hours its members are called upon to serve. But to force men, whose time is already fully occupied, to become clock-watching automata is to endanger the efficiency and the keenness of a movement which has earned more sympathetic and more intelligent treatment.

NOTES OF THE WEEK

Surrender?

It is good news that the Government intends to deal with the coal problem as a whole, and not piecemeal. Plans covering both production and consumption, and the organisation of the industry will be submitted to Parliament after Whitsun. The target for the industry is efficiency, and the proper method is probably the appointment of powerful and competent district controllers to enforce efficiency, under the supervision of a small board, also chosen for its competence and not for its representative character. It is very bad news, however, that the introduction of rationing (which has not even yet been decided) will be correspondingly delayed; and very bad news indeed that the Government is likely to defer, on the kind of rationing to be adopted, to the views of a phalanx of Conservative back benchers, that is, to some of the most unprincipled, most unintelligent, and most arrogantly opinionated opposition that even this House of Commons has ever witnessed. Every item in the sordid and disingenuous criticism that has clogged Parliament and the Press for three weeks, has strengthened Sir William Beveridge's original case, which he restated with dignity and lucidity in the *Times* on Thursday. It is only necessary to quote the main points of his letter to show to what lengths the combination of stupidity and vested interest represented by the 1922 Committee has gone to confuse the issue:

1. Rationing is not a means of reducing supplies; it is a means of ensuring that whatever supplies are available are shared fairly.
2. Rationing of food is a means of keeping all people sufficiently fed; rationing of fuel is a means of keeping all people sufficiently warm.
3. Once shortage of any essential article is in prospect, the Government cannot escape responsibility for ensuring that it is distributed according to need.
4. To reduce consumption proportionately all round by reference to a datum period is inequitable; that is one half of Sir Arnold Gridley's rationing scheme—for gas and electricity.
5. To have traders to determine the rations to be allotted to their customers is indefensible; that is the other half of Sir Arnold Gridley's scheme—for coal and coke.

6. Last winter many householders went unduly short; next winter the demand for coal in industry will be materially increased.
7. Of course efforts to increase production of coal are required in any case.
8. Unfortunately, with a single exception, all suggestions that can be made for increasing production . . . are highly controversial or highly speculative or both.
9. If the Government and Parliament between them are not able to agree upon an effective and just rationing scheme, they must, in the national interest and for the maintenance of public morale next winter, agree upon that last method [returning men now in the Forces to the mines], even if it means bringing back to the pits nearly every skilled miner in the Forces, irrespective of his unit and rank.
10. Plans for next winter's fuel are already overdue. One of my critics in Parliament described it as frivolous of me to have prepared a scheme of fuel rationing in a month. I can only reply that this was the pace at which we learnt to work for victory in the last war.

It may be, of course, that Whitsun will see an effective and just rationing scheme, as well as a bold plan to re-organise the coal industry, which is the double step sense and necessity demand. But the omens are not good. Only if the Government had adhered firmly to the Beveridge scheme, and introduced it at once, and then proceeded to reorganise the industry, would any proof have been afforded of the right intentions. At least, if an unjust and ineffective scheme of rationing does emerge, the President of the Board of Trade, to say nothing of the Lord Privy Seal, should resign at once.

The Political Scene

Four more by-elections are pending. It will be interesting to see whether the next few weeks bring answers to the two chief questions which the recent infiltration of Independents has aroused. Will the fact that worthy candidates must be found to fight Government seats in itself break the bonds of caucus control on the official side? Will the guerrillas, still riding around in small bands, coalesce for their mutual advantage against Government candidates? Probably,

on the Government side, the caucus in threatened seats will have to give way to the anxiety of party leaders in the Government to stop the rot. The chief obstacle seems to be that the party leaders cannot agree either among themselves or with their respective followers on whole-hearted backing for official candidates. On the side of the guerrillas, there is a mixture of motives. There is a general realisation that the hard-shelled cores of party misrule are now being invaded, and that this trend conforms with both the wishes and the needs of public opinion. Only by party reform now can political revolution at some later date be surely staved off. But the question is which persons are going to take advantage of the trend. Well forward in no man's land is Mr W. J. Brown, casting round here and there—indeed, if various reports are true, everywhere—for companions in his campaign for power. In the dim distance behind, near the base, there are all sorts of other figures, some of them much more eminent even than Mr Brown, who perhaps see in the demagogue's progress a chance for self-expression. On the flanks, there are men of good will, men of good intentions and men of good ideas, who have still to decide whether the right way to make the new world is to convert and lead the many or to penetrate the vital places of political and administrative power as a kind of élite or samurai, pledged to save the people from Hitlers and Horatio Bottomleys, as well as from Baldwins and Chamberlains and MacDonalds. No forecast can be attempted. The present parties must go if better is to come. This is a condition of reconstruction. The progress of dissolution is at work, but nowhere, on or beyond the horizon, has there yet appeared any man or any group of men with the ideals, the programme and the methods needed to bring about the desired transformation.

Confusion in France

An indescribable confusion reigns over the French scene. Madagascar and Martinique are like sunlit rocks jutting out of black, yeasty waters of muddle and contradiction. There at least one knows what is happening—but nowhere else. Ultimately, the French situation depends upon the action and inter-action of five different and contradictory pressures, each possessed of a certain physical strength and commanding certain loyalties. First there are the United Nations. Their desire would be to see the French Fleet and the French colonies collaborating to the full in a victory over the Axis. They are backed by a body of Frenchmen—the Free French—whose goal is exactly the same. In a curiously parallel position are the third "pressure group," the Germans. They, too, are bent on securing the full collaboration of France, the French Fleet and the French Empire. They, too, can count on the unequivocal support of a group of Frenchmen—true, a very small group—the out and out collaborationists of Paris. The Axis position is a little less clearcut than that of the United Nations, because Italy does not want collaboration, but territorial concessions. However, Italy's only significance in the French context lies in the extent to which the Germans make use of her claims to put the screw on Vichy. In between these two main and two subsidiary groups lies the great mass of Frenchmen, the fifth element in the mélange, whose fundamental desire is almost certainly to be left alone. Marshal Pétain's policy of neutrality, like the Third Republic, "divides men least." This is not to say that an active minority—the saboteurs—are not Free French in sympathy although they are still in France. It does mean that a majority of the French support passivity and dislike the British only less intensely than the Boches. It is the pressures and tensions between these groups that produce the incredible confusion, for neither side is strong enough to force the issue. For example, the United Nations have not the military power to take over French North Africa, nor is the Free French movement sufficiently attractive to rally the colonial army and civil service to the cause of renewed resistance. Similarly, Germany's current military commitments are too great for the time being to permit of a frontal attack on Morocco and Dakar or the "reconquest" of Syria. At the same time, Laval and the collaborationists cannot win over the French to a policy of helping the Germans to this end. Neither the rival powers nor the rival loyalties are decisive and Marshal Pétain and his regime float between the two like a celluloid ball held aloft by two opposing currents of air. At the centre—in Vichy—an uneasy equilibrium continues. Wherever strength or loyalty are decisive, the French Empire falls away, to the Axis in the Far East, to the United Nations in Syria, in Madagascar and now, perhaps, in Martinique.

Madagascar and Martinique

Fighting is not finished in Madagascar, and there has been no unconditional surrender; but with the fall of Diego Suarez, the chief naval base, effective resistance has come virtually to an end, since there were no very large concentrations of French troops in the island and the native levies are quite unreliable. Nevertheless, it cannot for a moment be assumed that Britain's troubles are at an end. The island is three times the size of Britain; the capital is not yet reported to have fallen; and the local officials are obviously very anti-British. The refusal to accept the terms and guarantees offered by Britain—to leave French sovereignty inviolate, to transfer Vichy Frenchmen to France and so forth—suggested a temper from which all remembrance of former friendship had been banished. Hostility could turn overnight to treachery if another invader were to appear over the horizon of the Indian Ocean. And it is ominous that the Japanese Ambassador to Vichy has again seen Laval. In Martinique, the situation obviously called for less drastic action. There was no prospect of a transfer of territory, and a military occupation by the Allies was, therefore, unnecessary. The danger came rather from the subterranean usages to which this island base might be put by a complacent High Commissioner and a still more complacent Laval. U-boats are operating all along the Atlantic seaboard. A re-fuelling and reprovisioning base would be more than useful. Moreover the aircraft carrier *Béarn* and the cruisers *Emile Bertin* and *Jeanne d'Arc*, both in fighting trim, lie ready to slip from harbour; the *Béarn's* hundred American aircraft are also reported to be in perfect repair. The United States Government could not afford to leave this potential hornets' nest athwart a main channel in from the Atlantic to the Panama Canal. The area has been patrolled daily, by sea and by air, for nearly two years now; but so was Pearl Harbour. President Roosevelt has now decided to go further. Admiral Hoover and a State Department official, Mr Samuel Reber, have reached the island to negotiate direct with the High Commissioner, Admiral Robert. He is asked to take over "supreme authority" and to comply with certain American requests—the demilitarisation of the warships and so forth. There is to be no reference back to Vichy. Thus a new category of Frenchmen is on the brink of being created—one who has severed his allegiance to Vichy, but is neither pro-Ally nor officially Free French.

Table d'Utilité

The terms of the Order restricting restaurant meals, which were given by Lord Woolton on Tuesday, confirm the fear that the Government is only tinkering with the problem. Public discontent with such meals has arisen from the feeling, first, that the eaters have not to give up coupons for rationed foods and, secondly, that those who can afford to pay the high prices obtain more than their fair share of unrationed foods. To meet the first complaint, the new Order does nothing at all. It is quite true that the amount of rationed foods supplied to restaurants has been very much cut, but there seems no reason why a ban should not be placed on the pat of butter or margarine supplied with the roll of bread and the lump of sugar given with hot drinks. Even if, however, rationed foods could only be supplied on the surrender of coupons, a big cause of discontent would still remain, because the high prices now charged by luxury restaurants are mainly in respect of unrationed foods such as fish and game—meals of rationed meat are now rare. By charging these high prices, the restaurants are able to obtain a mono-

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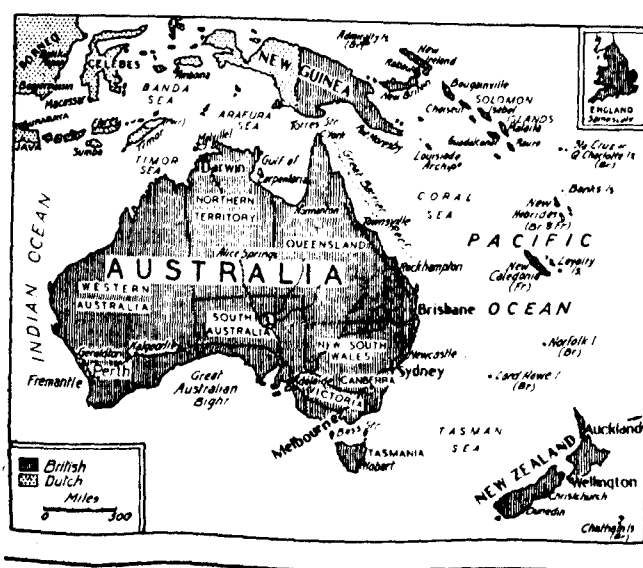
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poly of uncontrolled foods, because they in turn can pay high prices to the suppliers, and a black market in controlled foods is encouraged. The new Order, however, only skates round the problem. The maximum price of a meal, which must not consist of more than three courses, is restricted to 5s, and the charges to be made for dancing, cabaret, spirits and beer—but not apparently wines—will also be restricted to prevent restaurants from recouping themselves in this way. On the other hand, catering establishments, "which would not otherwise be able to remain open"—that is, presumably, most West End restaurants—will be allowed to make a house charge in addition, which will not exceed 7s 6d. Thus, excluding drinks and entertainment, a meal may still cost 12s 6d. The ridiculous part of the whole price-fixing policy is that if prices were really reduced, people would be encouraged to eat more often in restaurants than they do at present, though it is true that they would get fewer expensive delicacies. The most sensible provision of the new Order—most sensible because it does envisage an actual limitation of supplies—enables Lord Woolton to prohibit restaurants from serving fish, game and poultry on certain days in order to allow domestic consumers to obtain a reasonable share of the available supplies. But this provision is an enabling one only, and its worth will depend on how often it is enforced. The extent of restaurant eating, both luxury and British, certainly makes any attempt to control it difficult. But the best solution would surely be to bring rationed foods in all restaurants within the coupon—on a points basis—and charge the double purchase tax on all meals over a certain price. This would encourage communal feeding which is economical, and discourage luxury feeding which is not. As it is, the best comment on the new measure is provided by the announcement that the oyster is to be exempt.

The Battle of the Coral Sea

The Battle of the Coral Sea was not an isolated action, but part of Japan's systematic attempt to encircle and cut off Australia. Timor has been reinforced. Repeated attempts have been made to reduce Port Moresby, which has become a solid though beleaguered outpost of Australian defence. Anchorages have been secured in the Louisiade Archipelago, and it is believed that some of the Solomon Islands have already been occupied. The naval forces which were intercepted in the Coral Sea last week, and with whom a running battle was fought over many days, may have been the out-riders of an invasion fleet. They may equally well have been a special force detailed for the cap-



ture of New Caledonia. It is not yet certain that the Japanese intend to invade Australia; but they are determined to break the Pacific link between Australia and the United States and to leave no possibility open that the ports of Australia could be used as bases for a counter offensive. Whatever the purpose of the Coral Sea expedition, it was unsuccessful, and very heavy losses were inflicted on the Japanese—including one aircraft-carrier sunk and one damaged, one heavy cruiser sunk and one damaged, one light cruiser sunk and one damaged, and two destroyers

sunk. No battleships or transports have been mentioned, which suggests that the expedition was not designed for a large-scale landing and that the main body of the Japanese fleet has not yet been brought into action. The Japanese themselves betrayed the seriousness of the set-back by covering it up with fantastic claims of Allied losses, including the sinking of a British battleship and a heavy cruiser, whereas it seems from Mr Churchill's broadcast that only Australian and American ships were engaged. It can be assumed that the Japanese claim to have sunk—among other things—an American battleship and at least two aircraft-carriers has equally little foundation in fact. The final result of this action cannot be assessed yet. Much depends upon the relative losses: the Japanese have certainly lost more, but the Allies may have had less to spare. If the Japanese attack is renewed within the week, the action must be accounted slight; if it is delayed, satisfactory; if it is not renewed, brilliantly successful.

The Use of Gas

It is to be hoped that the German High Command will take note of Mr Churchill's warning that

We shall treat the unprovoked use of poison gas against our Russian Ally exactly as if it were used against ourselves, and, if we are satisfied that this new outrage has been committed by Hitler, we will use our great and growing air superiority in the West to carry gas-warfare on the largest possible scale far and wide against military objectives in Germany.

So far in this war, the peoples of the world have been spared the added terror of chemical warfare. True, Germany signed all the conventions outlawing chemical warfare; but neither legalism nor humanitarian hesitations have had any thing to do with the Nazis' avoidance of gas attack. Their decision has almost certainly been based on the uncertain military value of poison gas, particularly when used against armies in rapid retreat. If the Germans use gas in Russia, it will be either a last desperate expedient when every other military tactic has failed, or an effort to demoralise troops unmoved by the other horrors of war. For it should not be forgotten that gas is, primarily, a weapon of panic and not of universal destruction. There is something inherently horrible and terrifying about a death that enters by throat and lungs or the pores of the skin. But casualties inflicted by gas have normally been less serious in number and in physical damage than those caused by high explosives. Similarly, if gas were used in retaliation in the British raids on Germany, its military effect would be slight, its powers of increasing the "alarm and despondency" of the German people potentially very large. For this reason, it is well that the warning has been given. The camel's back of German home morale is not so strong that the authorities can lightly risk a last, very substantial straw. At the same time, the responsibility has been squarely pinned on the German High Command.

Counter-Attack in Burma

The resilience of Chinese military power was never more strikingly illustrated than by the recent counter-attacks against the Japanese forces in north-eastern Burma. A week ago, the Japanese armies, which had taken Mandalay and Lashio, appeared to be driving unchecked into the interior of China. There was some doubt whether the Chinese forces under General Stilwell which were reported to hold positions between Taunggyi and Loilem were still intact. Then the Japanese mechanised spearhead, which had advanced some thirty miles into Yunnan and captured Wanting on the frontier, was forced to withdraw by strong Chinese forces based on the interior. Wanting was retaken, and something very like a defeat inflicted on the Japanese at Chefang. A dangerous enemy thrust was checked only to be reinforced and resumed later. Meanwhile, the hope of activity in the rear of the Japanese forces was fulfilled by the activities of General Stilwell's army, which by a forced march retook Maymyo near Mandalay. Fighting is still taking place, and it is too early to judge whether the enemy is sufficiently strong to succeed in a fresh advance. It may, of course, have been no more than a move by the Japanese to clear the Chinese flank while the advance on India proceeds; and the Chinese forces near Mandalay, who are still cut off, may have to relapse into guerilla tactics, as indeed has already been reported. In the Chindwin valley, along which the British forces under General

Alexander are withdrawing toward India, activity has been on a smaller scale. Akyab and its airfield are now in Japanese occupation and, significantly enough, the first attacks on Chittagong have taken place. The RAF for their part have bombed the Japanese aerodrome at Magwe from India. The campaign as a whole has reached a critical phase. The question is whether it is the enemy's intention to attempt to force an entry to Free China or to turn the major offensive against India. In any event, Chinese resistance on the Burma Road provides an example and an inspiration for the forces who guard the gates of India.

Groups or Trusts?

Public debate is beginning to centre on the relations between the state and industry after the war; and it is right (as argued in an article on page 669) that this issue should be decided in the open. The danger is that it may be settled behind the scenes. There is a possibility that new economic dominions may be established, like the British Empire, in a fit of absence of mind. A warning has been given by recent discussion of the three hundred export groups, each controlling the trade of anything from a handful to over a hundred companies, which came into being to organise the export drive which is no longer necessary. The point is that these bodies are potential centres of monopoly and exclusion. The argument advanced in some quarters that they are needed to carry through the rationalisation of manufacture and merchandising for export is in some ways dangerous. Britain's only strength in export trade in the future will lie in having a specialised and highly adaptable, and almost endless range of highly finished articles, which must be produced by relatively many firms. There is no reason in the trading interests of the community why new centres of economic power should be created by the elevation of export (and, it is suggested, import) groups to control and determine trade policy. One example of what can happen is the Jewellers War Production Group, formed by forty of London's leading manufacturing silversmiths and jewellers. In so far as this Group gives guidance to firms on the best means of producing wartime articles, its existence is very valuable. But it is disturbing to learn that this body, which is no more than a band of co-operating industrialists, has what is called a "group leader," and still more disturbing to know that traders are "queueing" for membership. Here is the very type of co-operative and exclusive organisation. The export groups are far more than this; but they, too, carry within them the same dangers, which must be watched with the utmost care. Industrial self-government of this sort by the back door would be a disaster.

Chemists Again

The controversy about the sale of drugs has started once more. The Minister of Health's attention has been drawn to the increased sale of pre-packed drugs in chain stores and to the competition to qualified pharmacists resulting from the rapid increase in the sale of drugs by shopkeepers who do not employ trained men. Mr Brown is watching the position. The *Pharmaceutical Journal* is not satisfied. It is emphasised that there may be a shortage of chemicals and drugs, and that the sale of aspirin, cascara, glycerin, bismuth and so on, on bazaar counters will bring about a dearth. The argument is that the Minister of Health should take steps to stop "this depletion of stocks of our valuable drugs." That steps should be taken to limit sales is, of course, conceivable, but that they should be taken by banning cheap sales in one kind of shop is intolerable. It is surely possible for stocks to be limited without making war conditions an extra lever for the assistance of vested interests.

Colonial Administration

Several constructive proposals were put forward by Lord Trenchard in a debate on colonial administration in the House of Lords last week. The first was for a grouping together of different colonies into large administrative units under Governor-Generals. Thus, there would be an East Indian dependency, a West Indian, an East African and a West African. Each dependency would be more autonomous in its administration than at present, and the Colonial Office, which would no longer be concerned with the detailed affairs of over 50 colonies, would devote itself more to major

questions of policy and planning. There is clearly a great deal to be said in favour of this proposal, which has frequently been made of late, because history has shown that, both economically and politically, progress takes place more quickly when small units have amalgamated. But the dependencies that grouped together to form the Dominions, which are generally cited as the best example of this tendency, were geographically compact. In the present colonial empire, the reverse is generally the case. As Lord Moyne pointed out, the chain of British colonies in the Caribbean is over two thousand miles long. The same distance separates the western colony of British West Africa from the eastern, and there are foreign possessions between each. East Africa is more compact; but here the political difficulties caused by the existence of a white settler class in Kenya and Southern Rhodesia are, at present, an insuperable obstacle. Moreover, amalgamations would hardly be successful without the co-operation of other colonial powers with possessions in the same areas. This question was hardly touched on in the debate, but the opportunity now, when such powers have their seats of Government in London, should not be missed, and a precedent has already been set with the establishment of an Anglo-U.S. Commission in the Caribbean. Lord Trenchard's other proposals were mainly concerned with the Colonial Service—with extending the field of recruitment, especially to Africans and other colonial people themselves; greater interchangeability between the staff of the Colonial Office and the Service; and the establishment of a Colonial Staff College where refresher courses would be taken. Almost all his proposals were well received in the House and were given a sympathetic reply by the Colonial Secretary, Lord Cranborne. It is astonishing, in fact, how much agreement in principle there is over what should be done in the colonial empire. The difficulty is to get even a small part actually done.

The Press

In his broadcast, Mr Churchill told of his disquiet about speculations in the newspapers concerning strategy. He told of his relief when Madagascar was attacked without the uninformed punditry of the newspapers having revealed the secret, which they did not know, to the enemy. Mr Churchill should perhaps take heart from the certainty that if, during the three months in which the Madagascar expedition was preparing, there had been no comment about Madagascar in editorials or in the columns of the "military experts," the enemy would have been most surprised and very much concerned to know the reason. A rider to this argument of the Prime Minister's is provided by a recent speech of Sir Stafford Cripps, in which the Lord Privy Seal contrasted the freedom of the British Press with the diametrically different state of affairs which he had found recently in another country, which he punctiliously left nameless. There are two remarkable features about the British Press in wartime. The first is the small extent to which official powers have had to be exercised. The second is the equally small extent to which official trust has been abused. Many charges can be drawn against British newspapers. But they are none of them criminal; if and when such charges do lie, the paper should, of course, be suppressed at once. The dictum that the Press can do no wrong is nonsense. But, in fact, where there have been false reports, wrongheaded comments, wild speculations, and so on, the cause has been not treachery or vice, but simply the same sort of stupidity and incompetence that afflict every industry and are plain enough in the Press at any time. The wit who said that, in view of what the British

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journalist would do unbribed, there was no need to bribe him, drew attention to both the strength and the weakness of the newspaper industry—in peace or in war. Sometimes, it fails to do a job of work which matches its traditions. Sometimes, as in the period immediately before the war, concern for the advertising item in its revenue account, warps its journalistic judgment and impedes its sense of responsibility. But, uniquely among all the newspapers of the entire world, British newspapers can neither be intimidated nor bought. The fifth column has never succeeded in securing even a toe-hold in the British Press, and, by and large, allowing for the mistakes which editors and journalists of varying degrees of competence usually do make, it can safely be said that the best way of using the Press in the war effort is to leave the newspapers alone to do what they have done in the past two and a half years.

Melita Effulgens

There are signs that a new phase is approaching in the aerial battle over Malta. The fighter strength of the R.A.F. in the island has been substantially reinforced. This increase in strength came as a shock to the Axis aircraft, who suffered an important defeat in the course of sustained raids last week-end, when no fewer than 112 planes are officially reported damaged in three critical days. This news has to be read in conjunction with Mr Churchill's statement last Sunday that "it looks as if a lot of enemy aircraft have moved eastward." It is possible that the resignation of General Sir William Dobbie will prove to have coincided with the close of the chapter of purely defensive resistance. The new Governor and Commander in Chief, Lord Gort, has taken over at the moment when the tide of the battle over Malta may have definitely turned. Whatever part Malta and its gallant people and garrison may be called upon to play in the strategy of the future, their ability to do so must be attributed primarily to the courage and tenacity of General Dobbie. His ability to infuse a determination to resist into a people who have not only suffered the most sustained air bombardment in history, but who were, at the outset, inadequately defended, is as striking a personal triumph as it is a vital contribution to the successful conduct of the war in the Mediterranean.

Family Allowances

The Chancellor of the Exchequer's White Paper (Cmd. 6354) on family allowances appeared on May 8th. No opinion is expressed about the desirability of paying allowances; but, at the beginning of the memorandum, the Chancellor summarises some of the arguments in their favour, and suggests some questions on which decision would be required. The main interest of the memorandum is its review of

The practical questions which would have to be dealt with if such a scheme of cash allowances were decided upon.

	Every Child in Family	Second and Subsequent Child in Family	Third and Subsequent Child in Family
Estimated number of children (mid-1941)	Millions 10.1	Millions 4.5	Millions 1.8
Estimated number of families	5.6	2.7	1.1
Estimated gross* annual cost of allowances payable to parents:—	£ millions	£ millions	£ millions
(a) To all parents	132 (125)	58 (55)	23 (22)
(b) Compulsorily insured for pensions or with incomes of £420 or less	124 (117)	55 (52)	22 (21)
(c) With incomes of £260 or less	111 (104)	49 (46)	19 (18)
Net cost of scheme linked with income tax at present rates:—			
(a) First year	110	51	21
(b) Subsequent years	64	39	19

* Net figures are given in brackets.

All the schemes discussed have been worked out on the basis of an allowance of 5s. a week for children below the age of 15 or receiving full time education; and on the supposition that allowances might be paid, alternatively, for (a) every eligible child, (b) all but the first eligible child in each family, or (c) all but the first two eligible children in each family. The table above shows the official estimates of the costs of non-contributory payments, financed by general taxation, for schemes of this varying scope. Savings on payments of allowances already made to certain classes of children are estimated at £7 millions (including

£3½ millions saved on billeting payments), if all children are included, £3 millions where the first eligible child in each family is excluded, and £1 million where the first two eligible children are excluded. In determining these offsets, payments for children of members of the armed forces, which are part of their pay, have rightly been excluded. An offset has been made, however, for sums already spent from national funds in respect of unemployment insurance, contributory pensions, payments by the Ministry of Pensions, and need payments, as well as billeting payments. In the case of the first three, payments are made for children because of special conditions which attach to their parents; at least part of such payments would have to be superimposed on any allowance received under a general scheme of family allowances. The memorandum gives the impression that a contributory scheme would be the least satisfactory of those discussed. The contribution could only be levied on employed persons and the amounts required would be 2s. 8d., 1s. 2½d. or 6d. a week, according to the scope of the scheme. In an annex to the White Paper a scheme linking family allowances to income tax is described. The sole possibility that is examined is that family allowances should be paid only where the financial benefit derived from them would be greater than that obtained from the income tax relief in respect of children. The net costs of paying family allowances on this basis are shown in the table. The Chancellor's objection to a scheme linked with income tax is emphatic, on the grounds that if income tax were reduced, the amounts payable in family allowances would be greater. Nowhere has the Chancellor considered the saving which might be made if, in conjunction with a universal system of family allowances, the income tax relief in respect of dependent children were to be abolished. The gross amount on which such relief was given was just over £85 millions in 1936-37, when £60 was allowed in respect of each child under 16—or over 16 if continuing full-time education. In all, the memorandum is seriously disappointing. The impression is that, for false reasons of economy, family allowances are to be shelved; and while the pounds, shillings and pence are being counted, the main prop of a new and better social order will be rejected.

Shorter Notes

The following table, compiled from a parliamentary answer, shows the number of deaths from tuberculosis in Great Britain since 1938:—

	1938	1939	1940	1941*
Respiratory Tuberculosis				
Males	13,841	14,208	15,589	15,631
Females	10,022	10,051	11,108	11,120
Tuberculous Meningitis				
Males	1,116	1,061	1,199	1,463
Females	1,065	1,000	1,172	1,470
Other forms of T.B.				
Males	1,580	1,579	1,668	1,705
Females	1,347	1,250	1,411	1,456
Total deaths	28,971	29,149	32,147	32,845

A note on page 641 of *The Economist* last week stated that the proposed cut of one-eighth in the domestic consumption of fuel would save 1,000,000 tons of petrol. This should have read 1,000,000 gallons.

In reply to a parliamentary question, Sir James Grigg has revealed that 70 per cent of all officers over 55 years of age are being retained as a result of the recent Army Command Instruction imposing a comb-out.

The post-war credit of 6d a day for men in the armed forces will be exempt from income tax.

Total casualties in the armed forces of the British Empire in the first two years of war were, according to a parliamentary answer, 48,973 killed, 46,363 wounded, 58,458 prisoners of war and 29,756 missing, making a total of 183,550. Of this total, 14,687 were officers and 168,863 other ranks.

AMERICAN SURVEY

Loyalties or Royalties

(From Our Washington Correspondent)

April 17th

"NO longer will the management of foreign-owned overseas enterprise be able to assume that its responsibility is exclusively to its shareholders. On the contrary, if foreign investment is to continue it must recognise the responsibility which it has to the country of domicile and to the people of that country."

These sentences were written by an official of a large American corporation with very considerable holdings in Germany in a book published in the fall of 1940. The recent series of consent decrees secured by the Department of Justice under the anti-trust laws have created the impression that a number of similar firms have been so adequately fulfilling obligations to domestic stockholders and foreign sovereigns as to menace the vital interests of the United States.

American participation in international cartels has been given a peculiar form by the existence, since 1890, of laws prohibiting

every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign nations

declaring it to be an offence

to monopolise any part of the trade or commerce among the several States or with foreign nations.

Because of these restrictions, American business men have not been able to take the initiative in the organisation and management of cartels. But they have been able to participate in their operation. The technique used has been that of patent agreements, whereby exchange of information with foreign firms was arranged, and understandings about where that information was to be used by the participating firms were included in the agreement.

Through patent agreements, American connections with a number of German firms, outstandingly with the all-pervasive *IG Farbenindustrie*, have been operative for some years. By amassing evidence of the extent to which these arrangements constitute a restraint of trade—and of trade essential to the war programme of the United States—the Department of Justice has brought a series of indictments. It has secured a number of consent decrees from prominent companies, whereby the companies agree to reorganise their affairs in a specified manner without the case being brought to trial.

Government Indictments

In March, 1940, an indictment was brought against (and a consent decree subsequently worked out with) Bausch and Lomb, producers of optical goods, including range finders, bomb sights and so on, concerning the operation of the agreement made with Carl Zeiss and Company shortly after the close of the last war. This agreement went further than most. Bausch and Lomb paid royalties to the Germans, whether or not the article sold was patented, and including sales to the United States Government—thereby furnishing the Germans with United States procurement statistics. In May, 1941, a decree was obtained covering fertiliser nitrogen. On September 5th, three decrees covered Bayer aspirin, Alba pharmaceutical products, Synthetic Nitrogen Products Corporation. This group attracted the first widespread publicity. The Bayer aspirin case concerned the operations of Sterling Products Company, whose history dates back to the not-too-fragrant period of the Alien Property Custodian of World War I; some of its present personnel was formerly in that office. Negotiator of the consent decree was Thomas Corcoran, formerly of the New Deal Kitchen Cabinet, currently a corporation attorney in Washington; allegations that its relatively mild terms were the product of political pressure were sufficiently persistent for the Department of Justice to hold a special press conference on the subject.

In October, an indictment was brought against General Electric Company, Krupp and others, for restraint of trade in hard metal compositions and products. Mid-December, after Pearl Harbour, saw a considerable group of indictments brought mostly in the field of chemicals, and notably against the General Aniline and Film Corporation, formerly known as American I.G. Chemical Corporation, with a staff closely allied by ties of actual kinship to the key officers of I. G. Farben, of Germany. (Since the filing of this indictment the firm has been taken over by the United States Government and a new board of directors installed.)

Standard Oil

Most spectacular of the decrees to date is that concerning Standard Oil of New Jersey. Domestically, Standard Oil has been a popular symbol of the kind of manipulative capitalism against which the Sherman Anti-trust Act first expressed popular revolt. The original trusteeship, set up by the elder Rockefeller in 1882, was dissolved by court proceedings, only to reappear in 1897 in the form of a corporation (Standard Oil of New Jersey). It was prosecuted a second time, and in 1911 dissolved into thirty-three independent companies—whose "independence" was commented on with grim satisfaction by Gary of U.S. Steel—

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World's Press News

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"you can't unscramble eggs." In an effort to keep the New Jersey chickens from coming home to roost, various of the other Standard Companies are currently running newspaper advertisements urging that they should not be confused with the indicted company.

In addition to its background in American history, the New Jersey Standard Oil case attracts public interest, because one part of the indictment (which, as a whole, deals mostly with petroleum products) discloses the fact that while Standard under a patent-exchange agreement, gave I. G. Farben the results of its research in butyl rubber, I. G. Farben, pleading interference by the Nazi Government, did not give Standard its results in buna rubber. At the same time, Standard attempted to slow the development of synthetic rubber by other companies in this country.

The relationship between these agreements and our most acute war shortage explains popular resentment at the letter sent from one Standard official to another on October 12, 1939, describing a conference with I. G. Farben officials and containing the sentence—

We did our best to work out complete plans for a *modus vivendi* which would operate through the term of the war, whether or not the US came in. . . . It is difficult to visualise as yet just how successful we shall be in maintaining our relations through this period without personal contacts.

The intensity of feeling about American business dealings with the enemy is witnessed by the fact that three Senate Committees are now holding hearings related to the issue. Mr Thurman Arnold, head of the Anti-Trust Division of the Department of Justice, and Mr W. S. Farish, president of the Standard Oil of New Jersey, have just given testimony before the Truman Committee. Senate Bill 52303 expresses the aim of some Senators to open patents for use during the war, and perhaps institute a reorganisation of the whole body of patent law, and Senate Bill 2438 proposes registration of all agreements made between American firms and foreign countries.

Meanwhile, the companies have been making their side of the case as vigorously as the Department of Justice. The claim is made that the exchange of patents with foreign firms has made research and "knowhow" available to this country that would not have been obtainable any other way. The companies are also making their case in the form of a counter-attack. Standard Oil meets the charge of disloyalty by laying the onus of foreign relations on the Government:

So long as this country maintains normal relations with the rest of the world, the company must also carry on its operations in a normal manner. The company cannot constitute itself judge of the rights and wrongs of international problems. It cannot impose embargoes nor break them, these being the functions of government, not of industry.

At the same time, the companies argue, not unnaturally perhaps, that action against their agreements is not a desirable function of Government at this juncture. They stress the time of high officials required to prepare a defence against government indictment. They give as their reason for accepting consent decrees:

We must settle this case at any cost as quickly as possible so that all our time can be entirely devoted to the defeat of the Axis powers.

In the light of these developments, what of the future of international cartels, of the kind of world economic agreement in which firms of all the main industrial nations have participated? If the abuses connected with the practices of the past have been sufficiently demonstrated what procedure is desirable from now on? The matter presents a major piece of agenda for economic government on a world scale.

American Notes

The Good Neighbour in Action

The struggle between the Axis and the United Nations is mirrored in the internal policy of every Latin American republic. In all of them, if the Government is for democracy, the Opposition is for the Axis, and vice versa. Mr. Henry Wallace has even gone so far as to prophesy a German-inspired insurrection breaking out below the Equator, backed by German agents and covered by Axis and Japanese air and sea power. Perhaps this goes too far. The relatively ineffective armaments, the scattered populations and the great distances of the South American scene

would play into the hands of a determined and ruthless Fifth Column. The United States Government is aware of all this, and is doing its utmost to press forward with a policy of good neighbourliness and hemisphere defence. Arrangements are completed for joint bases in Brazil. Although President Baldomir had to suspend the constitution and outlaw the Herrarist Opposition in the process, Uruguay, too, has provided facilities for joint air and naval bases. President Prado of Peru is just completing a very successful visit to Washington; and the President Elect of Colombia will be the next distinguished visitor. At the same time, measures of economic solidarity are being worked out. South America's chief problem springs, of course, from the disastrous disruption of foreign trade brought about by the war. The United States is, to a large extent, making this good by its massive purchases of strategic raw materials; but as usual shipping is the bottleneck, and U-boats are taking a steady toll of the very small shipping resources of the Latin American Republics. The United States is attempting to meet this by continuing with its purchases and leaving the materials in store in the various countries until shipping space becomes available. To all this work of political and economic collaboration, Argentina still holds aloof. There is even a chance that it will offer a terminus to the Italian Trans-Atlantic Airline, LATI, which has been turned out of Brazil. Argentina is the danger spot, particularly if a direct air-link with German Europe were to be established. It is no coincidence that a great many of the Axis agents, turned out of other states, are making their way there.

Transport Crisis

The strain on domestic transport is serious and certain to grow. Goods are beginning to pile up at plants for lack of transport. To cope with the problem, the Office of Defence Transportation has been given sweeping new powers, including control over all rubber-borne vehicles. Mr. Eastman, Director of the ODT, has the power to forbid pleasure motoring and, if necessary, to requisition private cars. The ODT will have the final word on the allocation of whatever amounts of rubber and petrol are found available for civilian consumption. The main causes of the transport shortage are the growing volume of war production and the necessity of conserving rubber and petrol. Carloads of railroad freight in 1941 were 16% above 1940, but this understates the expansion, for ton-miles increased by one-fourth, the result of transporting larger volumes of war goods over greater distances. Freight ton-mileage for the year was the largest on record. Freight carried by Class I lorries for the first six months of 1941 was 30% higher than the figure for the first six months of 1940. The reduction of coastal shipping has thrown new burdens on the internal transport system; and the recently completed inquiry into transport labour has disclosed a substantial man-power shortage. The consolidation of control over all forms of transport in one agency was a prerequisite to any adequate policy. The new powers are already being energetically applied. Local carriers must cut their mileage by 25% by curtailing deliveries. Freight cars may not be used to transport lots of less than six tons. Tank cars may not be moved less than 100 miles without specific permission, unless they are transporting oil to the eastern seaboard. Grain shipments over the Great Lakes are prohibited to make room for iron ore cargoes. The extension of petrol rationing seems likely to release transport facilities. Hours are being staggered to spread rush-hour travelling. It is realised that an internal transport shortage is second only to the shipping shortage as a possible immobiliser of the war effort.

The Yardstick of Living Costs

The concept of parity for farm prices, which has been an outstanding feature of the New Deal since 1933, may prove a major stumbling-block in any attempt to reduce the American standard of living in conformity with the decrease in supplies of civilian goods. The President has asked for legislation permitting farm price ceilings to be set at 100 per cent of parity, rather than 110 per cent; but as parity prices increase with rises in the cost of living, farm ceilings will increase automatically, unless the cost of living is frozen more successfully than seems likely at present. On the other hand, President Roosevelt has said that increased wage rates, even to compensate for a rise in the cost of living, as in the shipbuilding wage negotiations, are

incompatible with the national interest. This discrimination in the use of the cost of living to adjust incomes is unjust and illogical. There are already some reports from the Middle West that there is a growing schism between farmers and wage-earners. This is presumably due to exaggerated stories of high wages and short hours in war production; there appears to have been a highly organised campaign to spread suspicion of labour, particularly in the west. But if a strict control of wage rates is instituted—and legislation on this subject is still being urged, even by members of the Administration, like the Price Administrator—the shoe may be on the other foot. Unfortunately, this is an election year, and the political weight of the farmers is sufficiently great to make any reconsideration of the concept of parity prices pretty well out of the question.

The Negro Semi-Citizen

It is news—and good news—that the Navy Cross has been awarded by President Roosevelt to Dorie Miller, the negro mess attendant who, when the first bombs fell on Pearl Harbour, raced up from his galley and manned one of the machine guns that, by Navy regulations, no negro is allowed to touch. It is good to hear that an AFL local branch has decided to let negroes work in San Francisco defence industries, and that Ford is now accepting negro apprentices. But these few swallows do not make a summer. The Navy still excludes all negroes from the service except as messmen; prejudice is rife in the army, despite the excellent record of negro soldiers in the last war; and discrimination against negroes in industry and Government service remains the rule, not the exception. It is not surprising that the 13½ million American negroes are "angry, resentful, and utterly apathetic about the war." In spite of a Presidential order last year forbidding colour discrimination in defence industries, employers refuse to hire negroes. Prejudice is not confined to management; white workers threaten to walk out when negroes are brought in; and 24 national and international unions, ten affiliated with the AFL, refuse to accept negro members. In March race riots were reported from Detroit over the admission of negroes to a Government housing project. Of the unemployed, 800,000, or 20 per cent, are negroes, although they make up only 10 per cent of the population. Where negroes are employed it is usually in menial jobs, such as waiters, cleaners or janitors, and even now they are given less opportunity to undertake training than whites. Of the 5½ million coloured workers in 1930, nearly 2 millions were in agriculture, generally as tenants and sharecroppers in the South; 1½ millions were in domestic service; of the million in industry most were classified as unskilled. As the manpower shortage grows, negroes will have to be increasingly used in industry and the Services, but making a virtue of necessity will not win the enthusiasm of those

who feel that this is a "white man's war." Speaking about the Navy's colour bar, Wendell Willkie recently denounced it as "an injustice which makes a mockery of all our fine words."

Dies Lives On

The Dies Committee to investigate un-American activities created in 1938 was extended for another year by a vote of 331 to 46. It will go down in history as the body which suggested that Shirley Temple and James Cagney were Communist fellow-travellers (an accusation subsequently retracted). Moreover, its activities are sinister as often as comic. Among the outstanding liberals whom Dies has tarred with the Communist brush are Mrs Roosevelt, Vice-President Wallace, Supreme Court Justices Murphy and Jackson and Secretary Ickes, as well as many other less-known, but equally sincere, democrats. The Committee has brought out "White Papers" and "Red Papers"; but its interest in Fascist groups has been listless compared with its enthusiasm for unearthing "Communists" in the New Deal. Chairman Fly of the Federal Communications Commission has testified that Dies is the most warmly praised American quoted by Axis broadcasts, and Representative Eliot declared "The Dies Committee's definition of 'subversive' is so fantastic as to defy belief. . . ." A vote against the Dies Committee is a vote for responsible government. Congress has never passed a Dies-sponsored Bill; but it is a pity that only 46 men could be found with the political courage to go on record against the Committee.

Shorter Notes

The Office of Price Administration has announced that the basic petrol ration, starting on May 16th along the eastern seaboard, will be three gallons a week per car. Five types of ration card will be issued, ranging from "A" cards for pleasure driving to "X" cards for essential workers such as doctors and nurses, who will receive unlimited supplies.

The use of iron and steel in 400 civilian products has been restricted, and after 90 days will be prohibited altogether. In effect, this will mean that iron and steel will be entirely reserved for war goods, and many plants will be forced to convert to war production.

Austerity note: The WPB has recommended to ice cream manufacturers that plants restrict their output to four grades for butterfat content, and that each grade be limited to 10 flavours.

THE WORLD OVERSEAS

Canada and the United Nations

(From Our Ottawa Correspondent)

THE Canadian outlook has transformed with the spread of Japanese aggression in the Western Pacific and into the Indian Ocean. Unlike Australia, Canada already possessed well-defined and known military and economic understandings with the United States before the attack on Pearl Harbour. Mr Curtin, Prime Minister of Australia, said on March 14th: "I say on behalf of the Australian Government that we look to America as the paramount factor on the democracies' side in the Pacific." Canadian-American relations had already ripened to the stage in April, 1941, when Mr Mackenzie King could say: "The link forged in the Ogdensburg Agreement is no temporary axis, formed by nations whose common tie is a mutual desire for the destruction of their neighbours. The Hyde Park Declara-

tion is, I believe, a further convincing demonstration that Canada and the United States are indeed laying the enduring foundation of a new world order, an order based on international understanding, on mutual aid, on friendship and good will."

These differences in relation to the United States have been thrown into sharp relief in Ottawa by the recent visit of the Hon. H. V. Evatt, Australian Minister of External Affairs. Australia is now finding a new bearing in orientation to America. Canada grew up as an American nation within the British Commonwealth. The current phase of Canadian-American relations, dating from the 1938 declarations of mutual assistance expressed by President Roosevelt and Mr Mackenzie King, and extending through the military agreement of 1940 and subsequent economic

understandings which have brought a steadily increasing measure of practical co-ordination, is part of a continuing policy.

Throughout this period, Canadian war plans have been evolved on the thesis that Canada's participation lies chiefly in the Western European theatre. It is a remarkable thing that, despite a joint defence treaty with Washington, despite the joint economic agreement of Hyde Park, and such practical working committees as the Joint Economic Board and the Raw Materials Board, the Canadian Army has been created solely as a force to operate with the British Army in the defence of Britain; the Canadian Air Force has been built primarily for western Europe operations; and the Canadian navy has been developed mainly to participate in the battle of the Atlantic. This is far from the global warfare theories expounded in Washington.

The visit of Dr Evatt provided a convenient point at which to appraise the shift of Canadian war plans from the limited western European thesis, upon which they have developed, to the wider thesis of global war. In practice, the change can be noted in Canadian adherence to the centralised machinery of the United Nations now being created rapidly in Washington. Dr Evatt spoke of "the higher direction of the war." He said: "Central in these considerations are matters of supply, munitions and shipping which must be associated with the general strategic position of the United Nations . . . Canada has fulfilled very heavy commitments to the United Kingdom and other countries. . . I believe that we shall completely overhaul the present methods of pooling and allocation as between the Governments so that the strategic authority will itself direct the apportioning of munitions, supplies and shipping by reference solely to the supreme war requirement, that is, defeating the enemy in every crucial theatre of operation."

Ottawa and Washington

Canada is a member of the Pacific War Council, and as a token of its faith, the Prime Minister attended a session of the Council in Washington in person the week after Dr Evatt's visit. The Canadian Government recently appointed Major-General Maurice Pope as the permanent liaison officer for Canada in the premises of the UK-US Chiefs of Staff Committee in Washington. There is talk of seeking full membership in the Munitions Assignment Boards in London and Washington, and possibly in the joint shipping board as well, since Canada is producing a million tons of merchant shipping this year. The Dominion is proceeding with speed to assume obligations in the world hegemony of the United Nations. The views of Dr Evatt were received with warm approval in Ottawa. His request for Canadian assistance came as from one United Nation to another, rather than as from one Dominion to its sister. The willingness of Ottawa to submit the higher strategic decisions, by which the use of Canada's resources will be determined, to the machinery of the United Nations obviously fulfilled all that Dr Evatt had hoped to find.

That Canada's resources of manpower and munitions should be openly recognised as at the disposal of the centralised councils beginning to operate in Washington has not, in any way yet apparent, modified the Canadian plan of expanding its army in Britain. The belief is held in Ottawa that the western European theatre remains the best theatre of operations for Canadian land forces. There is no suggestion of organising expeditionary forces to any other war sector. Obviously, any pooling arrangement must take account of previous dispositions, and that leaves Canadian military plans as they were. Participation in the Washington councils means at present, as far as Canada is concerned, the pooling of munitions. As far as relations with Australia are concerned, it means that Australia's claim to a greater share of the Canadian munitions surplus will be determined in the light of strategy. That, as Dr Evatt made clear, is satisfactory to Australia.

Madagascar

[BY A CORRESPONDENT]

May 12th

MOST vital to Metropolitan France in normal times are the ports of French North Africa—Casablanca, Oran, Tunisia and Bizerta. Other important points held by France on world trade routes are the ports of Dakar in West Africa, Diego-Suarez in Madagascar, Jibuti in North East Africa, Saigon, Cam-Ranh and Haiphong in Indo-China, Papeete

in Tahiti (Oceania) and Fort-de-France in Martinique. Since the capitulation of France, the fate of Vichy Dakar has been a matter of deep concern to the United Nations and Latin America. Indo-China is dominated by Japan; Papeete in the Pacific owes allegiance to General de Gaulle; and the status of Martinique is now being reviewed by the two parties concerned—the US Administration and the French Commissioner of the territory. When the Japanese laid open the Indian Ocean early this year, the fate of Madagascar was in the balance. If this, the third largest island in the world, had fallen into Japanese hands, it would have imperilled the life-lines of the United Nations. General Smuts declared early in February that "the greatest work which was open to us was to keep the Cape route open and to give swift passage to ships, thus keeping open the 'route to victory.'"

Madagascar almost equals in area France, Belgium and Holland. Separated from the mainland of Africa by the Mozambique Channel, the island stretches from Tanganyika in the north to the Transvaal in the south—a distance of one thousand miles. The naval base of Diego Suarez, now occupied by Britain, in the north-eastern tip of the territory, is 700 miles from Mauritius, 800 from Zanzibar, 1,500 from the Cape, 2,000 from Colombo, and 2,300 from Bombay. Including the dependencies of the Comoro archipelago, Reunion, &c., Madagascar has an area of 241,000 square miles and a population of 3,798,000, of whom some 25,000 are French and 15,000 Chinese. A seventh of the island is still under forest, and forestry products form a considerable part of its wealth. The majority of the population, of Malayan stock, with Arabic and negroid admixture, live by agriculture and stock-raising. There are 3,590,000 acres under cultivation, yielding rice, manioc, sugar, tobacco, coffee, cloves and vanilla; there are also 6 million cattle, about 500,000 pigs, and 2,000 ostriches, enabling the island to export substantial quantities of cattle and meat products and raw hides.

The island produces and exports some useful minerals—graphite, mica, rock phosphate, and precious and semi-precious stones. It leads the world in graphite production, followed by Ceylon, Chosen and Mexico. This mineral is used in making crucibles for melting metal alloys. Crucibles made of Madagascar graphite are reputed to be twice as strong and as durable as those made from the Ceylon material. The British blockade of the territory since July, 1940, has prevented graphite shipments to the Axis. Exports of graphite by countries are given below:—

	(In metric tons)					
	France	U.K.	Germany	U.S.A.	Japan	Others
1929 . . .	6,959	5,388	1,535	1,770	366	16,020
1937 . . .	2,830	4,199	332	1,518	1,615	11,102
1938 . . .	3,742	4,225	612	1,627	1,667	12,500

Madagascar exported in the three years 1929, 1937 and 1938, 426, 611 and 626 metric tons respectively of mica. It is noteworthy that the United States is wholly dependent on India, Madagascar, and Canada for many grades of this mineral, which is of great value for the electrical industry, that are not mined locally. In 1939, US imports of mica from the island totalled 320,317 lb, and were 612,697 lb in the following year. The island accounts annually for 6,000 tons of superior rock phosphates; in 1938, it exported 454,000 kilos of precious and semi-precious stones, one-tenth of which consisted of high-grade rock crystal, an important war material. Germany was an important buyer of the finer varieties of the commodity.

The island's total exports in 1938 were valued at 819 million francs, of which 78 per cent went to France. The most important customers were the United Kingdom and the United States. Imports for the same year amounted to 603 million francs, 75 per cent of which came from France, and the balance from the United States, Indo-China, the United Kingdom, and French India. They consisted of oil, steel, textiles, machinery and paper.

Communications are fairly well developed. There are 534 miles of narrow-gauge single-track railway linking the capital, Antananarivo, with the principal port of Tamatave, but the island has also 16,000 miles of roads suitable for motor-car traffic in the dry season. The roads cover the central plateau, and reach down the south and east coasts. Air services connect the important parts of the territory. There are a large number of natural airfields, and an aerodrome at Tulear. The island has 36 Government wireless stations; the one at the capital is a nodal point of the French inter-colonial network. Before the war, two French shipping concerns regularly called at Tamatave, which has a commodious and safe anchorage from April to November, and berths for mail and coastal steamers.

Chile's New Government THE NEW ISSUE OF

[FROM OUR SANTIAGO CORRESPONDENT]

March 23rd

THE President-elect, Don Juan Antonio Rios, who defeated the ex-Dictator, Carlos Abañez, in the recent Presidential elections by a majority of over 50,000 votes, takes office on April 2nd. He is a Radical, who intends to continue the work of the deceased President. His government is, however, more likely to swing towards the centre, since he has a considerable backing from the Liberal Party, and while he received the vote of the Communist Party, he is a bitter opponent of its principles, and it is unlikely that it will have any say in the Government's policy.

Señor Rios has just published the names of his new Ministers; they inspire confidence, and have had considerable experience.

Their names, together with a short history of each, are given below:—

Minister of Interior.—Raul Morales—a Radical. A doctor by profession and a capable organiser. Ex-deputy. Was in charge of the new President's electioneering campaign.

Minister of Foreign Affairs.—Ernesto Barros Jarpa—Liberal. Occupied the same post during the first Presidential term of Arturo Alessandri. A lawyer by profession. Formerly professor of law at the State University.

Minister of Finance.—Benjamin Matte—Liberal. Farmer by profession. Only recently entered politics.

Minister of Justice.—Luis Malaquias Concha—Democrat. Lawyer by profession. Son of the founder of the Democratic Party. Ex-deputy and formerly Chilean Minister to Panama.

Minister of Education.—Oscar Bustos—Radical. State teacher by profession. At present head of primary education.

Minister of National Defence.—Alfredo Duhalde—Radical. Lawyer and farmer by profession. Ex-deputy and occupied the same post in the former Presidency.

Minister of Development.—Oscar Schnake—Socialist. Ex-Senator and candidate of the Socialists for the Presidency, but retired in favour of Rios. Ex-General Secretary of the Socialist Party. Occupied the same post in the former administration.

Minister of Labour.—Leonidas Leyton—Democrat. State teacher by profession. At present chief inspector of State schools.

Minister of Health.—Eduardo Escudero—Socialist. Of the medical profession, and has held administrative posts in the Public Health Department.

Minister of Colonisation.—Pedro Roblete—Socialist. State teacher by profession and ex-Governor of a large agricultural province.

Minister of Agriculture.—Remegio Medina—Radical. Formerly a deputy and Minister. Has had a wide experience of public affairs.

Minister of Commerce and Supply.—This Ministry has not been filled, but it is expected it will be offered to Pedro Alvarez, a Radical and mining engineer.

Books Received

Versailles: Twenty Years After. By P. Birdsall. (London) Allen and Unwin. 350 pages. 15s. net.

War and British Agriculture. By D. A. E. Harkness. (London) P. S. King. 109 pages. 7s. 6d. net.

On the Agenda of Democracy. By C. E. Merriam. (London) H. Milford. 135 pages. 8s. 6d. net.

National Income and Its Composition, 1919-1938. By S. Kuznets. (New York) National Bureau of Economic Research. 2 volumes. \$5.00.

The Structure of Nazi Economy. By M. Y. Sweezy. (London) H. Milford. 255 pages. 16s. 6d. net.

Mining Year-Book, 1942. Compiled by Walter E. Skinner. (London) Walter E. Skinner, 20, Copthall Avenue, E.C. 2. 448 pages. 20s. net.

Management and Morale. By F. J. Roethlisberger. (London) H. Milford. 194 pages. 11s. 6d. net.

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German. Europe

Technocracy for War

Two events mark far-reaching changes in Germany's economic organisation. Professor Speer, Minister for Armaments and Munitions, has set up an Armament Council (*Ruestungsrat*); and Dr. Funk, Minister for Economic Affairs, has begun the amalgamation of the regional bodies of the so-called self-governing economic organisations—that is, the chambers of commerce and industry, the chambers of independent artisans, the district economic chambers, and the district organisations of the industrial federations. In all, 111 chambers of commerce and industry, 71 chambers of artisans, 27 economic chambers and an unspecified number of district organisations of the federations will be combined into 42 *Gau*-Economic Chambers. Both Ministers explain the reorganisation as a simplification and concentration largely designed for the benefit of private industry, which had been hampered by a cumbersome system of allocating raw materials.

The regional bodies of the self-governing organisations will be virtually amalgamated with the District Economic Boards of the Ministry of Economic Affairs. Goering's Four-Year-Plan Bureaux, responsible for long-term economic planning, temporarily lose all importance. The *Wehrwirtschaft* and Armament Department of the High Command of the *Wehrmacht* sacrifices its independent position by sending its representatives into the new Armament Council; and the District Defence Committees merge with the District Economic Boards of the Ministry of Economic Affairs. Outside the armament industry proper, the Central Boards of the Ministry of Economic Affairs remain responsible for the allocation of raw materials. One important goal of the reform is the creation of clear-cut regional responsibilities. Within the boundaries of each of the 42 *Gaue*, there will be one political, one economic and one military centre. The political Gauleiter has supreme powers; labour dictator Sauckel significantly appointed the political Gauleiters as his regional representatives for the allocation of manpower.

The main object of the reforms is to relieve the central organisations from direct contact with the single industrialist or company. The single industrialist, on the other hand, is relieved from having to report to half a dozen different regional bodies. Hitler's "decree for safeguarding the armament industry" aims at restoring personal initiative, which means, not capitalist initiative, but technical initiative. In other words, private industrialists, or rather their production engineers, may use the raw materials and labour allocated to them as they think fit, but heavy penalties threaten anybody who makes false reports about his demands for materials and labour. The system of fixed prices for armaments and the new Excess Profits Tax are another part of the same process of simplification.

The implications of these may be clearer if the career of Professor Speer, the armament dictator and president of the Armament Council, is considered. Professor Speer is only 37 years old. He studied architecture and had been assistant lecturer at the Technical College in Berlin when he joined the Nazi Party in 1931. His first actual work was a commission for the Party. Subsequently he made the designs for Party buildings and for the rebuilding of Berlin. He has always treated private industry, traditional economic organisations and principles with supreme contempt. The few articles published by him show that he considers economic problems from the point of view of a "technocrat." His main aim now is to give the engineer and designer the place they deserve in production. In other words, Professor Speer holds that the engineer is always right and the administrator, the manager and the accountant are always wrong.

Acting on these convictions, Professor Speer now divides the armament industry according to the different articles that are manufactured for the *Wehrmacht*. Each of the most important articles, for example, tanks, aircraft, guns, etc., are organised by "head committees," divided into sub-committees. These committees are exclusively composed of engineers. The head committees receive the orders from the *Wehrmacht*, subdivide them to the factories and control the execution of the orders. Their activities are directed towards rationalisation in general and towards confining the manufacture of one article to one factory. Professor Speer thinks that the rationalisation effected may

increase production by some 10 to 25 per cent. It is openly admitted at the same time that fresh reserves of manpower and material are no longer available. Economy in material and more efficient production are the only means of increasing output. Stripped of Nazi phraseology, the new organisation is the nationalisation, as well as the rationalisation, of Germany's entire armament industry.

The Reichsbank.—The Reichsbank's total turnover in 1941 exceeded the 1940 figure by 26 per cent. Greater financial liquidity and the increased use of bills in financing the costs of war are reflected in considerable increases in certain items. The most important assets have moved as follows:—

(In million Reichsmarks)			
	1939	1940	1941
Gold	70.8	70.8	70.8
Foreign exchange	224.5	40.9	34.3
Bills and cheques	11,209.9	15,389.6	21,648.9
Advances	30.0	38.0	31.8

Bills and cheques have thus nearly doubled in two full years of war. Correspondingly there has been a particularly heavy expansion in notes in circulation.

(In million Reichsmarks)			
	Bank Notes	Rentenbank Notes	Total Currency
August, 1939	10,907	377	12,949
December, 1939	11,798	957	14,502
" 1940	14,033	1,102	16,770
" 1941	19,325	1,124	22,313

During 1939 and 1940 more notes were required partly because of the incorporation of conquered territories; the increase in 1941, however, is definitely the result of wartime economic and financial tendencies.

The policy of cheap money has been consolidated during the year. For credits obtained from the Reichsbank, the Government paid only 1.77 per cent on the average; and private banking and insurance companies adjusted their business activities to the lowered rate of interest.

Textile Fibre.—*Snia Viscosa*, the leading Italian manufacturer of artificial textile fibres, estimates that world output of rayon increased from 522,000 tons in 1940 to 588,000 tons in 1941, or by 13 per cent. World output of cellulose is estimated to have risen to 672,000 tons, compared with 612,000 tons in 1940. According to the report of *Snia Viscosa*, Germany and Italy are still the leading manufacturers of artificial textile fibres. In 1941, Italy and Germany manufactured 44 per cent of the total world output of artificial textile fibres and 76 per cent of the total European output.

In Germany, the reorganisation of the textile industry is continuing. After the formation of the *Reichsvereinigung Chemical Textile Fibres*, a Co-operative for flax and hemp has been set up. The peculiar relations between growing, processing and manufacturing these fibres had led to the foundation of a separate Co-operative which combines agricultural and industrial organisations. The new Co-operative will regulate the cultivation of flax and hemp and will be responsible for all marketing and manufacturing affairs. The Control Board for Clothing recently prohibited the manufacture of clothing from paper tissues. At the same time, a great number of clothing articles have been declared as unessential, which means that their manufacture is prohibited.

Coal Rationing.—The present system of rationing household coal is relatively simple. The local and district Economic Departments (*Wirtschaftsämter*) are supplied with coal, coke and briquette quotas. These quotas are fixed for a period of twelve months, beginning in April, by the Coal Board in collaboration with the *Reichsvereinigung Kohle*. The supplies are distributed to the coal trade against the delivery of coal forms filled in by households. In these forms, the number of rooms and persons and the actual consumption is stated. The retailer then supplies the customers registered with him according to quantities

available. Each economic Department regulates the distribution of coal according to local conditions. Usually there are five categories of consumers provided for: households using single stoves; centrally heated houses; public buildings, schools and hospitals; farms and other agricultural establishments; and small industries. Consumers are not entitled to a quantity of coal estimated on any point or coupon system. In fact, the present German scheme works because consumers are not entitled to any ration at all; they take what they are given—quite arbitrarily.

Coal rationing was introduced in September, 1939, on the basis of a household coal card. Consumers registered with their retailers and were entitled, on the average, to 80 per cent of consumption during 1938-39; actual supplies were much smaller. During 1940-41, a points system was introduced. One point was equal to one cwt. In April, 1941, the points system was scrapped. The economic Departments were given full power to regulate the distribution of coal according to the conditions prevailing in the district. During the winter of 1941-42, the coal shortage was again acute, and the rationing of gas and electricity was discussed. The industries were unable to find a workable system, and the economic Departments simply decreed

that no consumer was allowed to use more gas and electricity than before. Heavy penalties were imposed if meter readers reported greater consumption. The use of additional electric radiators and the use of gas cooking stoves for heating purposes was prohibited. There is no precedent in the German scheme for Britain, because only in a totalitarian state could the consumer be placed so completely at the mercy of officials and the industry.

Accident Insurance.—The state accident insurance system, which was confined to industries, has been extended by decree to the small shops of the independent artisans, to employees in the banking and insurance business and to domestic servants. The scheme now covers a great number of extra workers—roughly 5 millions—among whom accident risks are relatively small. The decree will therefore considerably increase total contributions; and this seems to have been the main object. The greater part of the accumulated capital of the social insurance schemes is immediately invested in Reich loans. As usual, private insurance companies reveal concern about the extension of state insurance.

Russia at War

The Rôle of Guerillas

FOR the second time in this generation, Russia has been experiencing guerilla warfare. The civil wars of 1918-21 were essentially waged by partisan groups. The old Czarist army had disintegrated, and the setting up of the Red Army proceeded slowly, under enormous difficulties. Lack of cadres, loose discipline and primitive weapons accounted for the fact that, at its inception, the Red Army itself was more like a guerilla organisation than a regular force. In addition, the peasantry showed a preference for partisan forms of warfare until the very end of the civil wars. The tradition of that period of guerillas still exercises a great influence. The number of those who started their military career as members of partisan groups is still considerable among the Soviet officers' corps. It was precisely from among partisans who distinguished themselves in action that most of the pupils of the Soviet military schools were drawn after 1921; and though they may, in the meantime, have acquired a normal military education, they have not yet forgotten the methods, devices and general atmosphere of their first military experience. Old partisans could also frequently be found among civilians. People who in their youth took part in the civil wars are now in their forties; and they have rendered great service as instructors, organisers and fighters.

There is, however, one fundamental difference between the guerillas of 1918-21 and those of 1941-42. The former fought almost independently, and they had very rarely any connection with a regular force. The rôle of the later guerillas has been less independent, and their success or failure has in most cases depended upon the degree of their co-operation with the regular army. In fact, the ups and downs of the guerilla movement of this war have roughly corresponded to the changing fortunes of the "normal" front-line fighting. Reports and hints in the Soviet Press suggest several stages. In the initial phase of the war, the call to partisan warfare did not fall on deaf ears. But the movement, improvised as it was, lacked cohesion and direction. In most cases, the groups were organised in a very loose manner and what was at that time called guerilla warfare actually consisted rather of individual acts of sabotage. The rifle was the partisan's main weapon; but very frequently he had to rely on more primitive implements of war. As the actual front-line shifted eastwards, partisan groups, left far behind in the German rear, gradually found themselves in ever greater difficulties. The conquered areas were policed by enemy detachments; civilians found carrying arms were punished with death; contact with regular army units was cut off; and the single-handed struggle of guerilla bands grew more and more hopeless. The final stage of the Red Army's retreat seems to have been the least encouraging one for the guerillas. The peasants saw the confusion and despondent mood of retreating detachments; and these fre-

quently affected their own morale. Towards the end of the autumn, guerilla activities were at their lowest in the countryside. But they still assumed very large proportions in the East Ukrainian industrial centres; and the Donbass, which was famous some twenty years ago for its record in guerilla warfare, once again came into the limelight. Partisan groups played a very vital part in driving the Germans out of Rostov.

But the real revival of guerilla warfare came during the winter. The halting of the German advance restored the spirit of the regular units, and this acted as a stimulant to the partisan movement. The subsequent Soviet advance made it possible to re-establish steady contacts between the army and the towns and villages in the German rear. The arming of guerillas was facilitated by the quantities of arms and munitions left behind by the retreating Germans. Reports in the Soviet Press reflect to some extent the fluctuations in guerilla warfare; and it was during the winter that reports of partisan activity became very prominent. Most of them related to the northern and central sectors of the front. It was claimed that groups fighting in the north succeeded in maintaining close contact with the defenders of Leningrad; regular meetings and conferences between army commanders and guerilla leaders were said to have taken place. Letters from guerilla groups to Stalin appeared in the papers. They spoke of large "pockets" controlled by the partisans in the German rear, and mentioned instances of localities where the local Soviet administration was still working in its normal manner.

A recent article in *Pravda* summed up the latest stage of the development:—

The experience of ten months has taught the Soviet guerillas a great deal . . . groups are now operating instead of isolated individuals; and these groups have grown into detachments, battalions, regiments and brigades. . . . Inspired by the winter offensive the guerillas have acquired a stronger organisation. . . . Now they have not only rifles; they possess machine guns, automatic rifles, mortars, anti-tank guns and in some places artillery.

It is, of course, difficult to say whether these standards of organisation and equipment have really become typical of the bulk of the guerillas. It is perhaps more likely that the position varies from place to place and that discrepancies are great. But it is certain that in some cases the guerillas have reached a degree of organisation which gives them much of the coherence of normal army detachments.

The partisan movement now seems to have reached a peak. If the Soviets manage to stabilise the present front, or even to move it forward, the guerillas are most likely to become a first-rate asset. They may act as the army's advance guards, and render such invaluable services as cutting communication lines, blowing up munition dumps, raiding enemy headquarters. A new Soviet retreat, on the contrary, would greatly reduce their rôle and probably lead to a gradual withering away of their activity. Even then, the guerillas would give trouble to the enemy and act for some time as an important drain on his policing forces.

THE BUSINESS WORLD

Manpower and the Stock Markets

THE Minister of Labour was recently asked in Parliament whether he had considered the possibility of closing the stock exchanges, and Mr Bevin replied that he had "the matter under review" with the Chancellor of the Exchequer. Perhaps Mr Bevin meant no more than that the possibility had not been overlooked, or that some plan of telescoping was being considered. But a good deal more has been read into his reply; and it may be opportune to point out that to close the stock markets is not the simple matter that some people appear to believe. It is, of course, true that other markets have been closed, or their functions reduced to a minimum. But, in these cases, the Government has taken over the whole business of purchase and distribution—and even so finds it worth while in some cases to maintain the market machinery in being. Those who suggest that the stock exchanges are redundant, seldom consider the question whether some alternative machinery would not have to be created.

It must be admitted at once that some of the important functions of the stock market have disappeared under the régime of closed economy, or have been rendered unnecessary by other developments of Government policy. Thus, the market no longer helps to adjust the balance of overseas payments—except through the sale of holdings to non-residents—or to secure new capital for industries. It is also true that virtually the only new investments available are the Government's own issues; and these are placed without the assistance of the market, except in the very humble capacity of agents for applications.

There remain, however, two important functions which the market still performs. The first of these functions is the need for disinvestment in certain circumstances. One of the arguments most frequently heard in favour of closing the markets is, of course, that people with capital use them to sell securities in order to maintain their standard of living in face of heavy taxation, designed to reduce expenditure; and, clearly, any expenditure which tends to weaken the war effort ought to be forbidden. But to block sales of securities would do nothing to differentiate between outlays which are desirable and those which are not. The sale of securities is necessary in war time to some individuals, as well as to some enterprises, just as disinvestment is to the country as a whole. The simplest way of checking undesirable expenditure is the direct method of limiting supplies, and restricting individual outlays on commodities and services.

In the context of wartime taxation and costs, there are obviously a number of occasions on which dissaving may be necessary. The payment of death duties is, perhaps, the most cogent case from the standpoint of the Exchequer, which would scarcely care to take over in payment a mixed packet of its own bonds, industrial equities, land mortgages, and house property. Sickness, unemployment, compulsory change of residence, war damage, or other essential repairs, are other examples. In the absence of a market, the State or the local authority would have to charge itself with the duty of providing relief for a whole new class of applicants; and it is not improbable that this duty alone might call for a labour force greater than the 7,000 to 9,000 who, it is estimated, are at present employed exclusively on Stock Exchange business.

In passing, it is perhaps as well to point out that a prohibition of dealings in any one substantial section of securities, while they continue to be permitted in other sections, is likely to defeat its own object, since it would simply concentrate realisations upon the sections in which business remained possible. Moreover, it would raise the fear that the prohibition might be extended to other sections, and so would drive those who set a high value on liquidity more and more into holding cash instead of Government securities. It is also very problematical whether there would be any considerable saving of labour under such a system of restrictions.

The second main function of the stock exchanges in

wartime is the provision of the best facilities possible for the adjustment of investment portfolios; and it has been estimated by one authority that as much as 90 per cent of all investment is undertaken by custodians of capital on behalf of others. Even if it is felt that the private investor acts in a capricious manner, and often against his best interests, it remains the fact that most investment is undertaken with a definite object in view, and the investment portfolio is arranged accordingly. The balance disturbed at any time by a great variety of events, ranging from a bad season or the outbreak of war. If it were a change of Government or the outbreak of war. If it were forbidden to make adjustments to meet these changes, the private investor would feel that it was a flagrant interference with his rights, while the custodian—trustee, finance director of an industrial concern, or investment department of a bank or insurance company—would be placed in a position in which he was unable to carry out his duties. If any doubt is felt about the call for these services, some answer is perhaps provided by the fact that throughout a large part of 1941 the number of bargains marked on the London exchange was substantially in excess of the number two years before, and that between end-July, 1939, and end-April, 1942, *The Actuaries' Investment Index* showed rises in value from 118.0 to 146.9 in 2½ per cent Consols, and from 119.1 to 141.8 in home corporations, against a two-point fall to 59.4 in industrial equities.

If the stock exchanges could have been persuaded to provide statistics of turnover under a few main sub-heads, it might have been possible to give still more substance to this argument. It is, however, evident that, after all professional operations have been excluded, there has remained a very general demand for opportunities to adjust portfolios, and it can scarcely be doubted that to have withheld this service would have caused both suffering and discontent. It is, of course, always the case that the bulk of the total business occurs in the Consol market, and it would probably not be an exaggeration to say that the turnover there has been of the order of £10 millions per working day. It would have been much higher but for the fact that, with a few minor exceptions, all issues of Government securities have been made without using the machinery of the market, while most of the securities are in a form which either does not permit of exchange, or offers little attraction to any but institutional investors. People do not pay for these facilities without believing that they extract a solid benefit from them, and it is scarcely possible to remove the marketability of securities, which is one of their great attractions, without providing alternative machinery.

There remains the question whether there is any truth in the contention that the exchanges employ unduly large numbers of men. Unfortunately, no figures are available for the Associated Stock Exchanges or for the PBSE. But there are recent statistics for London, which, judged by membership, is responsible for 73.5 per cent of the stock-broking and jobbing of the whole country—excluding a few small outside institutions. In December last, when the general call up for the services was still short of the forties, the total numbers, male and female, members and employees of all sorts, in London was 5,690 compared with 14,000 before the war. Of this total, almost one-quarter were replacements, presumably by less skilled people; there has been very considerable dilution. It included 4,557 men and 1,133 women. Of the former, 280 were of military age, and under 41, and had not been rejected for the Forces. Of the latter, 273 were between 20 and 30 years of age. There has since been a further review, in the light of later manpower requirements. Meanwhile, the employees of the Stock Exchange itself had fallen from some 400 to around 175, with considerable dilution. Further, out of 778 firms in August, 1939, 110 have been closed or taken over, while a further 116 are the subject of partial amalgamations. The latter constitute an ingenious method of saving over-

heads—not for the most part in personnel—while making it possible for the individual to retain something of his goodwill, even when he leaves his business to join the Forces or to assist the Government in other ways. There was, and is, no block reservation for stockbrokers or their clerks, and special reservations were comparatively few.

When it is considered that this contraction has been achieved in face of some expansion in business, of the substitution of daily for fortnightly settlements, of the absence from London of many companies, and of the plethora of Government forms, it is doubtful whether there is much room for any considerable telescoping. Further, with the price of the service rendered fixed, and competition keen, there is at all times every inducement to economise in labour, insofar as that is consistent with good service.

So far as figures are available, the members of the London

Exchange appear to have played their part at least as well as other professional and semi-professional bodies. It may be that the standard of service to clients will have to be further reduced, but this applies to other services too. What it is essential to recognise is that most of the services rendered are important, while the bulk of them could not be dispensed with for any considerable period without the provision of an alternative. In London, the total of boys and men, 46 and under, including 576 boys and rejects, was less than 2,000, and that of girls and women under 30 less than a quarter of that figure. A real saving in manpower would no doubt be achieved by abolishing financial transactions altogether for the duration, but that is not a practical proposition. Such speeding-up of dilution or further reduction in manpower as is desirable should be effected with the existing Government machinery, not by any special arbitrary action.

The Eastern Banks

THE recently issued reports and dividend declarations of British banks operating in the Far East reflect all too clearly the inroads which Japan's conquests have made on their current and prospective earning power. These banks have been among the brightest jewels in the crown of Imperial investments. Their published and distributed profits are but a partial and meagre measure of the contribution they have made to this country's balance of overseas payments. By tradition the Eastern banks have been managed and financed on exceptionally cautious lines. They have "ploughed back" a far greater proportion of their profits than they have distributed to shareholders; the greater part of this addition to their capital resources has found employment in sterling securities, and the conversion and investment operations involved have contributed as direct—and, probably, as substantial—an item to the national income from overseas investments as the dividends paid by them to British shareholders. A substantial part of the salaries paid by the Eastern banks and the bulk of their lavish pensions have been remitted to this country and spent in it.

The loss of the profits which have made these dividends, investments, and remittances possible is not merely threatened; it is taking place. With Japan in occupation of the treaty ports and concessions in China, of Hongkong, Malaya, the Dutch East Indies and Burma, the Far Eastern banks have been hustled out of the richest of their spheres of activity. The extent of the reduction in current earning power varies with each bank and may roughly be measured by the proportion of their respective branch offices now in enemy territory. The following table shows how the different banks have fared in this respect and gives the latest comparison of dividends.

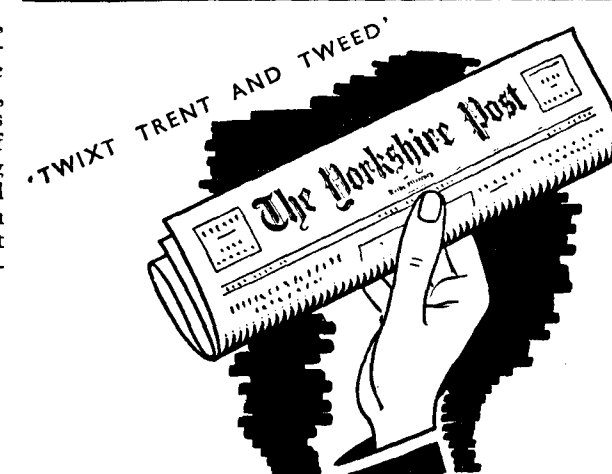
	In		Dividends	
	Total	Enemy	1940	1941
	Offices	Territory	£	£2 10s.
Hongkong & Shanghai	42	36	15	7½%
Chartered	48	37	10%	7½%
Mercantile	25	12	12%	9%
National	30	2	16%	12%
Imperial	179	6	12%*	12%*
Eastern	13	1	6%	4½%

* Financial year to June 30.

The proportion of branches temporarily lost should not, of course, be used as a specific index of the loss of earning power. The events which began last December had to a large extent been foreseen, and the banks concerned had closed their commitments in the most obvious danger areas. This was particularly true of China, where the disappearance of silver arbitrage and the heavy expense of forward exchange operations had for some time past deprived the banks of their normal means of hedging open commitments; these commitments had, therefore, been gradually reduced and the resources liberated remitted to this country and invested here. It should be added that the reductions in dividends shown in the table were in each case dictated by prudence rather than by necessity. The means to maintain distributions were unquestionably available, even if measured by the profits actually earned during 1941. The events which led so rapidly to the loss of branches only began to unfold themselves during the last month of the year; and 1941 would, but for these events, have been one of the most prosperous in the history of these banks. The Chartered Bank, for example, excluded from its published 1941 profits, the second half year's earnings of all branches

in enemy occupation at the end of the year. Yet, it showed a net profit of £352,865, or only £47,000 down on the bumper 1940 total. That course has, in general, been followed by the other banks—if only because no other procedure could be followed because of the severance of communications with the offices concerned and the impossibility of getting information. In all cases, too, liberal provision has been made out of profits and hidden reserves to meet the contingencies arising out of recent events.

Although there may be lean times ahead for their shareholders, these banks retain their potential financial strength and earning power unimpaired. British prestige in the Far East has slumped, and with it the local prestige of British banks. But the remedy is a military, not a banking problem. When the military position in the Far East has been restored, the restoration of the general prestige of British banks should follow almost automatically. But the problem of reconstruction for, say, a bank such as the Hongkong and Shanghai, which is so largely represented in territories overrun by the enemy, will present technical problems of



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considerable difficulty. The Japanese are now endeavouring to liquidate the business of its offices entirely; the task of unscrambling the results of their efforts will obviously call for much patience and ingenuity. The confusion of the immediate reconstruction period is, moreover, bound to be much increased by the changes which the invader is making in the currency arrangements of the occupied territories. In Malaya, for example, the country has been swamped by counterfeit Straits Settlements dollar notes.

There are, however, wider issues at stake. The Eastern banks must face a set of problems as fundamental as the military task of ousting the enemy. These problems come from the growing national consciousness of the countries which the banks serve; from the trend towards self sufficiency of certain of these territories, stimulated by the development of war industries; from the disappearance of the free exchange markets in which these banks earned such substantial profits. The purely "exchange" bank, designed essentially to serve the interests of external trade, and primarily of British trade, with the countries of the East, may be at a disadvantage. The Chartered Bank may well have been farsighted when, with its acquisition of the P. and O. Banking Corporation, it obtained an interest in the Allahabad Bank, an essentially domestic Indian bank; and

political foresight has been shown by those banks which have recruited an increasing proportion of their Eastern staffs in the countries in which they are employed. This policy has been applied with considerable success in India, principally by the Imperial Bank, which is largely concerned with domestic Indian banking, but also by the Chartered Bank.

All the banks, in short, will probably have to identify themselves far more, in future, with domestic banking developments in the countries where they operate. Even with a post-war relaxation of controls, it is probable that neither the financing of trade with the East, nor the attendant exchange operations will offer the glittering prizes that have been plucked from them in the past. This group of British banks should find it possible to adapt themselves successfully to the new conditions. They have acquired a knowledge of the areas they serve which no competing banks, local or foreign, can challenge. They may have sustained losses as a result of the war, but there are abundant reserves available to meet them. For all the problems and difficulties that beset them, the Eastern banks will have an important rôle to play as long as Britain continues to trade with, and invest in, the rich areas in which they have grown such deep roots.

Finance and Banking

South Africa's Sterling Bills

The latest weekly return of the South African Reserve Bank to reach this country, that dated April 2 last, shows an unusual movement, namely, a jump from £446,994 to £5,111,547 in "foreign bills discounted." It may be assumed that the bills so described are sterling Treasury bills. On this occasion the increase in the sterling bill holding is approximately balanced by a fall in "other assets" from £42,125,764 to £36,952,731. These "other assets" probably include longer term sterling securities, and have risen from about £16,000,000 since the outbreak of the war. It is, however, in the increase in the gold held by the Reserve Bank that the main evidence is to be seen of the improvement in the Union's balance of payments since the beginning of the war. Over this period, the gold reserve, which is still calculated at the former parity, has risen from £26,910,000 to £48,366,000, an increase which at current market prices represents about £42,500,000. It will be interesting to see whether the recent rise in the holding of British Treasury bills is an isolated operation, or whether it marks the beginning of a new policy regarding the use of South Africa's substantial creditor balance of international payments.

Notes Still Going Up

The position in the money market has become progressively easier this week. The banks have been more willing buyers of bills than for some time past, and though the market obtained a 41 per cent allotment at last week's tender for Treasury bills, against 37 per cent the week before, no difficulties have been experienced in taking up the additional bills to be paid for. The total bills taken up this week were £15 millions in excess of maturities. The banks' payments on TDR's were £25 millions against nominal maturities of £40 millions, but effective maturities are not believed to have been much in excess of the new TDR payments. The Bank return reflects the increased abundance of credit in a rise of £8,096,000 in bankers' deposits, carrying their total to £126,550,000. This movement gains added weight from the fact that bank cash was depleted to the extent of £3,227,000 during the week by a further withdrawal of notes. This carries the note circulation to the new record of £780,177,000. The expansion of the credit basis is in the main due to an increase of £10,485,000 in the banking department's holding of Government securities. The reconstitution of this item, recently depleted by £50 millions when the fiduciary issue was increased, is thus proceeding at a rather faster pace than would seem warranted by the expansion in the circulation.

Clearing Banks' April Returns

The clearing banks' returns for April disclose an exceptional dispersion of movements in assets, occurring within

a relatively stable volume of bank credit. Deposits were £9,594,000 higher on the month, and if allowance is made for a diminution of £12,622,000 in cheques being cleared and other items in transit, the true expansion in deposits appears to have been in the neighbourhood of £22,000,000. This movement reverses the seasonal contraction in deposits which occurred during the previous three months, when the customary deflationary impact of heavy tax payments was accentuated by the initial response to the offer of Tax Reserve Certificates and by the spurt in subscriptions to other Government issues during the Warships Weeks campaign. The outstanding movement among assets is a jump of £95,150,000 in bills discounted. In interpreting this movement it must be noted that the total outstanding of Treasury bills issued through the weekly tender increased by £15,000,000 over the period covered by the last two clearing banks' returns and that, during April, the discount market syndicate was obtaining fairly generous allotments at the tenders. It should also be noted that the official agents in the market had bought large lines of April maturities in order to keep money abundant during March. The excess of payments for new bills over maturities in the hands of the banks and the market must, therefore, have

	Apr. 1941	Dec. 1941	Jan. 1942	Feb. 1942	Mar. 1942	Apr. 1942
Capital and reserves	140.2	140.3	140.3	140.3	140.3	140.3
Acceptances, etc.	104.9	111.1	106.9	101.5	102.0	97.8
Notes in circulation	1.4	1.5	1.5	1.5	1.5	1.5
Current, deposit and other accounts	2,826.6	3,329.1	3,221.8	3,084.6	3,071.9	3,081.5
Total liabilities	3,075.1	3,582.0	3,470.5	3,327.9	3,315.7	3,321.1
Cash	298.4	365.9	330.2	317.8	347.3	318.8
Cheques, balances, and items in transit	113.9	162.0	133.7	120.3	136.8	124.2
Money at call	137.4	141.3	117.6	122.0	136.6	136.0
Discounts	187.8	171.1	157.0	111.5	162.9	258.1
Treasury deposit receipts	461.0	758.0	738.5	645.5	475.9	449.5
Investments	819.7	998.6	1,007.7	1,016.6	1,049.8	1,048.4
Loans and Advances	883.7	806.7	811.8	825.6	837.7	821.2
Investments in affiliated banks	23.8	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	149.4	154.6	150.2	144.8	145.3	141.1
Total assets	3,075.1	3,582.0	3,470.5	3,327.9	3,315.7	3,321.1

been much greater during April than the £15,000,000 excess of total payments over total maturities of Treasury bills issued through the tender.

The counterpart to the increase in bills is provided in main by a fall of £28,436,000 in cash and of £26,000,000 in Treasury deposit receipts. The nominal TDR maturities in the period March 28 to April 25 (approximately covered by the latest clearing bank returns) was £130,000,000. A large proportion of the nominal April maturities had been previously encashed, hence the comparatively small decline

in this item. Investments are down by £1,409,000, showing that the March return included the whole of the clearing banks' own participations in Warships Weeks subscriptions.

US and Silver Exports

The United States Treasury announced towards the end of last week that it had banned the export of silver to the following European countries: Portugal, Spain, Switzerland, Sweden, Vichy France and its colonial territories. There has hitherto been no lack of evidence that the silver programme has produced a one-way stream of the metal which has swollen the US Treasury's holdings of the metal to well over 3,000 million ounces. But this ban is the first indication that the outcome of that programme met with the full approval of the American authorities, and that they were prepared to resort to the strongest measures to protect their immense holdings of the metal. This was certainly not the attitude of US Treasury spokesmen a few months before the entry of America into the war, when they admitted that the silver legislation had proved a fiasco and might, for all they cared, be wiped from the Statute book. The change of opinion symbolised by last week's ban on exports is, in effect, a token of silver's elevation from the position of a useless precious metal to that of a very essential base metal. The ban is intended, first, to prevent silver leaking through the sieve of neutral Europe into enemy hands. Secondly, it is intended to preserve the strategic reserves of the metal in the United States which, colossal as they may have appeared in the guise of a useless currency backing, are none too large in terms of the industrial uses to which they must be put.

The latest figure of US Treasury holdings is 3,280 million ounces held at the end of 1941. Of this total just over

1,500 million ounces are held as reserve against silver certificates. The balance is free to be used in the various industrial directions opened up by recent research, notably in soldering alloys and steel plating where silver can be used as an effective substitute for tin. Even the silver held against the outstanding silver certificates could without much difficulty be freed for industrial uses. One method would be to withdraw the silver certificates and replace them by Federal Reserve notes. Another would be to use the silver in such a manner as to make it still technically available to the Treasury for purposes of currency cover. These considerations, and all they imply, are a far cry from the customary obloquy levelled in the past at the US silver programme. That programme may have been based on a mixture of log rolling and misbegotten economics. It may have created monetary confusion in the Far East and have done damage to the cause of silver which its originators little dreamed of. But it has, as a happy incidental, created a record-breaking reserve of silver, a metal whose strategic importance is of the first rank now that the supplies of tin available for the United Nations have been so sadly depleted.

Portugal's Balance of Payments

The only country in Europe which in this war has reaped the harvest of neutrality in terms comparable with the fortunate experience of all the neutrals in the last war is Portugal. It has benefited from the stream of refugee traffic between Europe and America, which has been canalised exclusively through it and which brought in its train a rich though short-lived boom in foreign exchange business. Of more permanent character has been the increased income derived from the export of certain strategic materials such as wolfram, for which the belligerents have been actively competing in Portugal, with the result that prices have soared to unheard-of levels. There have been offsets to these windfalls, and the war has inevitably

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ASSETS EXCEED - £77,000,000
CLAIMS PAID EXCEED - £140,000,000
(1941 Accounts)

interfered with the normal outlets for Portuguese produce and in particular with the sale of its wines in the British market. But, by and large, the account balances appreciably in Portugal's favour, and as a result the country's balance of payments has been exceptionally favourable since the outbreak of the war. The Portuguese authorities have wisely taken this opportunity of reducing the country's external indebtedness. The report of the Portuguese National Debt Office for 1940 shows that during that year about two-thirds

of the external debt was extinguished. This was effected by the conversion in April, by which some £10,000,000 of the sealed bonds were converted. The respective repatriation of debt had in fact been taking place gradually by purchases of the sealed bonds in London, and this process has been persistently continued since 1940. Though these bonds are now outstanding to the amount of £26,317,000, it may confidently be assumed that only a small proportion of this total is outside Portuguese hands.

Investment

Consolidating the Ground

As was felt might prove to be the case, the rise in the shorts last week was the prelude to a further considerable recovery in medium dated gilt-edged stocks, and to a less extent, in the longs and irredeemables. By Tuesday last the movement had lost much of its impetus, but in general the rise was about $\frac{1}{8}$ to $\frac{1}{2}$ point. At the new level, none of the stocks had touched a fresh high, but there are cases in which prices exceed the best recorded this year, or last, but not in both periods together. The following table sets out the range of movement and the latest prices for a number of these stocks:—

	High 1941	Low 1941	High 1942	Low 1942	Close May 13
Consols 2½% at any time	82½	76½	83½	82½	82½
Consols 4% after 1957	113½	110	113½	111½	113½
Conversion 3½% after 1961	106½	102½	107½	105½	106½
War 3½% after 1952	106½	102½	106½	104½	104
Local 3½% at any time	96½	89½	97	95½	96½
Conversion 3% 1948-53	103½	101½	103	101½	102½
Funding 2½% 1958-61	95½	91½	95½	93½	94½
Funding 3% 1959-69	101½	96½	101½	99½	100½
Funding 4% 1960-90	116½	111½	116½	114½	114½
War 3% 1955-59	101½	100½	101½	100	100½

The improvement was accompanied by a considerable expansion in business in the Consol market, but, so far, most other sections have signally failed to participate either in the better prices or in the expansion of turnover. This is particularly true of British industrial equities, such business as called for any comment outside that in the Funds being in the more speculative sections. The general tone was, however, even firmer than of late and the general rise in the Funds further strengthens the basis for a more widespread increase in prices once there is any development to warrant optimism. While the ground is being consolidated for such an advance, it is not very easy to see whence there is to come the stimulus needed to set it in vigorous motion. There is no longer the prospect of important vesting orders, and a general rise will require to be backed by the normal expansion in investment demand. It seems not improbable that quiet conditions, with a firm tone, will continue until the shape of the spring offensive becomes visible.

A Doubtful Alberta Scheme

There does not appear to be much hope for the bondholder in a plan which is being advocated in some quarters for dealing with the defaulted bonds of the Province of Alberta. The idea is simply that a substantial cut in interest should be accepted in return for a guarantee of principal and interest by the Dominion Government, the interest rate named being 3 per cent. If this were done, the bonds would stand at a small discount, even if the new stock were long dated, and the bondholder would be well satisfied. There is, of course, nothing new in this plan. It has been mooted in connection with every Canadian default and it has always been shipwrecked on the rock of Provincial sovereignty, complicated by local politics. Alberta was one of the Provinces which refused to accept the terms under which it was proposed that the Dominion should assume responsibility for Provincial debts. There is no sign of any change of view by Mr Aberhart, and this line of approach to the problem seems the reverse of promising. There are, however, others, and, in view of the present prosperity of the Province of Alberta and the fact that it is advertising to the world at large, and Canada in

particular, its need of capital investment, there is some hope that its rulers will not always remain obdurate in the matter of reasonable treatment of its bondholders.

Coats' EPT Liability

Despite the many other factors at work, the decisive influence in reducing the revenue of J. & P. Coats from £1,998,699 to £1,744,637 in 1941 is shown by the chairman, Mr J. O. M. Clark, to have been the incidence of EPT. The company is particularly unfortunate in that it not only has a poor base period, but has also suffered a considerable decline in investment revenue from associated companies which is free from the tax. The year was a difficult one, owing to restrictions at home and the progressive loss of overseas markets, but it appears that, despite these troubles, the total profit exceeded £3,000,000, which must be something like a record for the recent years. The fact that the profit assessment for EPT is very different from that for normal profit calculations, precludes, however, all but the faintest hope that the company will earn enough to restore the dividend to 10 per cent, while the tax remains at 100 per cent. In these circumstances, the board is right to resist those who would like to see dividends maintained out of the equalisation account, since there can be no doubt that liquid resources will be required once a capital replacement is possible. The balance-sheet shows a rise from £3,802,368 to £4,461,755 in creditors, mainly a reflection of higher tax liabilities, while liquid assets are up from £3,775,918 to £4,341,148. This is accounted for by a jump in stock of some £700,000, of which only part is due to higher prices. Excluded from the above calculation are a rise of £340,000 in loans and advances to subsidiaries and a fall of some £200,000 in debit balances with these concerns. The increase in stock in trade has occurred despite the release of accumulated stocks to meet the Government's needs and relief granted to certain Lancashire spinners, whose holdings were exhausted. The good profit of the year is to be attributed in no small way to drastic limitation in the range of articles produced, and to simpler systems of selling, both administrative and operational. It is good to learn that some part of the consequent saving in distribution costs is likely to stick after the war is over. As to the outlook, the EPT cushion will presumably protect the proprietors from any further fall in dividend, but Mr Clark expressed the view that the company would have to rely on greater demands from the Americas to make up for its falling revenue in other areas, including this country. It is interesting to note, however, that he believes that clothes rationing may have the effect of increasing the demand for sewing cotton. The price of the £1 ordinary stock is 34s. 1½d., giving a yield of £5 4s. 1d. per cent, less tax, which suggests that no early recovery in distribution is expected.

Canadian Pacific Outlook

Holders of the ordinary capital in the Canadian Pacific Railway will find an explanation of the continued passing of the dividend, but very little to encourage them, in Mr D. C. Coleman's remarks at the annual meeting. The explanation is the large amount of stock falling in over the next few years, doubts about the future of operations and the conditions under which refunding will have to take place. Evidently, it is a matter of holding a fair balance between the present rights of the equity holders and their more distant prospects. It is difficult to escape the conclusion that, in this matter, the board of the company is more

conservative than the general run of concerns. Whether they are justified in their conservatism, only the future will reveal. Meanwhile, the immediate outlook is reasonably good. For the first quarter, there was an increase in net earnings from the railways of 17.2 per cent. Restriction on road transport will transfer a higher proportion of total traffic to the rails; the total traffic is likely to rise, but at a lower rate. Living bonus payments, tax accruals, and the higher cost of replacing stocks of materials will all raise costs, but a moderate increase in net railway revenue is expected for the whole year. Other revenue is largely dependent upon steamship earnings. The assumption is, presumably, that these will fall. Hotels are being closed in view of limitations on holiday travel, and, in the circumstances, Mr Coleman refuses to make a forecast of net revenue. About the more distant outlook, there is little definite statement, but the implication is that existing conditions are entirely abnormal, both in the character of traffic and in the restriction on competition by road and waterborne traffic. How far traffic after the war will return to its pre-war character is a matter of guesswork, but road and rail conditions will, presumably, return to something like their pre-war state. It is perhaps these considerations that have persuaded the board to preserve cash resources to the utmost.

Company Notes

Babcock and Wilcox Earnings

The preliminary statement of Babcock and Wilcox for 1941 shows a reduction in the balance on profit and loss account from £717,347 to £616,021. These figures are before taxation which, including tax on dividends, required £451,058 in the previous year—after war damage insurance and staff funds. The payment on ordinary capital is maintained at 11 per cent, including a 1 per cent bonus, for the third year in succession, though it is probable that the cover is lower than the 14.9 per cent earned in 1940. Total profits in that year, at £885,029, were more than £100,000 below the 1939 level, and it is likely that there was a further reduction of the same order in 1941. Although it is clear that the concern was fully occupied last year—it is a leading producer of steam boilers and other heavy heaters—rising costs and stricter contract terms may have reduced gross earnings, and it is probable that EPT has played a dominant part. The total of available income has been adversely affected in recent years by the necessity of writing off war losses in enemy occupied territory, and it is possible that the Japanese advance in the Far East may have forced the management to make further provisions in last year's accounts. The £1 ordinary shares at 43s. 6d. ex dividend offer a conservative yield of £5 1s. 1d. per cent.

Stewarts and Lloyds Lower Profits

The full accounts of Stewarts and Lloyds for 1941 show a decline in profits, after tax including tax on dividends, from £1,822,433 to £1,752,970. No doubt the necessity of meeting EPT at the full rate throughout the year is largely responsible for the fall. It is to be regretted that the form of the accounts is altered so as to conceal the provision for War Damage premium, which took £150,000 in the previous year. Depreciation is some £10,000 higher

at £581,279, but there is a transfer of £100,000 for special depreciation reserve. With other charges relatively unchanged, equity earnings are down from £884,930 to £785,481, falling below £1,000,000 for the first time since 1936. Deferred stock and Liaison shares receive the customary 12½ per cent covered by earnings of 16.6, against 20.7 per cent. By reducing the transfer to contingencies by £100,000 to £250,000, and crediting £85,754 from ARP reserve no longer required, it is possible to raise the carry forward from £182,689 to £192,875.

	Years to December 31,		
	1939	1940	1941
Profit after all taxation	1,991,562	1,972,433	1,752,970†
Fees	15,000	15,000	15,000
Benefit and pensions	95,532	99,838	110,249
Deb. Int. and S.F.	127,500	127,500	127,500
Depreciation	539,790	571,734	681,279‡
War Damage Premium	—	150,000	—
Preference Dividends	144,856	123,431	119,215
Deferred Stock and Liaison Shares:—			
Earned	1,068,884	884,930	699,727
Paid	656,619	534,050	525,295
Earned %	20.3	20.7	16.6
Paid %	12½	12½	12½
Contingencies Reserve	500,000	350,000	250,000
Carry forward	181,809§	182,689	192,875*

† After War Damage.
‡ Including £100,000 reserve for special depreciation.
§ After debiting £90,000 to Pensions Reserve.
* Including £85,754 ARP reserve no longer required.

The chairman, Mr. A. C. Macdiarmid, is necessarily reticent with regard to the activities of the group. It is axiomatic that plant was employed to capacity last year, and the setback in profits is no doubt to be accounted for by the operation of cost factors and higher tax liability. The balance-sheet—the accounts unfortunately do not contain a consolidated statement—shows that, excluding inter-company items, current liabilities exceed liquid assets by £140,049. At the date of the previous accounts, there was a surplus of liquid assets amounting to £227,660. Against this, there is an increase of £339,997 in net advances to subsidiaries, and one of £206,401 in shares and advances on capital account in allied and other companies. Increased liabilities include a bank loan of £1,000,000, while stock-in-trade is up by some £775,000, and debtors by £400,000, against which cash is lower by some £213,000. The bank loan is probably due in part to the tempo of payment for work on Government account. The fact that the dividend is unchanged means that Tube Investments' receipts on the liaison shares are maintained. That company has just repeated its interim for 1941-42, but Stewarts and Lloyds receipts from it were 20 per cent in 1941, against 23½ per cent in 1940. The deferred shares of Stewarts and Lloyds stand at 45s. 3d., giving a yield of £5 10s. 6d. per cent, while Tube Investments ordinary at 81s. 6d. return £4 18s. 2d. per cent on the supposition that the 20 per cent dividend is unchanged.

Colvilles Report

Since final prices for some materials supplied to Colvilles have still to be determined, neither actual profit nor tax liability can be definitely ascertained. It is un-

THE PROVIDENT ASSOCIATION OF LONDON LIMITED.

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LIFE ASSURANCE WITH HOUSE PURCHASE PRIVILEGES.

ATTRACTIVE ANNUITY RATES.

TOTAL FUNDS

Total Advances upon House Property to Policy-holders exceed

£15,591,715

TWENTY-FOUR MILLIONS

W. W. BENHAM, Chairman.

J. G. SLEIGH, Managing Director.

fortunate that, in addition, the directors have decided to show estimated profits only after tax and war damage. In 1940 tax took £800,000, and the net figure appears to have risen, subject to the above qualifications, from £428,686 to £603,196. As in recent years, £250,000 is provided for ordinary depreciation; the £100,000 transferred as before for special depreciation is not treated as a charge against equity earnings. On this basis, the available surplus is up from £113,936 to £294,634, representing 15.3 against 5.5 per cent. The ordinary dividend is maintained at the 8 per cent, paid in the four previous years, and the carry forward raised from £119,858 to £157,710. These results are indisputably superior to the general run of heavy industrial earnings in 1941. The accounts do little to elucidate the position, but it must be supposed that the clue lies in the relatively better EPT standard which Colvilles possesses. The balance-sheet reveals the expected rises in creditors and debtors. Stocks are up from some £2,664,000 to £3,116,000, and there is a substantial rise in cash holdings from £171,000 to £507,676. The directors have repaid £100,000 during the year, reducing the Insurance Group loan to £900,000. The total of depreciation reserve now stands at £2,350,000. Clearly, the position of the company is very strong. The £1 ordinary stock, at 20s 9d, yields £7 18s per cent.

United Molasses Accounts

Full accounts of United Molasses for 1941 confirm the impression conveyed by the preliminary statement—discussed in *The Economist* of May 2, 1942—that the group suffered a considerable contraction of business last year, and this was aggravated by heavy losses on molasses in the Far East. Trading profits of the company dropped sharply from £799,116 to £151,809, and although the fall was in part due to the transfer of the tanker fleet to the wholly owned subsidiary, Athel Line, the company's share of earnings of subsidiaries and other revenue rose only from £271,185 to £323,448. Since current tax liability is reduced from £485,000, exclusive of £140,000 for arrears, to £75,000, equity earnings, although nearly £200,000 lower at £301,949, representing 30.8 against 48.1 per cent, still provide substantial cover for the ordinary dividend, maintained at 20 per cent. General reserve receives £100,000 against £150,000 to contingencies and the carry forward is raised from £66,582 to £73,081. The chairman, Mr. F. K. Kielberg, points out that although the group has suffered heavy losses in Japanese occupied territory, fixed assets were written off by the end of 1940 and full provision has been made since then for remaining investments in China, Java and India. It is good news that tonnage lost up to 31st December had been more than made good. This is due to the acquisition of an interest, exceeding 90 per cent, in Tankers, reflected, in the consolidated statement in a rise of about £404,600 in the value of the fleet before depreciation, and as part cause of an increase of £914,000 in holdings of gilt-edged stocks. The rise in the fleet valuation must be read in conjunction with an addition of almost £290,000 in ships rebuilding reserve, of which some £73,300 is due from the Government tonnage replacement account, and the remainder represents the excess of insured value of ships lost during the year over their written down book valuation. A decline in debtors from £2,059,133 to £1,167,024 is an indication of reduced activity, but the fall in stocks of molasses is exceeded by increases in other commodities. The excess of liquid assets over current liabilities is very slightly lower on the year. The purchase of Tankers is reflected in the company's balance sheet in a rise of some £1,080,000 in holdings in subsidiaries, and this, together with a jump of £372,000 in holdings of Government stocks, has been financed by additional loans from subsidiaries, there being modest declines in stocks and debtors. The difficulty of replacing tonnage is the supreme problem for the immediate future, even in the context of reduced overseas trading, and the board is to be congratulated on having reached a temporary solution. The 6s. 8d. Ordinary shares at 28s. 3d. ex dividend yield £5 17s. 11d. per cent, less tax, on the 20 per cent dividend and 2½ per cent tax free cash bonus.

BET Record Profits

The preliminary statement of British Electric Traction for the year to March 31, 1942, shows total profits which, at £767,588 against £748,552, have again reached a new

record level, and continue an upward trend unbroken since 1932-33. The statement completes the picture of the fortunes of the group in the latest financial year, and provides a summary indication of the progress of the wide section of the motor transport industry, in which BET is interested, besides its holdings in electric supply and gas undertakings. As was to be expected, liability for income-tax and EPT was higher last year, increasing from £81,661 to £105,750, and surpassing the previous highest provision of £104,709 in 1938-39. In the majority of cases, EPT has, probably, been met by the operating companies. The dividend on deferred stock is maintained at the 45 per cent, paid in the two previous years, and there is a surplus carried to undistributed profits of £8,434, bringing the total of this fund to £1,983,813. It is possible to estimate that equity earnings amount to £364,272, against £368,703, representing a rate of 47.1 against 48.3 per cent. The steady rise in total income, and the relative stability of surplus earnings achieved by BET, and the Tilling-BAT group of transport companies is outstanding among the general run of industrial enterprise. The welcome initiative in using producer gas, which permits operation on a commercial basis with considerable independence of the petrol ration, is on too small a scale to be of appreciable influence on profits until after the war. The £100 deferred ordinary stock, at £925, yields £4 18s. 11d. per cent.

Rio Tinto Reverse

Although the Rio Tinto Company is able to record a 45 per cent. increase in its net return on sales for 1941, receipts from interest and dividends are drastically reduced and only £175,316 of the peseta balance has been utilised against £441,776 in 1940. This balance must now be nearing exhaustion. The result is a decline in revenue of £275,764. Total expenses show little change, and although there is no special provision for taxes, against £200,000 last year, it is necessary, after meeting the preference dividend, to take away £14,795 of the £58,393 added to the carry forward last year. The table below summarises revenue and expenditure for the past three years:—

	Years to December 31st	1939	1940	1941
Revenue				
Sales net		224,194	86,213	126,397
Peseta balance used		64,611	441,776	175,316
Dividends and Interest		284,331	241,892	192,403
Total		573,136	769,881	494,117
Expenditure				
Administrative		273,346	269,653	267,136
Debt service		160,640	160,585	160,526
Special tax provision		—	200,000	81,250
Preference shares		81,250	81,250	—
Earned for ordinary		57,900	58,393	Dr. 14,795
Earned %		4.4	5.5	—
Carry forward		509,720	568,113	553,318

The continued decline in actual earnings is a reflection of the difficulties of the Spanish business, on the one side, and of the ill effect of EPT on the distributions of the Rhodesian copper interests. The directors are able to meet the preference dividend, but it is now over a decade since anything was paid on the equity capital. Of total assets of just over £7,750,000, some £3,700,000 are stated to be in Spain. The only substantial change in the balance sheet is a rise of some £109,500 in miscellaneous investments, which has been financed to the extent of £40,752 by reduction in cash and of £69,829 by a rise in creditors. The £5 Ordinary shares are quoted at 7½, a reflection mainly of the market's valuation of the Rhodesian interests.

De Beers Progress

A further instance of the ill-effects of arbitrary and unconsidered action by Government Departments is afforded by the partial holding up of the accounts of De Beers. So far as these were sent to individuals they passed without delay, but the bulk supplies were disclosed selectively and that most people are still without the full figures. On the basis of summarised statements which have filtered into the press, it is clear that a substantial improvement was realised last year. Total income, including sums released in respect of stores written off, if this item occurs in the later year, rose from £2,138,106 to £2,694,036. The total of mining and other expenditure was sharply reduced, but there was a heavy increase in tax liability, which jumped from £150,000 to £503,000. Thus, the sum available for dividends is increased from £1,279,534 to £1,753,894. The management have decided to bring payments on preference capital up to date, with a distribution requiring a gross sum of £1,200,000, covering the eighteen months ending December 31st last. This leaves £553,894 against nil, representing 17.4 per cent, for the deferred shares, which receive a payment of 20 per cent, the first since the 30 per cent distributed in 1937. The deficit of £82,500 is drawn from the carry forward, reducing it to £1,170,631. These results are very much better than could have been foreseen a year ago, when the elimination of preference arrears was generally regarded as the potential limit of distribution from 1941 earnings. The directors state that the sale of diamonds, both in the industrial market and as precious stones, has been extremely satisfactory. It has no doubt been assisted by hoarding purchases. The balance-sheet shows a decline in the surplus of liquid assets over current liabilities, inclusive of inter-company items, from £758,824 to £542,671. Among assets there is, however, a marked rise in loans at call from £260,000 to £740,564. As a result of the liquidation of Cape Coast Exploration, there is a net decline of £715,849 in investments in mining companies to £3,686,265. In order to purchase the *Diamond Corporation's* holding in the former concern, *De Beers* has disposed of some £371,000 of *Diamond Corporation* 4½ per cent debentures, leaving the total of unquoted securities at £1,113,000, while quoted securities are reduced by some £71,171 to £1,409,157 by the sale of the balance of the holding in the preference capital of *African Explosives*. It is satisfactory that there has been a corresponding improvement in the results of

Consolidated Diamond Mines, an associate, whose profits are up from £486,358 to £816,259. The ordinary shares receive 15 per cent against nil, the first dividend since 10 per cent was paid in 1937. The 50s. deferred shares of *De Beers*, at 162s. 6d., yield £6 7s. per cent, while the 10s. ordinary shares of *Consolidated Diamond Mines* at 11s. offer £14 12s. 8d. per cent.

Mining Finance Results

The 1941 results of *Central Mining and Anglo American Corporation* reveal a substantial improvement on the profits of recent years. The preliminary statement of *Central Mining* shows a jump in income from £368,017 to £712,143, before contingencies which receive £30,000 against £10,000. There is a considerable increase in tax liability from £55,000 to £175,000, but it is possible to estimate that equity earnings are up from £204,558 to £457,143, the highest level since 1936. There is 2½ per cent increase in the distribution on ordinary shares, bringing the total to 7½ per cent, less tax, at some 7s. 6d., while the cover is raised from 6.0 to 17.0 per cent. Investment reserve receives £100,000, against nil; reserve fund £100,000 against £25,000. The 1941 accounts of *Anglo American Corporation* indicate a rise in profits from £926,414 to £975,886. Since there is no provision for writing off shares and interests in other concerns, against £330,000 in the previous year, it has been possible to raise the ordinary dividend from 20 to 25 per cent. The provision for taxation, other than tax on dividends, is unchanged at £100,000. If the 1940 charge of £330,000 is treated as properly spread over a number of years, and so deducted from reserves, equity earnings, which are £597,130 against £633,331, represent a rate of 25.9 against 24.4 per cent grossed up for income tax at 10s. There is an increase in the carry forward from £107,317 to £128,148. The improvement in profits, despite the reduction in dividends from a number of mines in which the corporation is interested, notably Rhokana Corporation

THE IMPORTANCE OF SOUND MONEY

In these days of grave anxiety men of goodwill are seeking truth. Once they find a foundation for their beliefs which they regard as incontestable they are ready to act. Many of them are finding that the actions required are the reverse of those which they formerly thought to be right and in the interests of the mass of the people.

Many are now for the first time recognising that a large part of the prosperity and social services to which our people have become accustomed was founded on the services which our countrymen over a century and more have rendered to the world—services of banking, insurance, investment and the carrying of goods over the Seven Seas.

Those services brought in a valuable income which percolated throughout the length and breadth of the land. They were founded largely on the integrity of the British business man and on confidence in the value of our currency. That confidence continued so long as foreign peoples saw that our banking system, and consequently our currency, was being constantly buttressed by real savings.

The hazards of war temporarily suspend the income from many of those sources. We have now to maintain ourselves on what remains of the accumulations of the past and by the generosity of our friends.

If those services were to vanish entirely, the livelihood of large numbers of our people—several millions—would go too. In time, the population would fall to the low level desired by our enemies and our ability to maintain and defend ourselves would suffer accordingly.

How can we avert such a catastrophe, recover our ability to render valuable international services and thus increase the well-being of all our people?

The answer is that we can only do so by preparing the way for conditions under which the value of the currency can be stabilized and our paper money convertible into gold.

The primary requisite for the maintenance of a sound currency is an ability to pay our way in international trade. We have to provide goods and services, and not gold, in exchange for those things we desire and need to import, and we have to provide those goods and services at prices which overseas buyers can afford to pay for them.

This, in turn, requires a complete reversal of our national policy of recent times. That policy has been designed to

bring about internal stability at all costs. It has attempted to isolate internal trade from external affairs and to eliminate the influence of world price fluctuations on the Home Market. It has not succeeded and it cannot succeed. Indeed, it is undesirable that it should succeed, for it would deprive our people of the improvement in the standard of life which can only come from world abundance. The refusal to accept internal fluctuations in accordance with world fluctuations, undermines the competitive power of our industries and consequently undermines the stability of our currency—which it cannot be too frequently emphasized is a most valuable earning asset for the whole of the people.

Currency depreciation is of no assistance whatever for recovering markets. The uncertainty which a falling currency causes reduces the volume of trade.

A fair exchange of goods with overseas customers cannot be achieved by the internal rigidity and the consequent depreciating currency which we have seen in recent years, but by a constant willingness to adapt our price level to the fluctuations caused by international supply and demand for services and commodities and by a sound currency.

Those were the alternative policies with which we have been faced in recent times. There is no doubt now which is the right one. The re-adoption of the free internal economy which is essential to our survival as a great Nation will require a new outlook on the part of many sections of the community. Henceforth the larger industrial units, trade associations and trade unions must think in terms of the needs of the whole community rather than merely the interests of those sections with which they are most intimately concerned.

The situation requires the elimination of waste in every section of our national life and through those economies reductions in the rate of burdens of industry and individuals. It requires the acceptance of the principle that as much money as possible should be left in the hands of the business community to fructify and produce new goods and wealth. It requires that the right of all men to offer their services and productions freely in the common market place should be re-established: that private enterprise should be permitted to flourish and merit be rewarded.

This announcement is issued by The Sound Currency Association, 4, Dean's Yard, London, S.W.1

The Sound Currency Association holds its annual meeting on May 20th at The Abercorn Rooms, Great Eastern Hotel, Liverpool Street, E.C.2, at 2.30 p.m. ALL ARE WELCOME.

and Rhodesian Anglo-American, is no doubt due mainly to an improvement in finance business. The balance-sheet shows a decline in the total of cash holdings from £7,541,054 to £4,920,025 which is explained, partly by repayment of loans from affiliated companies and others of £1,760,426, leaving the total at £7,344,544, and partly by an increase in holdings of Government and other securities from £2,610,509 to £3,254,931. The value, at or under cost, of investments other than those in subsidiaries, is up from £7,203,674 to £7,793,570. It is clear that there has been, on balance, a definite improvement in market values during the year.

* * *

Anglo American Group

The milling tonnage of Brakpan was well maintained, but the reduced milling grade and higher costs resulted in a heavy fall in profits, and dividends were reduced to 2s. 6d., on which basis the yield at 28s. 9d. is 8.7 per cent. There was a heavy fall in the ore reserves, both in tonnage and in value, and this old mine will become increasingly dependent on its large holding in South African Lands, which had a most successful year. Tonnage milled, yield, costs and profits showed a very satisfactory increase; owing to higher taxation, the dividend was reduced slightly to 6s. 9d., on which basis at 4½ the yield is 8.1 per cent, which seems rather generous in view of the very good prospects of the mine. In spite of an increased milling tonnage, the yield, costs and profits of Springs were adversely affected. As a larger appropriation was made for stores, the dividend was reduced to 2s., on which basis the yield at 21s. is 9.5

per cent. A very severe fall in the ore reserve tonnage again occurred, and this fall is likely to continue. The upper or older portion of the mine is becoming exhausted, and the future will largely depend upon the opening up of the lower or Southern portion. A shaft to serve this part of the mine, jointly with the adjoining West Springs, is being sunk, but will take some years to complete. The position of the mine is not very satisfactory. The West Springs milling tonnage and grade were approximately maintained, but there was a substantial increase in costs, and, with a higher appropriation for stores, the dividend was reduced to 2s., to give a present yield at 33s. of 6.1 per cent. The ore reserves fell slightly. The large undeveloped area in depth will become available in due course, when the joint shaft with Springs is in commission, and the mine should have in prospect a long life. Daggafontein had a most successful year. Tonnage was increased, and whilst the sub-yield was slightly down, working costs showed a substantial fall, resulting in a larger profit. Owing to increased taxation, dividends were reduced slightly to 2s. 10½d., on which basis at 38s. the yield is 7.5 per cent. The ore reserves showed a satisfactory increase, and the mine is looking very well. East Daggafontein also shows a very satisfactory increase in tonnage, grade and profit, with also a factory increase in tonnage, grade and profit, and the dividends were raised to 2s. 6d., which at 37s. give a yield of 7 per cent. The ore reserves also show a satisfactory increase, and the mine clearly has a prosperous future in store. Western Reefs entered production, and a maiden dividend of 3d. was paid. Present tonnage, yield and costs are of little significance, being based on the first six months of crushing. The ore reserves show a very substantial increase, and the mine has a vast unexplored area.

ANGLO AMERICAN CORPORATION

Years to December 31	Tonnage Milled ('000)		Yield per ton		Costs per Ton		Working Profit ('000)		Dividends		Reserves			
											Tons ('000)		Value (dwt.)	
	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941
Brakpan	1,634	1,649	38/11	36/11	23/-	23/6	1,299	1,105	3/-	2/6	6,980	6,317	5-3	4-9
Daggafontein	1,911	1,958	48/1	47/8	20/10	19/11	2,602	2,718	3/-	2/10½	8,771	8,789	6-3	6-2
East Daggafontein	827	988	43/11	44/5	27/8	26/7	669	881	2/3	2/6	2,852	3,001	6-1	5-6
South African Lands	1,311	1,422	46/3	46/4	20/8	20/5	1,679	1,842	7/-	6/9	4,061	4,088	6-0	4-9
Springs	1,979	1,974	45/10	45/2	21/3	21/8	2,586	2,322	2/6	2/-	7,124	5,860	5-1	5-1
West Springs	1,112	1,070	36/4	36/2	21/10	22/11	805	711	2/9	2/-	4,180	4,009	5-1	5-6
Western Reefs (6 months)	...	295	...	36/5	...	28/8	...	115	...	3d.	1,509	2,002	5-7	...

Industry and Trade

Coal Consumption

The case for fuel rationing is incontrovertible. Consumption must be economised and cut down to a minimum compatible with the maintenance of the health of the people and the efficiency of essential industry. It is difficult to understand, however, why current discussion is centred almost entirely on the problem of economy in domestic consumption. The need for economy in industry is equally urgent. During the debate in the House of Commons on March 17th, Mr. Grenfell stated that the proportion of the national output taken for domestic purposes was about 20 per cent. Even if this is an underestimate, it indicates the importance of cutting out waste in industry. In fact, industry, like the domestic consumer, must be rationed on a much stricter and more effective basis than hitherto. For purposes of industrial consumption, crude and processed coal must be treated like steel and any other scarce commodity by the adoption of an efficient system of allocation, which not only eliminates all unessential uses, but also waste in essential industrial undertakings. Lord Leathers' statement on May 13th that there would be further careful pruning of passenger train services is to be welcomed. Together, domestic and industrial rationing should go a long way towards reducing the magnitude of the coal deficiency.

* * *

Insurance Against Nationalisation

After the outbreak of war, shipowners were required to obtain a licence from the Board of Trade (subsequently the Ministry of Shipping and later the Admiralty) for the completion of merchant ships then under construction and for the laying down of new ships. While licences have been issued for the construction of vessels on private account, a substantial proportion of the new ships have been, and are

being, built for the Government. In view of the heavy drain on the private fleets, the proportion of the total tonnage owned by the Government has been steadily increasing, a trend which was viewed with apprehension by the ship-owners. They feared that, if the war continued long enough, the greater part of the merchant fleet might be owned by the Government at its end and that there might be a demand for the nationalisation of the industry. Consequently, the General Council of British Shipping has approached the Ministry of War Transport with a view to being given an opportunity to buy these Government-owned ships. In other words, shipowners were anxious to stake a claim to the tonnage constructed on behalf of the Government. A scheme has now been devised, published as a White Paper on Friday, whereby shipowners who have lost tonnage, through marine or war risks, will be given the opportunity to purchase the ships built or to be built during the war on Government account. The price to be paid for these ships will be the cost of construction, less depreciation on the usual basis adopted by the Inland Revenue. Delivery will not be made until after the war, but the purchaser will be able to operate the ship to which he has acquired a title in consideration of a management fee. Ships will be offered on a rota basis in chronological order of losses, and vessels built for private account will be treated as an allocation from Government-owned tonnage. For the purpose of allocation, ships have been classified into types, comprising deep-sea liners, short-sea trade liners, deep-sea tramps, deep-sea tankers and coasting tankers. But not all the Government vessels will be made available to British shipowners; some of them will be assigned to the Allied Governments, and, in contrast to the deferred delivery scheme applicable to British shipowners, may be transferred immediately, on condition that they remain available to the Minister of War Transport.

Rejection of Wages Claims in Cotton Trade

The decision of the National Arbitration Tribunal to reject the claim for higher wage rates by the spinning operatives in the cotton industry, and the subsequent failure of the weaving operatives to secure an increase by arbitration, is of considerable interest. The application of the operatives was for an advance of 3s. 4d. in the £ on current wages in the spinning branch and for 8s. per week, on the basis of a 48-hour week, in the weaving section. Since the Ministry of Labour's cost of living index has remained comparatively stable for more than a year, the claim of the operatives was apparently made on the ground that their earnings are well below those of munition workers. In each case the arbitrators found that the claims had not been established. Operatives have already secured an increase of 35 per cent in wages since the outbreak of the war. Since the tendency of arbitration tribunals in their awards has hitherto been to compromise, the flat refusal of the National Arbitration Tribunal to concede even part of the claim of the spinning operatives in the cotton trade may indicate a determination to arrest the general upward movement in wage rates. Wage claims are under consideration in a number of other industries; it will be interesting to see whether the decision in the case of the cotton operatives will be regarded as a precedent.

* * *

Industrial Reconstruction

Last week the Executive Council of the Association of British Chambers of Commerce issued a report on the problem of industrial reconstruction. It is agreed that in order to secure full employment and a rising standard of living in world recovery, all aspects of industrial policy must be closely co-ordinated. The Executive Council suggests the establishment of a joint committee, comprising representatives of a council of industry, of an import and export council and of agricultural interests. The council of industry, consisting of representatives of industry, commerce and labour, is to be approved by the Board of Trade—which is simply the old and utterly false idea that corporate representation must imply competence and fair play. The council's task would be to ensure that the policy of each industry fits into the post-war scheme of reconstruction and, in collaboration with the Government, that trade and industry are "carried on for the benefit of the community as a whole." Within the general scheme of reconstruction, each industry should be responsible for the planning of its own policy and every encouragement should be given to the development of trade associations. It is admitted that steps must be taken to avoid the undue influence of organised producers; to enquire into existing monopolies, and trades and services which, by their nature, constitute monopolies; and to prevent the growth of monopolies in the future. Many of the aims outlined in the report are unexceptionable. But it is not difficult to discover a harking back to the old feudal and restrictive industrial self-government. While directions on industrial policy are to be given by the Government, the directions are to be based on the guidance of the council of industry.

* * *

Organisation of Building

One aspect of the unsolved problem of the relations between industry and the Government was strikingly revealed by the address of Mr R. Coppock, General Secretary of the National Federation of Building Trades Operatives and President of the Building Industries National Council, at the tenth annual meeting of the Council, held on April 30th. The burden of Mr Coppock's address was a plea for the recognition of BINC by the Minister of Works and Buildings as

the appropriate organisation representative of the interests in the building industry, competent to give him advice on matters relating to that industry.

He deplored the state of affairs whereby the policy of the industry is directed by persons "sitting in" with the Minister. The Ministry of Works and Buildings had set up an organisation under Sir James West, with seventeen sub-committees, all dealing with technical matters in relation to planning, and where the advice tendered by the outside organisations clashed with that given to the Minister by his own advisers, the independent advice has nearly always been rejected. If the implication of Mr Coppock's criticism is that the policy of the Ministry should be guided by BINC "on matters coming within the sphere of the building

industry generally," it raises the fundamental issue of the authority of the Government which is scarcely softened by the statement that

it was possible that in the post-war period we would find them [the vested interests in the industry] overridden by the compelling desire of the nation for decent homes and living conditions generally.

The national interest must prevail over the sectional interest, and any attempt by trade associations to undermine or to capture the authority of any Government Department is to be strongly condemned. The Ministry of Works and Buildings, as indeed any other Ministry, must be free in choosing its advisers, and any suggestion that trade associations should have a monopoly of advice is totally inadmissible.

* * *

"Closed Shop" in Coal Mining

On the outbreak of the war, an understanding was reached between the members of the Joint Standing Consultative Committee of the coal mining industry on the question of non-unionism. The owners' representatives assented to the principle that workpeople should be members of the trade unions which negotiated their collective agreements for them, and undertook to co-operate with miners' leaders in their efforts to secure a 100 per cent membership. The employers, however, were not in complete agreement on the question of making trade union membership a definite condition of employment, and under the security of the cost of living wage agreement and of the guaranteed pay week provision of the Essential Work Order, many workmen were behind-hand with their contributions, and there were threats of non-unionist stoppages in several coalfields, particularly in Yorkshire. These events led to a revival of the demand for a "closed shop," and it has now been virtually recognised in most of the coalfields of the country, though in various forms. In Yorkshire the employers have not only agreed "to use their influence to secure the individual membership of all workmen employed in and about the mines" but have also undertaken to refrain from paying the attendance bonus of 1s. per shift to non-unionists, subject, however, to an undertaking on the part of the miners' organisations to indemnify the owners in respect of any claim for wages or damages which may arise as a result of the operation of these arrangements. A very similar arrangement has been negotiated in Lancashire and Cheshire and Scotland, but in South Wales and Durham a solution of the problem has been found in the "closed shop" method. In the South Wales coalfield, the owners have agreed to make membership of the South Wales Miners' Federation a condition of employment, to deduct union contributions weekly from wages, and pay them over to the Federation's central office. These arrangements, from which clerks and officials are excluded, are to remain in operation so long only as the South Wales Miners' Federation retains complete authority to enter into and maintain agreements with the South Wales colliery owners, and "on the complete understanding that if the South Wales Miners' Federation should become subject to the overriding control of any other authority" they will become null and void. The contributions amount to 6d. per week, and the arrangements are to operate from May 22nd. The observance of these new arrangements will remove from the industry one of the most active normal peace-time causes of controversy and stoppage, and it is significant of a fundamentally changed attitude that in South Wales compulsory membership of the local trade union is to apply not merely, as in 1916, for the duration of the war, but for the full period of nearly four years ended February, 1946, covered by the new Conciliation Board Agreement. It is indicative of the harsh exigencies of wartime, and the bargaining strength of labour, that this dangerous, dubious and arbitrary principle of the closed shop should have been so readily and so widely conceded.

* * *

Retail Trade

Last week's issue of the *Board of Trade Journal* contained the retail trade returns for March and the Bank of England index numbers of retail sales. The higher level of the average daily value of sales compared with the early months of 1941 continued. In all departments, the value of sales was 6.4 per cent higher than a year ago. Central and west-end London again registered the biggest increase (25.8 per cent) and other regions showed rises ranging from nil to 8.7 per cent. The departments in which total sales have risen most markedly are household piece goods and furnishings, where the percentage changes from a year ago

were 45.3 and 35.2. Men's and boys' wear rose more than usual by 30.2 per cent, perhaps as a result of buying to avoid the restrictions on style. Women's wear sales rose only by 3.2 per cent compared with rises of 9.3 per cent in January and 5.0 per cent in February, which suggests that in March, 1941, women bought spring clothes despite the bombing (the percentage rise in March, 1941, over March, 1940, was one per cent). Sales of hardware and sports and travel goods decreased by 3.7 per cent and fancy goods sales by 2.3 per cent, while the miscellaneous departments showed an increase in turnover of 8.8 per cent. The figures of sales must be examined in conjunction with the figures of the value (at cost) of stocks. The figures of value are some indication of the size of stocks in the shops, but prices have risen unevenly over the departments. Values of stocks have fallen most in household piece goods (-28.1 per cent), miscellaneous (-23.4 per cent), sports and travel goods (-20.4 per cent), and furnishings (-16.5 per cent). The biggest rise in value is in women's wear (4.8 per cent), but normally there is a rise at this time of year, and this year it is lower than usual.

* * *

Second-Hand Furniture

The boom in the prices of second-hand furniture is not to go on. There is less new furniture, and the quality of wood and workmanship is generally not as good as in pre-war days. Good second-hand furniture has, as a result,

been obtainable only at a premium, but the rise has been evident in all grades of furniture. (For example, the average price of an ordinary deal kitchen table in a well-known second-hand furniture selling district of London, was recently as high as 35s., when the pre-war price would probably have been 5s.-10s. Furniture prices were frozen from May 11th at prices prevailing on May 1st. For second-hand goods, the Board of Trade has made an Order fixing their price on alternative bases. The price can be the one at which the same or comparable goods are being sold new, either on the day of sale or during the six months before May 1st. Or it can be the estimated reasonable price at which such goods would have been sold new during the six months before the war. An acute sense of value would be needed to compare two articles of furniture, one old and one new, which serve the same purpose, so that the price of the old could comply with the Order. So many factors affect the price of second-hand furniture that to lay down any more explicit price definitions would probably be impossible. The provisions of the Order are likely at least to act as a brake on prices, even if some further rise cannot be prevented. Antiques are exempt from the provisions of the Order, and the problem of what constitutes an antique has been solved simply. An antique is now any article made before January 1, 1900. Apart from the difficulty of proving when an article was made, this definition will raise many Victorian whatnots, among other things, to the dignified status of "antiques." Perhaps even a new fashion for horse-hair sofas will arise.

INSURANCE NOTES

PEARL ASSURANCE

THE first of the accompanying tables reproduces extracts from the life revenue accounts. The most striking feature is the very large increase in new business in the ordinary branch; the president and chairman (Sir George Tilley), in the statement circulated with the report and accounts, mentioned that one of the reasons was the introduction of a 3 per cent Savings Bonds policy which provides full war risk cover for civilians; this policy has produced a steady flow of business throughout the year. A strong advance is also revealed in the industrial branch, and here the chairman pointed out that the extension of income-tax to lower ranges of income had made a life policy more valuable to those who are subject to the tax for the first time, by reason of the rebate on premiums. Interest income in relation to the company's funds continues its downward trend, due largely to heavy investments in Government securities—since the beginning of the war over £18½ millions has been used to absorb Government issues—and also to some extent to the circumstance that securities requisitioned have been of high-yielding character. Death claims are lower in both branches, notwithstanding that payments in respect of deaths arising from enemy action have increased from £55,000 to £82,000 in the ordinary branch and from £102,000 to £158,000 in the industrial branch; one-half of the last-mentioned figure is in respect of men in the Services. Higher ratios of commission and expenses to premiums are the natural result of the expansion in new business, coupled with the increased cost of administration under war conditions and the rise in payments to members of the staff called for national service, who number over 4,000.

Premium income and underwriting results in the various branches are exhibited in the second table. The profits shown for the life branches are the surpluses earned during the year; these surpluses are much reduced—in the ordinary branch the result is actually a small minus figure—chiefly attributable to the strain imposed by a strengthening of the valuation bases. In the other branches the profits are the actual trading balances, excluding interest earnings, and not the transfers to profit and loss account. The fire premium income is higher, but the increase is not derived from the United States, where a policy of deliberate restriction of writings is being pursued; it is presumably the unsatisfactory results of the company's business in the American field which in substantial measure explain the loss on the year's operations. Trading in the various classes of accident business has been profitable, although the combined balance is insufficient to offset the loss on the fire account.

The underwriting profits set forth in the table are supplemented by interest earnings in the "other branches" and in profit and loss account totalling £57,000, making aggregate earnings for the year of £746,000. As was the case last year, no reversionary bonuses are being allowed, but modest bonuses are being granted on policies which become claims by death or maturity in 1942 in both the ordinary and industrial branches; these bonuses absorb £165,000 (£46,000 in the ordinary branch and £119,000 in the industrial branch). Allocations to staff pensions fund take £200,000 and the reserve for NDC costs £35,000. The dividend for the year is 7s. 6d., tax free, compared with 9s., tax free, for 1940, and the cost, including the preference dividend, is £468,000, against £558,000.

The balance-sheet position remains strong. The chairman stated that the market values of Stock Exchange securities is considerably in excess of the value at which they are shown in

the balance-sheet, leaving the investment reserve funds of £6,450,000 intact as an additional reserve. The surpluses carried forward in the ordinary and industrial life branches aggregate £2,382,000.

I.—EXTRACTS FROM 1941 LIFE REVENUE ACCOUNTS

	Ordinary Branch	Rise or Fall	Industrial Branch	Rise or Fall
	(£000)	(£000)	(£000)	(£000)
New business:—				
Net sums assured.....	9,525	+ 3,740 (64.6%)	19,567	+ 1,766 (9.9%)
Income:—				
Net premiums.....	5,420	+ 369 (7.3%)	9,838	+ 317 (3.3%)
Net interest.....	1,617	+ 33	1,802	— 90
Outgo:—				
Claims by death.....	929	— 29	3,220	— 323
Claims by maturity.....	2,706	— 647	1,642	+ 439
Surrenders, including surrenders of bonus	450	— 207	95	— 89
Commission and expenses.....	656	+ 100	2,992	+ 296
Ditto, ratio to premiums	12.1%	+ 1.1%	30.4%	+ 2.1%

H.—SUMMARY OF PREMIUMS AND UNDERWRITING PROFITS

	Premiums	Rise or Fall	Underwriting Profits	Rise or Fall
	(£000)	(£000)	(£000)	(£000)
Ordinary branch.....	5,420	+ 369	— 7	— 909
Industrial branch.....	9,838	+ 317	713	+ 520
Other branches:—				
Fire.....	1,260	+ 56	— 112	+ 87
Accident.....	77	— 4	28	+ 1
Employers' liability in Great Britain.....	35	+ 5	7	+ 32
General.....	109	+ 33	26	— 3
Motor vehicle.....	212	+ 17	14	+ 20
Capital redemption.....	31	— 9	20	+ 146
Total.....	1,724	+ 32	— 17	+ 1,284
Grand Total—all branches	16,982	+ 718	689	— 1,284

* Financing charge in 1940 on conversion of unearned premium reserve from 40 per cent to 50 per cent basis.

Note:—In calculating the underwriting profits for "other branches," additional reserves have been left out of accounts except in the case of capital redemption business, the underwriting profits for "other branches" do not include interest on departmental funds.

REFUGE ASSURANCE; BRITANNIC ASSURANCE

EXTRACTS from the life revenue accounts of these large industrial-cum-ordinary offices, with headquarters in Manchester and Birmingham respectively, are given in the table on page 700. The Refuge reported a substantial increase in new business in the ordinary branch, and a higher premium income in both ordinary and industrial branches, results which are remarkable bearing in mind that as many as 2,462 of the regular staff are

(Continued on page 699)

COMPANY MEETINGS

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

A YEAR OF EXPANDING BUSINESS

DIVIDEND MAINTAINED

SIR THOMAS WHITSON'S STATEMENT

The one hundred and seventeenth annual general meeting of the shareholders of the Scottish Union and National Insurance Company was held at Edinburgh on the 13th instant.

Sir Thomas B. Whitson, LLD, chairman, presided. The following statement by the chairman circulated with the annual report and accounts for the year ended December 31, 1941, was taken as read:—

During the year we have lost the valued services of Lord Selborne, who had been a director on the London board for a number of years. He will be greatly missed, and we regret his passing.

We have to welcome to the head office board the Right Hon. William Y. Darling, Lord Provost of Edinburgh, who joined us in October last.

It will be noticed in the statement before you that the accounts for the past year are in a slightly different form from those of previous years. This is a consequence of the request of the Government that we should all economise in the use of paper.

LIFE AND FIRE FIGURES

Life Department.—New business for the year, after deducting re-assurances, shows an advance in sums assured of £135,319 over the 1940 figure. While the new annual premiums increased by £9,187, single premiums showed a decrease of £2,750. Claims by death, with a reduction of £40,207, reflect a very favourable experience, despite the claims due to hostilities on policies issued before the war. The total claims since the outbreak of war due to hostilities amount to £64,675. Maturities decreased by £27,784. The gross rate of interest earned on the life funds in 1941 was 4.7s. 6d. per cent., and the net rate 3s. 2s. per cent.

In spite of war conditions, surrenders show a satisfactory decrease of £16,508. The amounts paid in annuities also showed a decrease. Commissions and expenses of management increased by £1,711.

The combined life and annuity funds have increased by £37,955 during the year.

Fire Department.—The total net premiums at £1,176,092 show an increase of £126,848 over the previous year. The total net losses, including fire brigade charges, were £531,839, which represents an increase of £19,489 over 1940. In view of the advance in net premium income, the loss ratio shows a welcome improvement. After allowing for the usual 50 per cent. reserve, the profit realised £74,452. During the year many factors, directly and indirectly connected with the war, exercised a considerable effect upon the fire department, both at home and abroad. A number of these factors were existent during 1940.

ACCIDENT AND MARINE RESULTS

Accident Department.—It will be noted that the accident, employers' liability, and miscellaneous accounts have been combined. The total net premiums in the combined accounts show an increase of £54,553, whilst the losses paid are £11,241 more than the previous year. After allowing for the usual 50 per cent. reserve for unexpired risks, and the necessary provision for outstanding claims, the transfer to profit and loss is £11,340. Each of the sections in this department with the exception of motor have shown a trading profit. Whilst the home experience has been generally satisfactory, this account has suffered by the continued unfavourable overseas motor experience.

Marine Department.—The trading of recent years in this department has enabled us to transfer to profit and loss a sum of £75,000. The spread of the war to the Pacific and other parts of the world has recently added so many problems and difficulties to those already borne by marine underwriters that our trading in the future will need to be kept under closer review than in the past.

ASSETS EXCEED £18,000,000

Profit and Loss.—I would draw your attention to the item for interest in this account. In the past it has been our practice to

place our interest earnings (other than life), less relative income-tax, to their respective revenue accounts. We are now placing the whole of such interest, less tax, to profit and loss account.

The directors are pleased to be able to maintain the same rate of dividend as last declared namely 4s. 6d. per "A" share and 16s. 10½d. per "B" share.

Balance-sheet.—The total assets of the company increased during the year by £456,734 to £18,347,051. We have contributed to the National War Effort the greater part of our available money, so that the amount in British Government Securities in our accounts is £3,674,800. The company's shareholdings in American subsidiary companies have been placed at the disposal of His Majesty's Government in accordance with the provisions of the Financial Powers (USA Securities) Act, 1941. The company's operations in the United States of America are being carried on under the same conditions as before.

TRIBUTE TO STAFF

It is with great regret that I have to report that a number of our staff have lost their lives whilst on active service, and I would wish to extend to their relatives our sincere sympathy. The continued demand by the Services for men and women has resulted in a further depletion of our staff at home and abroad. Thus those remaining are called upon to carry increasing responsibility and to work longer hours. To all of these we express our gratitude and thanks for the manner in which they are continuing to carry on.

I should like to refer also to the part which the staff have played in the War Savings Campaign and the considerable sums which they have contributed. To all members of the staff serving with His Majesty's Forces we send our best wishes and hope for their speedy return. To the other members of our organisation, our agents, branch managers, local directors and trustees, at home and overseas, we express our thanks for the work they have done during the year for the benefit of the company.

The report and accounts and dividend were approved.

THE LONDON ASSURANCE

A YEAR OF PROGRESS

The annual general court of The London Assurance will be held on the 20th instant in London.

The following are extracts from the statement by the governor, Mr R. Olaf Hambro, on the report of directors and balance-sheet for the year ended December 31, 1941:—

The net new life business for 1941 totalled £1,143,538. Premium income during the year amounted to £842,607 and the fund as at the end of the year at £11,318,486 shows an increase of £350,093.

The gross interest yield at 4.5s. per cent. shows a reduction of 2s. 6d. and the net at 3s. 9d. per cent. a reduction of 3s. Expenses of management show a further reduction during the year. Our mortality experience has been in every way satisfactory. The Stock Exchange investments of the life department fund show an appreciation over book value of £300,000. It is our continuing practice to invest all surplus money in new Government issues, and during the period of the war our new investments under this heading exceed £1,500,000.

The premium income of the fire department at £2,445,928 represents an increase over the previous year of £237,977. The profit transferred to profit and loss account is £18,698. The accident department premium income also shows an increase of £54,027. The amount transferred to profit and loss account is £215,015, representing 15.5 per cent. of the premium income, a highly satisfactory figure. The marine account premium income shows a continuing advance, the increase this year being £204,787, the total for the year being £1,463,853. After transferring £50,000 to profit and loss account, the marine fund stands at £2,057,179, or 142.6 per cent. of the premium income for the year.

The premium income of the corporation during the past year reached the total of £6,152,425 and our total assets as at the end of the year £23,990,327. The year has admittedly been a difficult one, but taking all the factors into consideration, progress has been recorded. Our total income has been more than maintained. There is, however, a probability that during the present year there will be some recession.

SPILLERS LIMITED

POSITION OF FLOUR MILLING INDUSTRY

AGREEMENT WITH FOOD MINISTRY

DIVIDEND MAINTAINED AT LAST YEAR'S FIGURE

SIR MALCOLM A. ROBERTSON'S REVIEW

The fifty-fifth annual general meeting of Spillers Limited was held at the Waldorf Hotel, London, W.C., on the 15th instant, the chairman of the company, the Rt. Hon. Sir Malcolm A. Robertson, PC, GCMG, KBE, MP, presiding.

The secretary, Mr P. Lloyd Tanner, FCIS, read the notice convening the meeting and the auditors' report.

The chairman submitted to the meeting his statement, which had been circulated to stockholders with the directors' report, as follows:—

I regret that once again it is not possible to lay the accounts of the company before the stockholders at the annual general meeting, and that at a later stage I shall have no alternative but to propose the adjournment of the meeting *sine die* for the future reception of these accounts. I am, however, glad to inform you that I hope this is the last occasion when it will be necessary to adopt this procedure.

A COMPLEX AGREEMENT

In the latter part of last year an agreement was concluded between the Minister of Food and the flour milling industry, and adopted by the company, prescribing the terms and conditions under which flour milling operations would be carried on for the three years following the outbreak of war. This agreement will accordingly govern the results of the flour milling side of the company's business from September 3, 1939, to August 31, 1942. As was foreshadowed in my statement last year, the accounting problems arising on this agreement are formidable and it will take some time to ascertain the company's precise position thereunder. This work is now in hand and it is the hope of your directors that on the occasion of the next annual general meeting it will be possible to place accounts before you.

GENERAL TERMS OF AGREEMENT

The agreement is one of some complexity and I shall not attempt to do more than convey its essential terms in broad outline. In essence it is provided that the reasonable costs of production of each flour milling undertaking shall be recouped and that there will be paid to the industry a profit per unit of output determined by reference to an overall average based on a pre-war period. There is, however, an important proviso to the effect that irrespective of the output during the period of the agreement the total profit is subject to a maximum determined by the average pre-war output. In these circumstances additional output attained during the period of the agreement does not carry any profit. Notwithstanding the imposition of this maximum upon earnings there is no minimum. If output falls below the pre-war standard the earnings decline accordingly.

DIVISION OF EARNINGS

As I have indicated, the earnings are payable to the industry as a whole and these are divisible in accordance with an agreed formula among the individual concerns. Since these comprise several hundred firms both large and small and many complications were involved, I think the reaching of agreement is a tribute to the broadminded manner in which the problem was considered by the industry. The administering of the agreement necessitated the formation of what may be termed a "trustee" company on the board of which your company is represented.

ANIMAL FEEDING STUFFS

No corresponding arrangement exists regarding the other major side of the company's activities—the manufacture of animal feeding stuffs. Output has been severely curtailed by restriction of supplies of raw material and the resultant decline in earnings has been accentuated by the absence of adequate adjustment of controlled prices. Negotiations are proceeding regarding concentration of manufacture in this industry, but have not reached a stage which allows me to make any useful comment.

TERMS NOT GENEROUS

Pending the preparation of accounts, it is difficult to comment with authority upon the financial effect upon the company of the various control regulations and arrangements. I can only indicate that on the flour milling side the terms are not regarded by your directors as generous in relation to the difficulties and scale of effort involved, while on the animal foods side the return is, by reason of reduced output, no longer commensurate with the extent of the undertaking.

In expressing these views I am looking beyond the narrower confines of current earnings and taking into consideration the necessity of maintaining essential industry in such manner as to enable it to emerge from the war period sufficiently strong to permit of its rehabilitation and rapid adjustment to competitive conditions. This has been recognised in the Finance Bill to the extent that the refund of 20 per cent. of the excess profits tax is given by statutory right. But this concession is of little or no value to an industry where the earnings are subject to control in such manner as substantially to eliminate the emergence of any liability which would be subject to refund.

WAR DAMAGE AND THE INLAND REVENUE

The incidence and effect of war damage enters prominently into the problem of post-war rehabilitation, and unhappily further damage was sustained by the company's properties during the past year. In this connection I feel compelled to direct attention to the added burden which arises from the present attitude of the Inland Revenue authorities who in effect seek to reduce the standard profit for the purposes of the excess profits tax by eliminating from capital employed the value of fixed assets rendered inoperative by enemy action even although the lost output is made good from other plants. I express the hope that inequity of this procedure will be immediately remedied so that those who have had the misfortune to suffer damage may be encouraged in their endeavours to minimise the effect of it upon the war effort.

DIVIDEND DECISION

I now come to the question of dividends for the year ended January 31st last. As in the previous year the lack of full information concerning the actual earnings and the other circumstances to which I have referred rendered the recommendation of dividends a difficult problem for your board. Having regard to the best estimates it was possible to make and to the strong liquid position and reserves built up in the past, the directors decided that they would be justified in recommending the declaration of dividends at the same rate as last year.

A resolution to this effect will be submitted at a later stage. It would, however, be wrong to suppose, as has been suggested in some quarters, that this level of distribution can now be regarded as established for the period of control. I have indicated to you a number of matters which cause anxiety to my colleagues and myself and there are all the other uncertainties inseparable from trading under war-time conditions. It will be necessary to make such reserves against the future as our resources permit and this is a matter which will be considered by the board as soon as accounts have been prepared for the three past years. This, together with future earnings, will govern the recommendation of subsequent distributions.

The preservation, so far as current conditions permit, of the basis of the company's trade in its various products continues to engage the attention of your directors. In these times our principal aim must be and is the production and distribution of essential foodstuffs, and the company's contribution in this respect is one of which I do not think we need be ashamed! I should, perhaps, remark upon the recent Order increasing the level of flour extraction for general purposes to 85 per cent. The change has been successfully accomplished at the various mills. This matter was

UNITED MOLASSES COMPANY, LIMITED

MR F. K. KIELBERG'S STATEMENT

The annual meeting of the United Molasses Company, Limited, will be held on the 29th instant in London.

The following is an extract from the statement by the chairman, Mr F. K. Kielberg, circulated to stockholders:—

There is, in existing conditions, little I can usefully add in explanation of the accounts or in elucidation of the company's activities during the year under review.

In the United Kingdom the company continues to act as agents for the Ministry of Supply, under the direction of the Controller of Molasses and Industrial Alcohol. The extension of the war to the Far East has still further curtailed the company's field of activities and has brought the company's business in that part of the world to a complete standstill. No news has been received from our subsidiary companies in China and Java since the Japanese occupation of Shanghai, Hongkong and the Netherlands East Indies.

The original cost of the company's assets in the areas now overrun or threatened by the Japanese amounted to over £1,250,000, but, as mentioned in the previous report of the directors, the fixed assets had already been written off by the end of 1940 and the remainder of the company's investments in China, Java and India has in the meantime also been fully provided for.

The company's fleet of tankers continues to operate under charter to the Ministry of War Transport. Losses suffered during the year were not severe and I am happy to be able to state that the tonnage acquired from the outbreak of war up to December 31, 1941, exceeded the total tonnage lost by the company during the same period. It is, however, getting more and more difficult for private owners to acquire tonnage at economic prices and for that reason, and in order to make provision for the anticipated high rebuilding cost of new tonnage, your directors have again this year placed the difference between insured values and written-down book values of vessels lost to a special ships rebuilding reserve account.

WILLIAM BEARDMORE AND COMPANY LIMITED

ORDINARY GENERAL MEETING

The ordinary general meeting of William Beardmore and Company, Limited, was held, on the 14th instant, at the offices of the company in Glasgow.

Sir James Lithgow, Bt., MC, DL, presided.

The secretary, Mr D. M. Cameron, CAC, read the notice convening the meeting, and the report of the auditors was read by Mr H. MacRobert, CA.

The chairman proposed the adoption of the report and accounts and the payment of the dividend on the ordinary stock as recommended.

The resolutions were carried unanimously.

The retiring directors, Mr J. B. Talbot-Crosbie, Mr T. M. Service, Mr Henry Lithgow and Captain Q. H. Paterson, DSC, RN, were re-elected, and the auditors, Messrs J. Wyllie Guild and Ballantine, reappointed.

A vote of thanks to the chairman concluded the proceedings.

TRIBUTE TO STAFF AND WORKPEOPLE

I would now express on behalf of the board our continued admiration of the manner in which the staff and workpeople of the company have performed their work under difficult—and often hazardous—conditions and with depleted numbers. Some have been decorated or commended by the authorities for their services in civil defence. All deserve our thanks and I am sure you will desire me to record on your behalf the high appreciation of their services. Many of the company's employees are now serving with the Armed Forces and to them I should like to convey our best wishes and hope for a speedy return to their former posts. Lastly I would record the company's sympathy with the relatives of those who have lost their lives through enemy action at home or overseas.

The report was unanimously adopted.

The retiring directors, Mr A. F. Forbes and Mr Wilfred D. Vernon, were re-elected, and the retiring auditors, Messrs Impey, Cudworth and Co. and Messrs Deloitte, Plender, Griffiths and Co., were reappointed.

After a vote of thanks to the chairman, the meeting stood adjourned.

JOHNSON AND PHILLIPS LIMITED

RECORD TRADING PROFIT

The twenty-seventh annual general meeting of Johnson and Phillips, Limited, was held, on the 14th instant, in London.

Mr G. Leslie Wates, JP, the chairman, in the course of his speech, said:—

The trading profit for the first time in the company's history has exceeded £500,000; this figure is arrived at before taxation. The largest allocation which has to be made from it is in respect of taxation, and on this head we make a reserve of £260,000, being the same figure as was reserved last year. We have made other reserves in connection with certain unascertained figures in relation to the company's trading which we consider reasonable and cautious.

The deductions from the trading profit in respect of directors' remuneration, auditors' and trustees' fees and the service of the debenture stock issue remain as last year.

We have written off by way of depreciation approximately the same sum as last year, and in this connection we have in mind the addition which we have made to the special reserve for contingencies, and also the post-war return of excess profits tax.

We have worked the great bulk of our plant and machinery to the maximum during the year. This has necessitated special care and a large extra cost in the repairs and maintenance undertaken, which accounts for the increase under this heading mentioned in the profit and loss account. Scientific development, which as always is most active in time of war, may quite possibly produce a change in the types of cable in use, which may by a stroke make redundant some parts of our plant.

The cost of the pensions and group life assurance scheme, and payments to men serving in HM Forces, are now reaching more substantial figures than we have been used to. These various allocations leave us £257,000 to deal with, which is within £4,000 of the figure available last year. We propose to pay the same dividend and to make the same allocations to research and development account, and to the special reserve for contingencies.

In conclusion he paid a tribute to the staff and workpeople for their loyal work.

The report and accounts were unanimously adopted.

(Continued from page 696)

now serving with the Forces or engaged in whole-time national service. The chairman (Mr J. Wilcock Holgate), in his annual address, indicated that the major concern at the present time is the continued reduction in the net rate of interest earned on the company's funds, and made the interesting suggestion that the one effect of this trend may be to bring to the forefront "the original conception of life assurance as a means of providing financial protection to a man's dependants in the event of his premature death, the investment element assuming a lesser importance than it has been possible to attach to it, quite fortuitously, in the past." Payments on account of death claims were lower, notwithstanding the incidence of war deaths, and

surrenders were much reduced, evidence of the policyholders' determination to keep their policies on foot. The expense ratio was higher in the industrial branch, but this feature must be considered in conjunction with the allowances which the company is making to members of the staff who have been called to the Forces.

The annual valuation was made on a strengthened basis in the ordinary branch, as regards life assurances being at least as stringent as a net premium valuation using the A 1924-29 Ultimate Table of Mortality, with interest at 2½ per cent; in the industrial branch additional provision has been embodied to meet prospective adverse mortality due to the war. The

(Continued on page 700)

GOVERNMENT RETURNS

For the week ended May 9, 1942, total ordinary revenue was £35,319,000, against ordinary expenditure of £78,762,000, and issues to sinking funds of £195,000. Thus, including sinking fund allocations of £638,155, the deficit accrued since April 1st is £322,189,000 against £330,613,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 10, 1941	April 1 to May 10, 1942	Week ended May 10, 1941	Week ended May 10, 1942
ORDINARY REVENUE				
Income Tax	37,373	68,649	1,541	5,850
Sur-tax	4,725	5,120	245	460
Estate, etc., Duties	10,553	12,170	1,070	1,370
Stamps	940	771	...	...
N.D.C.	1,596	2,643	220	311
E.P.T.	15,012	21,210	1,500	3,590
Other Inland Rev.	50	80	20	20
Total Inland Rev.	70,249	110,842	4,596	11,721
Customs	36,918	44,701	4,977	14,927
Excise	20,600	44,200	1,480	5,041
Total Customs and Excise	57,518	88,901	6,457	19,968
Motor Duties	4,119	2,825	744	782
Canadian Govt. Contribution	...	...	...	...
Post Office (Net Receipts)	3,250	5,500	1,100	1,500
Wireless Licences	...	...	...	...
Crown Lands	170	160	...	...
Receipts from Sundry Loans	711	401	645	7
Miscel. Receipts	1,141	8,289	308	1,341
Total Ordinary Rev.	137,158	239,661	13,850	35,319
SELF-BALANCING P.O. and Broad casting	7,950	8,950	1,400	1,250
Total	145,108	248,611	15,250	36,569
Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to May 10, 1941	April 1 to May 10, 1942	Week ended May 10, 1941	Week ended May 10, 1942
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	47,926	54,065	1,982	2,135
Payments to N. Ireland	598	653	293	327
Other Cons. Fund Services	286	278	...	...
Total	48,809	54,996	2,281	2,462
Supply Services	418,366	506,215	68,000	75,300
Total Ordinary Expenditure	467,175	561,211	70,281	77,762
SELF-BALANCING P.O. and Broad casting	7,950	8,950	1,400	1,250
Total	475,125	570,161	71,681	79,012

After decreasing Exchequer balances by £475,382 to £2,876,658, the other operations for the week (no longer shown separately) raised the gross National Debt by £43,508,460 to about £14,396 millions, after deducting sinking fund allocations in 1941-42, but before allowing for issues to sinking funds in 1942-43.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 9th and May 15th. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4-88) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25-24) 17-30-40. **Sweden.** Krona (18-159) 16-85-95. **Argentina.** Peso (11-45) 16-95½-17-13; mail transfers 16-95½-17-15. **Dutch West Indies.** Florin (12-11) 7-58-62; mail transfers 7-58-64. **Portugal.** Escudos (110) 99-80-100-20. **Panama.** \$ 4-02-04; mail transfers 4-02-04½.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Pesetas (25-24) 40-50 (Official rate); 46-55 (Voluntary rate). **Turkey.** Piastres (110) 520. **Italy.** 71-25 lire.

NET ISSUES (£ thousands)

P.O. and Telegraph	290
Overseas Trade Guarantees	30
Anglo-Turkish Armaments	115
	345

FLOATING DEBT (£ millions)

Date	Tender	Tap	Public Depts. Eng. Land	Bank of England	Posits by Banks	Total Floating Debt
1941						
May 10 1942	885-0		Not available			
Feb. 7 1942	930-0					
" 14 1942	913-0					
" 21 1942	905-0					
" 28 1942	905-0	1612-7	215-4	21-7	677-5	3432-3
Mar. 7 1942	905-0		Not available			
" 14 1942	905-0					
" 21 1942	905-0					
" 28 1942	905-0	2620-6	195-1	...	496-5	3512-2
Apr. 4 1942	905-0		Not available			
" 11 1942	905-0					
" 18 1942	910-0					
" 25 1942	920-0	1757-3	251-7	17-0	487-0	3432-9
May 2 1942	935-0		Not available			
" 9 1942	950-0					

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
May 9 1942	75-0	160-5	75-0	20-0	1-17
Feb. 13 1942	65-0	139-9	65-0	20-0	0-20
" 20 1942	75-0	153-7	75-0	20-0	0-52
" 27 1942	75-0	142-6	75-0	20-0	0-18
Mar. 6 1942	75-0	139-4	75-0	20-0	0-31
" 13 1942	75-0	128-0	75-0	20-0	0-34
" 20 1942	75-0	121-4	75-0	20-0	0-63
" 27 1942	75-0	151-6	75-0	19-11	0-69
Apr. 3 1942	75-0	147-2	75-0	20-0	2-72
" 10 1942	75-0	155-0	75-0	20-0	3-02
" 17 1942	75-0	147-5	75-0	20-0	2-89
" 24 1942	75-0	133-0	75-0	20-0	3-15
May 1 1942	75-0	148-0	75-0	20-0	0-30
" 8 1942	75-0	143-8	75-0	20-0	0-73

On May 8th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 41 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on May 15th. For the week ending May 15th the banks will be asked for Treasury deposits to a maximum amount of £25 millions.

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

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds
Mar. 31	11,415	9,936	34,110	31,324
Apr. 7	4,932	3,367	11,008	4,206
" 14	4,810	3,203	7,372	4,568
" 21	6,203	2,843	6,735	4,001
" 28	5,472	2,665	8,937	2,970
May 5	4,900	2,676	12,118	3,608
" 12	...	...	4,082	5,656
Totals to date	535,353	454,842	716,976	403,888

* 128 weeks. † 71 weeks. ‡ 31 weeks.
 § Including series "A." ¶ Including all Series.
 Interest free loans received by the Treasury up to May 12th amounted to a total value of £48,030,699. Up to Apr. 25th, principal of Savings Certificates to the amount of £64,472,000 has been repaid.

Marked Rates.—The following rates remained unchanged between May 9th and May 15th.

Egypt. Piastres (97½) 97½-1. **India.** Rupee (1½d. per rupee) 17½-18½d. **Belgian Congo.** Francs 176½-1. **China.** National \$ 21-3½d.

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows: **United States.** 1 cent pm-par. **Canada.** 1 cent pm-par. **Switzerland.** 3 cents pm-par. **Sweden.** 3 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between May 9th and May 15th:
 Bank rate, 3% (changed from 3% October 26, 1939)
 Discount rates: Bank Bills, 60 days 1½%; 3 months.

BANK OF ENGLAND RETURNS MAY 13, 1942

ISSUE DEPARTMENT		Govt. Debt	
Notes Issued	£	Govt. Debt	£
In Circulation	780,176,802	Other Govt.	817,003,629
In Bank	50,054,916	Securities	1,968,421
Department	50,054,916	Other Secs.	12,860
		Silver Coin	11,015,100
		Amt. of Fid. Issue	830,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,718
			830,241,718

BANKING DEPARTMENT

Proprietary Capital		Govt. Secs.	
Rest	£	Other Secs.	£
Public Depts.	14,553,000	Discounts & Advances	0,865,576
	12,567,578	Securities	21,447,100
Other Depts.	126,550,300	Notes	28,418,679
Bankers	50,469,471	Gold & Silver Coin	1,004,741
Other Accts.	177,019,771		207,326,174
	297,525,174		

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

COMPARATIVE ANALYSIS (£ millions)

	1942	1942	1942	1942
	May 14	April 29	May 6	May 13
Issue Dept.				
Notes in circulation	629-4	771-2	776-9	780-2
Notes in banking department	50-8	59-1	53-3	50-1
Government debt and securities	677-2	828-1	828-2	828-0
Other securities	2-8	1-9	0-0	0-0
Silver Coin	0-0	0-0	0-0	0-0
Gold, valued at s. per ounce	168-0	168-0	168-0	168-0
Deposits:				
Public	14-4	14-0	16-8	18-6
Bankers	115-5	122-6	118-9	128-5
Others	52-3	51-4	49-6	50-5
Total	182-0	188-0	184-9	189-7
Banking Dept. Secs.:				
Government	115-3	111-2	117-4	127-8
Discount, etc.	12-2	7-5	7-5	21-4
Other	19-8	27-1	23-6	156-2
Total	147-3	145-8	148-5	151-1
Banking dept. res.	52-5	59-8	54-1	26-9
" Proportion "	28-8	31-7	28-2	26-9

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £780 millions to £830 millions on April 22, 1942.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
May 7	25½	23½
" 8	25½	23½
" 11	25½	23½
" 12	25½	23½
" 13	25½	23½

1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1½-1¾%; 3 months, 1½-1¾%. Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates 1½%. Discount deposit at call 1½% at notice 1½%.

NEW YORK EXCHANGE RATES

New York on	May 6	May 7	May 8	May 9	May 11	May 13
Cables	Cent	Cent	Cent	Cent	Cent	Cent
London	403½	403½	403½	403½	403½	403½
Montreal	88-160	88-160	88-160	88-160	88-160	88-160
Zurich	23-30	23-30	23-30	23-30	23-30	23-30
B. Aires	23-66	23-66	23-66	23-66	23-66	23-66
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78.

PROVINCIAL BANK CLEARINGS (£ thousands)

Working days	Week Ended		Aggregate from Jan. 1 to	
	May 10, 1941	May 9, 1942	May 10, 1941	May 9, 1942
Birmingham	6	6	110	109
Bradford	2,061	2,614	41,849	48,182
Bristol	1,346	1,395	42,233	42,128
Hull	2,098	2,853	36,084	43,432
Leeds	464	757	12,191	15,425
Leicester	589	1,026	18,863	22,443
Liverpool	709	805	16,009	16,671
Manchester	2,487	4,783	99,350	90,468
Newcastle	10,972	11,715	221,387	232,799
Nottingham	1,220	1,281	24,653	29,868
Sheffield	362	464	8,736	9,199
Southampton	610	970	12,453	17,336
Dublin*	71	61	1,983	2,295
	22,989	28,722	535,791	570,246
	6,041	6,390	110,669	126,209

* May 3, 1941, and May 2, 1942.

OVERSEAS BANK RETURNS

BANK OF CANADA—Million Can. \$		Assets	
		April 9, 1941	Mar. 25, 1942
Reserve: Gold	102-8	474-3	285-2
Other	517-0	595-1	613-5
LIABILITIES			
Notes in circulation	372-8	503-6	510-8
Deposits: Dom. Govt.	12-3	318-6	115-0
Chartered banks	228-8	230-3	244-6
			233-8

* Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS 000's omitted

APRIL, 1942		Barclays Bank Ltd.	Coutts & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	Westminster Bank Ltd.	Deacon's Bank Ltd.	A
Date	28th	27th	29th	21st	21st	29th	29th	28th	29th	30th	27th		
ASSETS		£	£	£	£	£	£	£	£	£	£	£	
Coin, Bank Notes and Balances with the Bank of England	63,331	3,312	13,025	4,873	58,308	15,601	63,650	3,613	40,431	46,671	6,006	318,821	
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	20,152	789	3,433	1,899	19,226	4,821	22,281	214	16,619	20,251	3,429	113,114	
Items in Transit	19,772	1,757	6,154	5,762	6,301	2,776	6,333	21,397	19,725	5,681	135,986		
Money at Call and Short Notice	64,206	1,539	7,783	4,500	42,925	10,679	57,228	1,051	36,025	34,728	1,121	25,440	
Bills Discounted	90,500	3,000	20,500	8,000	80,000	24,500	111,000	5,500	53,500	50,500	11,000	1,000	
Treasury Deposit Receipts	179,291	13,048	51,132	20,871	177,710	52,524	222,423	17,290	139,821	153,148	21,168	1,000	
Investments	174,885	9,157	24,224	9,461	145,784	34,752	164,199	15,245	113,247	118,267	11,991	8,000	
Advances to Customers and other A/c's	13,225	1,185	2,548	4,245	21,852	8,372	13,945	158	11,434	18,995	1,856	9,000	
Liabilities of Customers for Acceptances, Endorsements, etc.	7,938	405	1,483	740	7,000	2,872	9,091	547	7,102	5,088	957	9,000	
Bank Premises Account	6,216	...	...	...	3,780	...	8,303	...	2,514	2,992	...	9,000	
Investments in Affiliated Banks and Subsidiary Companies	639,516	34,192	130,282	53,164	585,790	163,687	693,831	44,951	442,090	470,365	63,209	3,300	
Ratio of Cash to Current, Deposit and other Accounts	10.57	10.68	10.70	10.37	10.84	10.57	9.76	8.89	9.80	10.79	10.27		
LIABILITIES													
Capital Paid up	15,858	1,000	2,977	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	3,000	
Reserve Fund	11,250	1,000	2,976	850	10,000	3,600	12,410	1,160	8,500	9,320	1,000	3,000	
Current, Deposit and other Accounts	599,183	31,007	121,781	47,009	538,118	147,533	652,317	40,663	412,677	432,713	58,478	3,000	
Acceptances, Endorsements, etc.	13,225	1,185	2,548	4,245	21,852	8,372	13,945	158	11,434	18,995	1,856	9,000	
Notes in Circulation	639,516	34,192	130,282	53,164	585,790	163,687	693,831	44,951	442,090	470,365	63,209	3,300	

COMPANY RESULTS (April 29 to May 13, 1942)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Brampton Brewery Co.	Mar. 31	80,180	...	33,442	66,675	5,500	25,000	10	...	+ 2,942	50,672	28,837	10
Buchanan, Dewar & Co.	Mar. 31	730,421	...	730,421	851,662	161,826	570,000	28½	...	+ 1,405	771,466	771,466	28½
Lowrie (W. P.) & Co.	Mar. 31	213,401	1,577	106,471	188,567	9,000	70,000	20	30,000	+ 2,529	237,621	106,407	45
Walker (John) & Sons	Mar. 31	478,272	...	453,272	592,415	52,500	283,500	45	120,000	+ 2,728	405,106	386,106	45
Coal, Iron and Steel													
Bairds and Scottish Steel	Dec. 31	80,287	...	77,788	139,016	31,500	42,000	5	...	+ 4,288	136,270	133,770	10
Colvilles Limited	Dec. 31	603,196	350,000	251,696	371,554	57,062	156,782	8	...	+ 37,852	428,686	77,306	10
Lothian Coal Co.	Feb. 28	63,486	40,500	60,568	100,427	10,950	49,725	7½	...	+ 107	79,869	182,827	10
Pressed Steel Co.	Dec. 31	678,225	...	170,615	438,691	14,700	113,934	27½	...	+ 41,981	513,417	1,008,361	10
Stewarts & Lloyds	Dec. 31	1,838,724	681,279	904,696	1,087,385	119,215	525,295	12½	250,000	+ 10,186	1,822,433	51,696	4
Financial, Land, &c.													
Lewis (John) Properties	Jan. 31	143,578	...	24,066	36,993	29,250	...	...	...	+ 5,184	229,522	17,966	4
Natal Land and Colonization	Dec. 31	62,926	...	18,009	36,753	3,962	13,613	4	...	+ 434	62,120	35,610	11
Gas													
Montevideo Gas, &c.	Dec. 31	99,579	...	44,761	129,963	...	27,000	4½	10,000	+ 7,761	91,399	61,267	10
Primitiva Gas de B. Aires	Dec. 31	415,933	110,000	28,425	103,786	...	29,995	1½	...	+ 1,570	539,186	Dr. 2,100	10
Hotels, Restaurants, &c.													
Queen Anne's Mansions, &c.	Sept. 30	Dr 12,763	...	Dr 12,763	24,233	...	...	...	...	+ 2,691	42,720	17,585	7
Savoy Hotel Limited	Dec. 31	118,741	...	2,691	23,998	...	...	...	...	...	79,903	9,480	10
Motor, Aviation, &c.													
Brooks (J. H.) & Co.	Dec. 27	24,689	8,741	15,048	27,996	2,500	7,000	7	5,000	+ 548	362,057	215,466	10
Romac Industries	Sept. 30	118,980	8,232	11,369	11,862	...	7,350	7½	4,000	+ 19	12,358	6,559	10
Oil													
Anglo-Ecuadorian Oilfields	June 30	246,706	138,436	110,691	209,941	...	75,000	5	20,000	+ 15,691	12,358	2,789	10
Rubber													
Aboyne-Clyde	June 30	13,468	...	1,439	3,443	...	...	...	...	+ 1,439	3,789	8,088	10
Garing (Malacca)	Sept. 30	5,349	...	4,349	5,672	...	955	2½	...	+ 3,394	19,066	76,957	10
Jaya Plantations	Dec. 31	24,778	...	3,687	4,470	...	...	...	2,500	+ 1,187	129,116	17,530	10
Ingra Land & Carey	Nov. 30	86,089	3,558	39,531	40,414	...	...	...	...	+ 10,053	43,555	3,981	4
Kuala Kangsar	Oct. 31	53,338	1,641	9,029	14,208	...	8,750	5	10,332	+ 121	7,877	1,089	10
Kuala Pilah	Dec. 31	8,363	396	4,835	6,635	...	...	...	4,956	+ 886	6,503	13,381	10
Takau (F. M. S.)	Oct. 31	5,579	3,000	886	1,053	...	...	...	...	...	44,122	16,788	10
Shops and Stores													
Lewis (John) & Co.	Jan. 31	313,162	36,595	71,438	101,406	37,500	...	...	...	+ 33,938	228,552	154,863	10
Tea													
Travancore	Sept. 30	49,084	...	17,276	20,792	5,823	10,650	10	...	+ 803	262,500	190,684	10
Telegraphs, &c.													
Anglo-American Telegraph	Mar. 31	262,500	...	135,188	200,813	105,921	29,267	(c)	...	+ 6,952	535,114	31,300	10
Marconi International Marine	Dec. 31	537,475	...	96,406	114,864	...	89,454	7½	...	...	110,729	20,505	10
Textiles													
Bright (John) & Brothers	Mar. 31	110,967	20,000	19,607	36,936	10,312	9,025	2½	...	+ 270	1,998,699	1,684,888	10
British Enka	Dec. 31	122,438	48,221	56,332	Dr 510,528	...	...	...	...	+ 11,191	43,626	43,626	10
Coats (J. & P.)	Dec. 31	1,744,637	...	1,631,816	2,076,330	330,000	1,290,625	8½	...	+ 72,734	23,587	20,587	10
Brookhurst-Whiston Amalgamated	Dec. 31	115,360	26,016	72,334	Dr 59,522	...	...	...	...	+ 26,927	23,587	85,237	10
United Turkey Red Co.	Dec. 31	37,491	...	26,927	Dr 125,995	...	...	...	...	...	91,179	24,398	10
Tramway and Omnibus													
Potteries Motor Traction	Dec. 31	288,251	...	74,653	100,523	...	54,125	10	25,641	+ 5,113	230,656	80,781	10
Red & White United Transport	Dec. 31	72,387	...	68,006	92,656	10,475	27,128	11	5,753	+ 24,650	36,238	55,638	10
Trusts													
Alliance Investment	April 15	31,776	...	20,762	53,184	13,894	6,175	4	...	+ 693	136,276	39,712	10
Anglo-American Debenture	Mar. 31	137,004	...	47,935	128,917	14,702	27,675	12	...	+ 5,558	54,455	15,307	10
Continental Union	Mar. 31	49,057	...	34,146	75,656	15,687	18,844	6	...	+ 1,187	45,307	80,833	10
English and Caledonian Investment	Mar. 31	49,807	...	15,542	19,703	7,937	5,292	5	3,500	+ 109	173,472	18,383	10
Foreign, American and General	April 5	176,209	...	77,609	130,033	43,750	26,250	3	7,500	+ 1,157	44,399	190,110	10
Gresham Trust	Mar. 31	30,440	...	12,585	23,675	...	11,428	7½	...	+ 5,157	311,184	98,914	10
Power Investment Corporation	Mar. 31	41,803	...	21,662	57,116	26,819	110,000	(b)	...	+ 5,219	232,976	9,318	10
River Plate Trust Loan, &c.	Dec. 31	308,041	...	190,219	306,055	75,000	40,134	9½	25,000	+ 7,565	41,124	9,798	10
Scottish Mortgage & Trust	Mar. 31	229,397	...	79,269	116,383	7,750	...	...	...	+ 946	40,469	42,941	10
Second Caledonian	Mar. 1	40,302	...	8,696	35,323	7,750	...	...	200	+ 586	62,685	13,040	10
Second Securities of Scotland	Mar. 31	41,358	...	8,614	27,297	7,828	...	...	...	+ 3,234	56,568	32,851	10
Sphere Investment	Mar. 31	55,243	...	36,234	103,693	18,000	15,000	5	...	+ 763	200,920	120,586	10
Third Scottish Western	Mar. 1	55,009	...	11,613	46,335	10,850	...	...	...	...	34,475	391,666	10
Waterworks													
Cons. Water of Rosario	Dec. 31	197,038	...	28,823	149,964	8,400	15,000	3	5,000	+ 423	266,963	1,919	10
Monte Video Waterworks	Dec. 31	239,439	...	106,333	338,652	...	81,250	5	20,000	+ 5,083	34,475	391,666	10
Other Companies													
Ault & Wiborg	Mar. 31	51,532	3,927	22,304	28,526	3,600	2,687	2½	5,000	+ 11,017	725,698	Dr. 46,320	10
British Match Corporation	April 30	681,506	...	340,881	430,803	15,228	261,051	8	60,000	+ 4,602	39,912	603,016	10
Bulfin's Limited	Sept. 30	52,445	15,000	Dr 17,116	Dr 79,057	...	...	...	7,500	+ 1,306	698,990	20,133	10
Cotton Limited	Dec. 31	25,455	5,000	19,506	29,904	2,700	8,000	20	...	+ 873	22,321	161,800	10
Ever-Ready Co. (Gt. Britain)	Mar. 31	660,376	...	553,287	654,707	20,000	404,160	40	130,000	+ 671	161,800	3,629	10
Galloway (P. H.)	Dec. 31	23,318	697	20,171	33,979	7,500	12,000	10	...	+ 13,864	161,800	3,629	10
Goodyear Tyre and Rubber	Dec. 31	111,864	...	111,864	371,182	18,000	80,000	10½	500	+ 5,678	880	16,536	10
Hooper, Strive & Co.	Dec. 31	14,295	...	10,178	10,370	4,000	...	...	...	+ 5,649	491,302	68,732	10
Illustrated London News, &c.	Nov. 30	58,465	...	12,010	18,635	10,312	2,578	5½	...	+ 10,987	108,450	26,645	10
Illustrated Newspapers	Nov. 30	73,237	...	19,101	27,712	24,750	...	...	...	+ 211	39,337	7,241	10
Johnson & Phillips	Dec. 31	502,375	31,750	160,987	252,478	...	120,000	15	30,000	+ 471	39,337	50,698	10
Limmer and Trinidad Asphalt	Dec. 31	136,817	...	89,116	171,884	...	68,907	8½	20,000	+ 440	102,222	133,836	10
Pettigrew & Stephens	Feb. 19	35,912	1,561	26,111	59,502	7,250	15,000	14	...	+ 1,913	291,653	180,696	10
Quicktho (1928)	Jan. 31	67,398	...	7,044	9,960	...	2,604	4½	4,000	+ 59	182,896	36,090	10
Rolls Razor	Dec. 31	56,310	11,787	30,723	37,906	7,500	15,000	60	10,136	+ 1,913	291,653	180,696	10
Schwepes Limited	Dec. 31	249,106	...	134,809	190,118	15,000	89,750	(d)	30,000	+ 599	68,556	117,611	10
Skefko Ball Bearing	Dec. 31	172,567	...	170,599	320,852	...	140,000	17½	30,000	+ 8,064	437,323	75,822	10
Travers (Joseph) & Sons	Jan. 31	68,330	...	44,314	79,519	6,250	30,000	15	...	+ 19,545	89,973	9,781	10
Tunnel Portland Cement	Dec. 31	493,324	99,196	129,128	271,134	18,000	91,583	20	1,250	+ 984	15,060	57,960	10
Vavasseur (J. H.)	Dec. 31	93,792	...	44,734	50,461	5,000	37,500	12½	...	+ 256	113,335	8,549	10
Williams (Ben) & Co.	Dec. 31	12,960	1,317	10,909	11,766	3,000	3,306	6	4,347	+ 882	15,181	66,909	10
Totals (000's)													
Jan. 1 to April 29, 1942		110,417	8,593	51,866	89,967	10,494	33,913	...	5,913	+ 1,546	128,516	...	...
April 29 to May 13, 1942		15,149	1,648	8,007	11,160	1,438	5,261	...	882	+ 425	...	...	...
Jan. 1 to May 13, 1942		639	125,566	10,241	59,873	101,127	11,932	39,174	...	+ 6,795	...	...	...

(c) 3½% on Ord. Stock and 1½% on Def. Stock. (d) 49 68. 3d. % on Ord. Stock and 10% on Deferred Stock. (e) £3 13s. 6d. % on Ord. Stock and 1½% on Def. Stock.
 (f) Includes £85,754 Balance of Reserve against expenditure on Air Raid Precautions no longer required. Trading profit £1,752,454 against £1,821,800.
 (g) For Half-Year ended April 30, 1940. (h) After £800,000 tax liability.

Shorter Comments

Production was called for, not only to achieve the efficient use of the nation's resources, but also to bring about action—to link output and strategy; to ensure that the right kind of weapons, as well as the right quantities, were produced; and to enforce the maximum of technical competence in manufacture, regardless of vested interests. A United Command is demanded for the same reason, to secure effective military action as the months of attack approach and to work out in deeds the conviction of the people that *il faut en finir*. At home, a plan for coal is called for to guarantee action before the ordeal of next winter, to impose, not only a fair and effective scheme of rationing, but also a reorganisation, under the State and in the interests of the community at war, of the entire process of production and distribution.

After Whitsuntide, the Government will produce a plan for coal. For two years the coal position has seen an inactivity which has been the reverse of masterly. Coal-getters were called up; pits were closed. The inevitable war demand for more and more coal was ignored; absenteeism among miners grew; the self-regarding attitude of owners impeded effective production, effective allocation of coal supplies according to war priorities and effective distribution; official timidity allowed ineffective control. There was a maintenance of peacetime practices by both workers and employers; their sole achievement has been, in combination, to impose the "closed" shop upon the coal industry. There is a demand for action in place of inactivity, for recognition of the common interest in place of sectional claims and for a single effective control. More coal is needed for the war, and less must be used by civilians. On the side of consumption there must be prompt, fair and effective rationing. On the side of output it is plain that the industry has proved itself inherently unable to solve its problems. It has set its face for a quarter of a century against all the plans for reorganisation, agreed by impartial investigators, to secure efficiency. The proper solution for the fuel crisis has already been canvassed in *The Economist*. It is to secure three things: the merging of entire districts into common productive units; the pooling of district resources of men and equipment under single responsible and competent district officers; and the pooling of financial claims so that the decisions taken for productive efficiency are matters of indifference to individual owners. If there is rationing of fuel without reorganisation of the coal industry, it will be a disaster, in fact and in principle. If there is no rationing, it will be a great surrender, as well as a disaster. If there is no reorganisation, it will be a betrayal of the nation's needs—and the need for an efficiently organised coal industry will not cease when the war ends.

A wartime government is always on trial. In the third year of war, when in place of war weariness, there is this militant and aggressive spirit, the trial is at its peak. The Government must prove, not only that it has the willingness and the wit to win the war beside its Allies, but also that it has the will, without reservation, to reshape the nation's economy wherever the needs of victory demand it. To use the pretext of war to "mutilate" the Services or to destroy the freedom of an industry would be political nonsense without excuse. But to refuse to take any steps required either to reorganise the Forces or to maximise war production would be political suicide. That is why these Whitsuntide debates are crucial.

It may be that the Government will return after Whitsuntide steeled against the 1922 Committee and armed with a three-point plan to ration fuel (on the lines laid down by Sir William Beveridge), to reorganise the coal industry as war and the common weal require and to focus communal control of fuel supplies in a single fuel department. But the omens are not good. The issue is too much confused by cries for and against "nationalisation." What appears to be a serious blow was recently struck against the war effort because of fear of nationalisation. Under the new shipping White Paper, State-built ships will be transferred to the ownership of the companies

whose ships have been sunk—which is quite reasonable. But they will apparently be managed, not by the most suitable companies in relation to their employment in the war effort, but by their prospective owners. The whole principle of the shipping pool is seemingly denied—for political reasons. Silently, what appears to be a scandal has gone through. The Labour Party, which has a Minister in the War Transport department, has raised no protest, just as, in the parallel case of coal, it is wedded to a doctrinaire and inefficient scheme of control by a representative body of workers and employers. It is not easy to look ahead when forces like these are in charge.

Just over 80 years ago, the Editor of *The Economist* set out the fundamental problem which now faces this country and its leaders:—

There are two kinds of statesmen [he said] to whom, at different times, representative government gives an opportunity and a career—dictators and administrators. There are certain men who are called in conjunctures of great danger to save the state. When national peril was imminent, all nations have found it needful to select the best man who could be found—for better, for worse; to put un- limited trust in him; . . . the qualities which are necessary for a dictator are two—a commanding character and an original intellect. All other qualities are secondary.

Words change their meaning. In the modern sense of dictator, Mr Churchill is its complete antithesis; in Bagehot's loftier sense, he is its very type. What is wanted now, in the third and decisive year of the war, is the "administrator" as well as "the dictator."

A really great administrator [says Bagehot] thinks not only of the day, but of the morrow; who is eager to extirpate every abuse and on the watch for every improvement; is on a level with the highest political thought of his time, and persuades his age to be ruled according to it in policy and in laws. . . . Administration in this large sense is concerned with the far-seeing regulation of future conduct, as well as with the limited management of the present. Great dictators are doubtless rare in political history; but they are not more so than great administrators. It is not easy to manage any age; it is not easy to be on a level with the highest thought of any age; but to manage that age according to that highest thought is among the most arduous tasks of the world.

The task now is to do precisely this, to solve these problems—of command, production and industrial organisation—according to "the highest political thought of the time" and by reference to "the far-seeing regulation of future conduct."

To say this is not to share in any intrigues against Mr Churchill and his Ministers. It is the right and duty of every responsible citizen and every worthwhile Member of Parliament to demand the best policy from the Government he supports. As Sir Edward Grigg has said:—

The House must face its own responsibility. It is no good saying simply, "Oh, the Government must know, trust the Government."

There are intriguers. On the Tory back bench, there is a surly resentment against the Prime Minister and his non-Tory advisers; on the Labour back bench, there is a petulant impatience with the Conservative connection. They shoot here and there and everywhere, but they mean to hit Mr Churchill. But these are only the petty complaints of little men, afraid of the darkness that is falling upon them and their puppetry. It is England that is at stake, not this flotsam and jetsam. The Government is not challenged by these factitious people, but by the facts. It is the privilege of Ministers to be held responsible. And the people must be given proof, not only of good intentions but of right methods, not only of laborious effort but of ruthless efficiency. Politicians live by their words, but they are known by their deeds. The present Ministers, who still command the support of an overwhelming majority of the people, must inevitably be judged, not by what they have done in the past, but by what they do now to strike at the enemy abroad and at the entrenched interests at home.

Myth of Empire

ALL is quiet in Madagascar and Martinique. In the one island military operations, in the other the negotiations between the American Government and Admiral Robert, are going smoothly. In France, too, although press comment has been very bitter, particularly over Madagascar, and the Paris collaborationists have called for positive reprisals, it does not look as though Laval will decide on military action—certainly not against the Americans.

This mixture of wordy violence and physical passivity reflects Vichy's basic attitude towards the French Empire. In its search to resurrect the ghosts of French history, the regime has not neglected Jules Ferry's attempt after 1870 to compensate the French for the loss of Alsace-Lorraine by a feverish plunge into colonising activity. One of the principal reasons put forward for the capitulation at Bordeaux in 1940 was "the preservation of the integrity of the French Empire," and ever since, the glories, the fidelity and the resources of the colonies have been a constant theme in French propaganda. The men of Vichy have tried to turn the eyes of the people—particularly the young people—away from their miseries at home to the land of promise overseas—*la France d'outremer*.

Their efforts have not been very successful. After 1870, Deroulade complained "I have lost two daughters [Alsace and Lorraine] and you offer me a crowd of domestics." To-day, two-thirds of France is lost; and at the same time the Empire, far from expanding vigorously as it did in the seventies and eighties, is undergoing a process of steady disintegration. The gap and contrast between Vichy's grandiloquent consciousness of Empire and its actual power to maintain its military and economic grip upon the colonies is yet another of those shams and deceptions actively practised by the regime which give to the structure of the Government its air of shabby unreality.

Vichy's difficulties in the Empire are not primarily political. Apart from a few dependencies—French Equatorial Africa and the Pacific islands—there has been little or no movement to break away from Vichy. The colonial officials and the colonial armies have maintained their loyalty to Marshal Pétain, not only because of their innate conservatism, but because the outlook for the Allied cause has hitherto looked black. If the choice lay between not fighting and being defeated under Pétain or fighting and being defeated all the same under Britain, there was no doubt where the balance of interest lay. Vichy's difficulties are difficulties of power, the impossibility of maintaining an effective system of defence, particularly in the outer fringe of colonies, the difficulty of

keeping up the particularly close and exclusive economic ties which, since the Customs Union of 1928, have bound the French colonies to the mother country.

There is little need to go into the military situation. In the Far East, Indo-China has been incorporated into the Japanese Empire without a shot being fired and with the active collaboration of Vichy's colonial officials. Syria has fallen to the British and the Free French. Madagascar has been occupied. Martinique and the other islands in the Antilles are passing under the effective military control of the United States. France's military position is secure—for the time being—only in French North and West Africa.

The economic picture is the same. The colonies of the outer fringe have been absorbed into other economic systems. Only with North and West Africa is effective contact maintained. Indo-China was granted a species of tariff autonomy at the beginning of 1941, which transferred it to "The Great Asiatic Co-Prosperity Sphere." In May, 1941, two economic agreements were signed with Japan, which rounded off Japan's "peaceful penetration" even before the establishment of military bases. Under these agreements, Japan secured Indo-China's rice supply, and was given the right to exploit industrial and commercial concessions. At the same time, the country was incorporated into the yen bloc. On the other side of the world, Martinique, which used to send France 99 per cent of its exports in return for 67 per cent of its imports, has become entirely dependent on supplies from the USA. Under an agreement signed in November, 1940, the US Government agreed to release certain sums from the blocked French accounts to enable Martinique to pay for its supplies. Syria and now Madagascar are part of the United Nations' world economy with its economic life blood of Lend-Lease.

The loss of the outer fringe of colonies has completely upset the balance of France's colonial economy. Not only was the system one of great interdependence between the metropolitan and the colonial countries; the dependencies also traded extensively with each other, and the loss of some of them has seriously compromised France's economic position, even in those African colonies where its political hold is still secure. From the Customs Union of 1928 until the outbreak of war, the volume of France's colonial trade and its ratio to the whole of the nation's foreign trade rose steadily. The table on page 708 shows the importance of the more distant colonies as sources of supply for France and the importance of France as a source of supply for the Mediterranean colonies. Now this relationship has been broken up. The olive oil, vegetables, fruit, tobacco, wool and

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cotton of Syria and Lebanon, the maize, tea and rice of Indo-China, the palm kernels and palm oil of Equatorial Africa are lost. With them has gone the basis for a well integrated division of labour between the various parts of the colonial Empire. Algeria, for example, supplied two-fifths of the wine drunk in the colonies. North Africa imported large quantities of Indo-Chinese rice and tea.

France's economic relations with the nearest dependencies have been similarly upset. True, the vegetable, fruit and grain producers of North Africa no longer compete with French producers. The best agricultural land in France is under German occupation, and North Africa is now being squeezed dry to feed the mother country. In 1941, over 300,000 tons of fruit and vegetables were shipped from North Africa to Marseilles—the percentage of the Axis "rake off" has been put as high as 60 per cent. Iron ore and phosphates have also arrived in Marseilles from North Africa—the Axis percentage has probably been the same. The trouble is that France cannot satisfy North Africa's chief needs in return. French industry is working for the German war machine, and there is virtually no margin of export. The output of textiles, which are badly needed in North Africa, was cut drastically towards the end of 1941. There is no fuel surplus; on the contrary, France itself is running

FRENCH COLONIAL TRADE (in % of the total volume of France's foreign trade.)				
	1929	1936	1937	1938
French Imports from the:—				
(a) Mediterranean region...	7.3	15.8	12.5	14.6
(b) Outer fringe colonies...	5.1	12.7	11.9	12.5
Total	12.4	28.5	24.4	27.1
French Exports to the:—				
(a) Mediterranean region...	13.9	24.4	19.6	18.5
(b) Outer fringe colonies...	5.4	9.0	8.7	9.0
Total	19.3	33.4	28.3	27.5

Figures taken from the R.I.I.A. publication "French Colonial Possessions" (1940).

desperately short. A certain amount has been done in North Africa to turn wine into motor spirit, but it is impossible to make good the deficiencies. France cannot export machinery—particularly agricultural machinery—or spare parts, and the situation is developing into a vicious circle, with France demanding more and more food, and North Africa demanding more and more implements before extra food can be produced. General Weygand stated at a press interview, shortly before he was "retired," that it was not much good giving Algeria bank notes which bought nothing in return for all its exports. In these circumstances, the setting up of an economic office in Algeria and the holding of an Imperial Economic Conference in Vichy this February conformed to Vichy's general practice—"full of sound and fury, signifying nothing."

The same must be said of the two projects, the trans-

formation of West Africa into a "second Egypt," and the building of the Trans-Saharan railway. The irrigation of the Niger delta is to make possible a large scale production of rice, cotton and wheat in French West Africa. According to German sources, the irrigation scheme will make it possible to put 500,000 hectares under cotton, and some 450,000 hectares under rice. West Africa is to be merged into one economic unit with North Africa, and tied up as closely as, say, Algeria, with the metropolitan economy of France. The Trans-Saharan railway—"the route of cotton and coffee"—is designed to connect the Mediterranean with the Niger. Much pomp and advertisement accompanied the publication, in March, 1941, of a decree for the construction of the railway. But later on, enthusiasm died down. In December, 1941, the first section of the railway was opened, connecting Bon Arfa with Colomb Béchar in Northern Algeria. The distance still to be covered is about 2,000 kilometres, and it will take some eight years to complete the construction. There is no steel for rails, and no oil for Diesel electric engines. The section of the line opened so far has some importance in that it brings coal from Kenadra to meet the greater part of Algerian consumption. But, for the time being, the great enterprise of the Trans-Saharan line has faded away like a *jata morgana* in the Sahara desert.

Yet even if the two new schemes were successful beyond the dreams of Vichy, this whole attempt to find compensation for military defeat in colonial glory would still be a hollow sham. The only hope for a colonising future for the French is within the framework of an Allied victory. Otherwise they will simply find themselves working as the stewards and bailiwicks of their German overlords. Germany has been suspiciously kind to France's colonial day dreams. The men of Vichy have been encouraged to cling to their myth of unimpaired colonial greatness. The Germans have not yet backed Italy's colonial claims and, after dabbling rather half-heartedly in the dynastic troubles of Morocco, they have apparently decided that the French are as good as any local quislings at keeping the best colonial seats warm for the Germans. The Trans-Saharan and West African schemes have been loudly encouraged in the German press, and some raw materials have been placed at Vichy's disposal. This benevolence takes on a more sinister colour in the light of Germany's views on geopolitics. Geopolitically, it appears that Africa "belongs" to Europe. *Eurafrika* is a favourite concept of this German pseudoscience. Now that Germany is comfortably overlord of Europe, it must logically follow that the Nazis have the inheritance of Africa as well. If, in the meantime, French energy, French capital and French work improve the patrimony, the effort can be magnanimously encouraged. Then, when Germany is ready, the French will find that their status differs very little from their brothers in Senegal. *France Metropolitaine* and *France d'outremer* will share the same colonial servitude under the Teuton masters of *Eurafrika*.

Control of Production

MR LYTTLETON was appointed three months ago to carry out three tasks, until then only partially done. The first was to concert and supervise production programmes, so that industrial capacity and strategic needs would be kept always in line. The second was to watch over the progress of production, so that contracts could be kept continuously filled and industrial facilities kept fully and efficiently employed. His appointment came at a crucial moment when war production had entered a new phase. The process of transferring fresh resources from non-essential to war uses was very largely over; the gigantic task of industrial conversion upon which the United States is now embarking had been mostly completed. The new problem was not to bring in new facilities, but to make the maximum use of the

resources already mobilised, the mechanical equipment and the labour force alike. Programmes are a matter for centralisation in Mr Lyttelton's office. Progress is very largely a local matter; it is in the regions where there must be a single clearing house of all industrial resources, to dovetail capacity and requirements continually—always, of course, under the single central eye of a single Minister. There have been Regional Boards, representing the Supply Departments and local industry, in the eleven Civil Defence regions since January, 1940. In theory, their function has been to assist the Supply Ministries to make the fullest and most efficient use of the productive resources and manufacturing capacity of their regions in order to carry out central production programmes. In practice, their history is made up of "a melancholy list

of frustrations and disappointments." Nominal control over them has been bandied about from the Ministry of Supply to the Ministry of Labour, to the Ministry of Supply again, to the Industrial Capacity Committee, to the Production Executive and now to the Minister of Production. The Citrine Committee was set up by Lord Beaverbrook in February to examine their "present constitution and functions" and to make recommendations. Its finding is that, until now, the Boards have been

unable to secure rapid, effectual and continuous co-ordination of the efforts of all Government officials in the area in the production of essential stores.

The reason for this is that the Boards have lacked both status and authority. They have had no control over the officers of the Supply Departments stationed in their regions. There has been no "properly articulated system of devolution of executive policy." The Boards have lacked power to act; and they have been quite unable to secure the fullest use of local facilities by pooling orders, management, plant and labour.

The main cause of this weakness in the regions has been weakness at the centre. Until the appointment of Mr Lyttelton, there was no single Minister charged with the duty of concerting and supervising the activities of the Supply Ministries; it was impossible to devolve upon Regional Boards of Regional officers powers which did not exist. Now, in theory, these powers exist. Mr Lyttelton should be able to throw the mantle of his authority over the Regional Boards to secure a single focus of regional control and supervision. This is the main recommendation of the Citrine Committee.

Just as the Minister of Production is charged with the duty of concerting and supervising the activities of the Supply Ministries at the centre, so there should be in each region a representative of the Ministry whose duty it should be to concert and supervise the activities of the Regional Controllers of the Supply Departments.

The core of the Committee's own plan is these Regional Directors of Production, with the task of supervising the work of the Regional Controllers of the Supply Departments to ensure the maximum degree of co-ordination.

Unfortunately, there are to be no Regional Directors. The Government has decided that instead there shall be Regional Controllers (Ministry of Production). Apparently there has been a trial of strength between Mr Lyttelton and the Supply Ministries; and Mr Lyttelton has not won. His representative in each region will indeed be chairman of both the Regional Board and of its executive committee; and he will report direct to the Minister of Production. But, at most, he will be *primus inter pares*. It will still be impossible for regional facilities to be fully pooled and fully utilised. The Committee's suggestion that

the independent organisations established by Supply Ministries for capacity finding should be merged in the regional organisation

is in general accepted, but vital exceptions are made. The regional organisation of the Admiralty, even where it is concerned with non-shipyard work, is to be excluded. The regional organisation of the Controller General of Machine Tools is to be excluded. Because of the limitations imposed upon Mr Lyttelton himself in the matter of labour, the Regional Controller of Production will have no more than joint powers over the allocation of labour with the Regional Controller of the Ministry of Labour. The real job of the Regional Boards should be to control effectively the local allocation of resources, to marry capacity and requirements so that no capacity is unused and no requirements unfulfilled. But it is hard to see how this will be possible. The executive of the Boards will be unable to move a single tool except at the discretion of the Ministry of Supply.

This is not to say that the new system will be as bad as the old. Apart from these crucial exceptions, the Government has stated—in admittedly vague and general terms—that it accepts all the main recommendations of the Citrine Committee; and, in almost every detail, those recommendations were designed to secure local Boards headed by a strong executive, directly responsible to Mr Lyttelton and vested with the power to take decisions—with the representatives of the Supply and other departments collaborating at a lower level. But the exceptions take the heart out of the scheme. They put Mr Lyttelton's representative on the same level as the representatives of the other departments. They leave vital spheres of influence for the departments outside the regional system. It is hard to avoid the conclusion that they represent a remarkably successful rearguard action by the Supply Ministries against the threatened encroachment of Mr Lyttelton. It is probably right to be thankful for small mercies; to be gratified that, if Mr Lyttelton's representatives are to have one hand tied behind their backs, they will still have the other hand free; and, above all, to welcome gratefully the proposals for making the Regional Boards cognisant of all the contracts placed and all the work in progress in their areas, so that they can keep constant vigilance over the flow of orders and deliveries and over the use of capacity. It is a distinct gain, too, that most, if not all the most important, regional organisations for specific matters will now all be centralised, physically as well as administratively, under the Regional Boards. But it is hard to resist the comment, yet again, "too late and too little." Half a loaf may be better than no bread: but a half truth is more dangerous than a lie, and it would be mischievous and misleading to hail this new scheme as a notable step forward. The Citrine Committee has done a good job; but the Government has missed a great opportunity.

NOTES OF THE WEEK

The Debate

Feeling ran high at times in the debate on strategic planning which engaged the attention of the Commons on Tuesday and Wednesday. For the most part, speakers concentrated on the demand for a real Chief of Staffs, as distinct from the Minister of Defence, rather than on the proposed more fundamental need for a Great General Staff and for combined commands wherever the Services work together. As a result, the debate was, at bottom, about personalities. The main demand of most critics was that the same individual should not, to use the words of Sir Edward Grigg, both be taking advice, giving advice and acting upon that advice. One criticism was, though it was seldom openly stated, that Mr Churchill's direction of strategy had been wrong. Mr Stokes said quite frankly that his complaint was against the Prime Minister and that unless there was a change of strategic control, we should lose the war. Properly, the demand for a Chief of Staffs or for a Greater General Staff or for Combined Commands

has nothing to do with the question whether or not this or that person should be Prime Minister, nor has Lord Hankey's contention, reiterated in this debate by Colonel Oliver Stanley, that the Defence Committee of the Cabinet is a redundant body. These are questions of the machinery of command and administration. If they are confused with personal prejudice, they will not be settled, because every constructive suggestion will be treated as an attack on Mr Churchill—and, worse still, the opponents of reform will ride off on the excuse that the critics are merely using these suggestions to spike the Prime Minister's guns. This is largely what happened in this week's debate. The only effective answer which was given on Wednesday to the critics was Mr Attlee's indignant denial that the Prime Minister in fact dominated either the Chiefs of Staff Committee or the War Cabinet. The Government's defence of the present system was entirely concerned with the defence of Mr Churchill and had nothing to do with the real issues of organisation at stake. The upshot is that this question is

at the stage where so many other vital questions have found themselves in recent years; it is still being, to quote Sir Edward Grigg again, borne down and blanketed by the Government of the day, just as Mr Churchill's suggestions for re-armament were when he was in opposition. It cannot be too strongly urged, first, that this is not a demand to sack the Prime Minister; secondly, that it is not a demand for a fresh superman. It is not a question of personalities at all. The present Chiefs of Staff Committee is, by the terms of its warrant, a Chief of Staff-in-Commission. What is needed now is to take this appointment out of commission, and to insert into the system of strategic planning and command a man with that "cold, analytical professional" three-Service mind, which is needed; and then, under him, to constitute the General Staff and the Higher Commands as combined bodies, cutting right across the present tripartite and representative structure of Service organisation. It would be untrue, of course, to say that the Prime Minister is an irrelevancy in this matter. As Mr Attlee said, "It would be quite impossible to take away from the Prime Minister the major responsibility of advising the Cabinet on decisions of strategy." As Mr Churchill has often said, the responsibility is his. All that can be done is to urge the Prime Minister and the Cabinet to equip themselves with a machine for planning and command which will produce more positive planning, more positive action, and more successes in battle than seem possible with the present methods.

Combing Out

The scope for finding fresh workers for war employment is now very small indeed, but it is still necessary to comb over every activity and to see that no labour is redundant or wastefully used. A new step by the Ministry of Labour is aimed at this objective. In future, firms who are employing workers for less than fifty-two hours on manual work or less than forty-six hours on administrative or office work will be required to release for war employment a proportion of their workers equivalent to the short-fall in their working hours. The principle of this measure is sound. Its application will need great care. There are already signs that firms and institutions may attempt to protect their labour force simply by stepping up working hours when there is no need. If the measure of redundancy is to be working time, there must be some sanction to make certain that this does not lead to waste time. The fundamental task is to see that all labour, everywhere, in every kind of employment is efficiently used, that the minimum number of man-hours, not the maximum, is taken for every job. There are too many signs just now that the flow of labour from civilian industry to munitions is being, not speeded up, as it should be, but slowed down. The final act of standardising all civilian production, such as clothing, so as to release more workers for war employment is still being pertinaciously resisted. The proper use of working hours as a yardstick, at this stage in war economy, is to induce workers in necessary civilian industries to work just as hard and as long as workers in war factories, and to transfer the labour thus released into war work. The reservoir may be run almost dry, but every drop that can be scooped up is correspondingly more valuable.

Responsibility of Ministers

It was laid down in *The Economist* a fortnight ago that a first need of parliamentary rehabilitation in this country is that Ministers must be ready to resign. This is probably a requisite of wartime Government as well. It has become customary for ex-members of the Government, in the Lords or in the Commons, to express critical views about the Government's policy in the fields for which they themselves were formerly the responsible Ministers. There have been a number of instances this week. Sir Edward Grigg was until recently at the War Office. On Wednesday he spoke strongly about strategic miscalculations and deficiencies in strategic planning. Not unnaturally, the Labour speaker who followed Sir Edward Grigg protested against ex-Ministers criticising a policy about which they had kept silent when in office.

It is bitter to some of us [he said] that the men who take office never say anything until the time comes when they have to give up. They should have the courage to speak up when they are in and not wait until they are kicked out.

Mr Attlee made a similar point about Lord Hankey, who has been calling for a Chief of Staffs and for the end of the Defence Committee system, which by-passes major matters from the War Cabinet itself; he called Lord Hankey's attitude "a death-bed repentance." Obviously, there must be many cases of disagreement in Cabinets; obviously, it would be impossible for Ministers to resign every time they disagreed with their colleagues; that would amount to saying that Government by means of a Cabinet is impossible. Most Cabinet decisions are in some sense a compromise, and each Cabinet Minister sees something in the final decision which he approves and something which he disapproves. This is collective responsibility. But when the decisions concern matters for which the individual Minister whose wishes are over-riden has direct responsibility, and when they are also matters of vital national consequence, there is small doubt that it is the Minister's duty to have the courage of his convictions and resign. This simple piety has been too long lacking in British Cabinets. Men have preferred office to honesty. It is often hard for Ministers to decide where they should take a stand; but there are high moments in the conduct of every war when the decision should not be unduly difficult. The trouble is that the sense of Ministerial responsibility seems to be even more loose in wartime than in the sort of dead peace years which preceded this war. This is largely because so many Ministers have no responsibility. This is Lord Hankey's point; not long ago, he told the House of Lords that the way in which the Defence Committee and the Chiefs of Staff Committee were worked tended to leave Members of the Cabinet themselves entirely in the dark about matters of major policy. It has often been suggested in the Commons that the responsibility of the First Lord of the Admiralty is negligible, in the present system, beside that of the First Sea Lord sitting direct under the over-riding responsibility of the Prime Minister. Another Minister has declared that in all the months in which he was a member of the Government he saw but never spoke to Mr Churchill. Cohesion is lost. Responsibility is blurred. And so we get these curious episodes when men like Lord Hankey, Sir Edward Grigg and Colonel Oliver Stanley make quite startling comments about affairs in which it was popularly supposed they had no small hand.

Fighting in the South

The time of local action and limited objectives seems to be at an end in Russia. By a short head, the Germans won in the race to open large scale hostilities, but they confined their action to the geographically limited though strategically wide objective of recapturing the Kerch Peninsula. To re-establish their position there was an obvious preliminary to any attempt to encircle Rostov or begin operations in the Caucasus; and it looks now as though they have succeeded in this first step in the bigger operation. An encouraging feature of the fighting is the time it has taken the German forces to capture the town and reduce the remaining pockets of Russian resistance. The issues at stake to the north of the Kerch campaign, in the offensive launched by the Russians behind and below Kharkov, are not so clear cut, nor is the outcome so far as decisive. Marshal Timoshenko prefaced his attack by declaring it "the decisive offensive of the war." This statement demands careful consideration. It does not come from a press agency or a war correspondent or a military spokesman. It comes from the sober soldier who, more than any other, was responsible for Germany's reverses in the Donetz last autumn. It can only mean, therefore, that the Russians are putting very high hopes indeed upon the outcome of the offensive, and that it is designed at the least to disrupt Germany's offensive plans completely, at the most to clear the Eastern Ukraine. It is too early to estimate the fortunes of the attack. The Germans admit Russian progress south of Kharkov, but they have now launched a counter-attack between Izyum and Barvenkova, where the Kharkov-Rostov railway runs closest to the Donetz River. This is a narrow front, and it is not certain whether the counter-attack will develop into a full offensive. Should it do so, then clearly the Germans have chosen their point of attack shrewdly. The railway alone is of first-class strategic importance. A swing to military possibilities are even more significant. A swing to the north would bring the German columns into contact with Marshal Timoshenko's exposed left flank, at a time when his offensive is at full stretch. A swing to the right

could open up a new drive on Rostov. The Donetz fighting may well be crucial to the success or failure of the Russian attempt to seize the initiative in the south.

Profit Margins

The Ministry of Food has raised a storm in the grocery and provision trades. The latest scheme for control of wholesale and retail margins, due to come into force on August 24th, strikes a hard blow at multiple stores. The purpose of the scheme is to prevent organisations performing both wholesale and retail functions from retaining the two or three separate profit margins which accrue to them by the fact that the middlemen are eliminated. Since maximum retail prices, fixed by the Minister of Food, are operative for the majority of groceries and provisions, it has been possible for the multiple stores, which, organised in vertical combinations, are able to cut out the middleman, to make substantially higher profits than the small man who obtains his supplies at a later stage in the chain of distribution. The new measure is an attempt to hold the balance between the large concern and the small trader. The multiple stores are opposed to the scheme on grounds of public as well as of private interest. They claim that where, by eliminating certain stages in the chain of distribution, it is possible to retail goods to the public with greater efficiency, it is undesirable that costs should be artificially raised merely to keep small retailers in business, which is of course true. It is also true, as Sir George Schuster, chairman of the Home and Colonial group, points out in the course of his annual review, that where a concern performs the double service of distributing goods both wholesale and retail, it may claim to have earned a double profit. But the solution surely is not to maintain the swollen profits of the low cost distributor, but to pass them on to the public in lower prices; the difficulty about the case now being put up by the multiple stores is precisely that the greater efficiency they talk of, and the lower costs obtained by integration, have not been passed on. Maximum prices have tended to become minimum prices, and those offered by the large concerns are not substantially lower than those offered by the small man. Plainly, however, the matter is not simple. Lower prices by multiple stores, it is argued, would be an added threat to the existence of the small man, already imperilled by war conditions. Moreover, when supplies of all foods are relatively short, and when rationing has not yet become comprehensive, any general reduction in food prices on the part of the multiple stores might tend to cause queues, runs and shortage—though rationing is perhaps by now sufficiently wide to make this possibility not very significant.

The point emphasised by Sir George Schuster is that the multiple stores, if they were working to capacity, could deliver food to the public at prices substantially below existing maxima, and still earn adequate profits; and it is clear that the new move to eliminate the stores' relative advantage over the small tradesman which is represented by the double profit margin (and is in most cases passed on to the Exchequer in the form of EPT) is a political move, not an act of economic policy. It arises from the fact that no scheme has yet been made to help small men out of business and guarantee their post-war return. Hence, they have, mainly uneconomically, to be kept in being. It is, of course, arguable, on political or social grounds, that it would be impolitic to buy out and compensate small traders and to place the present reduced volume of food distribution in the hands of multiple stores. But it would surely be most politic, and desirable, on every ground, to enable the public to profit from distributive efficiency and to buy food correspondingly more cheaply. It is iniquitous that, for any reason, maximum food prices should be regarded as minima. There is every reason why the consumers should benefit from efficiency; and half-hearted attempts to "protect" the small shopkeeper (which are the result of a complete bankruptcy of policy with regard to compensation and wartime concentration) do no good either to the small shopkeeper or the public, and do definite harm to the war effort. Once again, a wartime policy for shops is a glaring need.

A Ministry of Fuel

Logic and symmetry have had as little part in the growth of Britain's public administration as in the development of its towns. This penchant for solving the problems as they arise, and by having recourse to expedients, has sometimes served the country well. There was no logic in the arrangement whereby Colonel Llewellyn, before he became Minister of Aircraft Production, combined the completely distinct offices of chairman of the Materials Priority Committee and Parliamentary Secretary to the Ministry of War Transport. But it could be justified on grounds of expediency and, on the whole, it worked fairly well. But there are times when such haphazard arrangements become an obstacle to efficient administration, especially in war. The time comes when, as in the case of the Ministries of Production and War Transport, the strands of administration, hitherto dispersed, must be gathered in a single department. Another sphere of administration where the need for centralisation has become urgent is fuel. True, coal, gas, electricity and oil are all administered from the Board of Trade. In actual practice, however, the Mines and Petroleum Departments enjoy a large measure of autonomy, and the Gas and Electricity Departments are independent of the Mines Department and of each other. If, as has been promised, the fuel problem is now to be dealt with as a single problem, it is difficult to see how this can be done efficiently without vesting the control over the various fuels in a separate and strong Ministry. The position has now been reached when the continued existence of separate departments for coal, gas, electricity and oil is a positive obstacle to policy.

A Personal Ration?

Another alternative to the Beveridge plan for rationing fuel is to be published in full in the next Bulletin of the Oxford Institute of Statistics. Its essential feature is the suggestion that the household fuel ration should be made up only of personal allowances, and that the household ration should be eliminated. To provide elasticity, babies and old persons would receive more than the flat *per caput* allowance, but recognition of the diminishing marginal requirements of a large household would be achieved by allowing school children only 50 per cent of the adult ration. The scheme admits the need for rationing all fuels on a point basis, and is thus an amendment rather than an alternative to the Beveridge plan. The objection to elimination of the household ration is that simplicity is bought at the expense of inevitable and unnecessary unfairness which might well breed a disproportionate crop of special appeals. For it is not always possible for the consumer to relate house space to inmates in the most economic fashion. There is still no doubt that the Beveridge scheme holds the field on merit.

End of a Campaign

The last of the British forces in Burma have reached the Assam frontier. There, among the wet woods and steep

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bridle paths of the Naga and Patkoi Hills, the war dribbles rather than surges to the frontiers of India. It is possible that the coming of the monsoons will hold up campaigning for the time being. In any case, as General Alexander has pointed out, India has gained five months' breathing space, not only to improve its defences, and to introduce badly needed and somewhat neglected ARP arrangements, but also to grow accustomed psychologically to being in the front line of the war. This is an important item in the credit balance. Unhappily, it is the only one. Even though the enemy will not be able to exploit Burma's resources at once, its oil and rice are lost to the Allied cause. The occupation of Akyab and the Burmese coast down to Rangoon, has rendered the Gulf of Bengal, if not unusable, extremely dangerous to Allied traffic, which must throw a very heavy load upon India's land communications if any sizeable consignments of war supplies are to reach China by the new India Road. This is the most serious aspect of the Burma campaign—the isolation of Free China from its fighting Allies. It is perhaps possible now to question the wisdom of defending all the South Sea outposts instead of concentrating what were from the start very limited military resources on the key defence positions—Burma and Australia. It is, of course, easy to be wise after the event, and there are a host of reasons why Singapore and Java could not, in fact, have been left undefended. But the lesson of the dangers of dispersal must be learnt, until another year has brought with it the overwhelming striking power necessary to fight the enemy on any ground—of his own or of the United Nations' choosing.

Offensive Against China

There are some signs that the Japanese may launch a full scale offensive against China. Already, China is being made to fight on two fronts. During the past week, an important Japanese thrust has been initiated from Chekiang on the east coast. In this area, the enemy forces are said to be based on Hangchow and to be enjoying air support. On the Yunnan front, the enemy attack via the Burma Road has not, on balance, made much progress. The first successful Chinese counter-attack was forced to give way before Japanese reinforcements, which captured Tengyueh, on the section of the Burma Road between Bhamo and Paoshan. It is not clear whether subsequent Chinese counter attacks have succeeded in recapturing this town, but so far Paoshan, the next important clearing point on the Burma Road, is not directly threatened. The Chinese expeditionary force in Burma is still intact and carrying on guerrilla operations against the enemy. If a Japanese drive is to be concentrated against China in the next few weeks on two fronts, the supply question assumes first class importance. By some means, the urgent need for first line aircraft, both fighter and bomber, must be met by the Allies; and an efficient overland supply route must be reopened. There is no doubt that the only completely satisfactory solution lies in the recapture of Lashio and Mandalay, which can only be done in the near future by the Chinese. By remaining in Burma, the Chinese Expeditionary Force demonstrates that China has not acquiesced in the loss of the whole of this territory. The position is desperately serious. The whole future strategy of the Far Eastern war depends upon the maintenance of contact between China and the remainder of the Allied Powers. The Japanese appreciate this fact and may be relied on to exploit to the full any period of temporary isolation. It may well prove that this summer China, by sustaining a first class Japanese offensive, will play the same role in allied strategy in the Far East that Russia is playing in the west by engaging the German armies. And China must receive as substantial material assistance from the British Empire and the United States as has been carried to the support of the Russians.

The Balkan Scene

If the strategy of the Germans' summer offensive is to combine a drive on the Caucasus, a thrust towards Syria (either through or skirting Turkey), and a delaying action in the Libyan desert with the arrival of Japanese warships off Aden, then the week has brought some first moves in the complicated campaign—but not in the Balkans. It is possible that the uncertainty and disruption prevailing in the Balkans may prove a crucial obstacle to the larger plan

of conquest. Each Balkan state is providing the Germans with a special brand of headache. In Roumania, it is the Hungarian quarrel which is always on the point of boiling up into a minor war. Tension will not have been eased by the recent action of the Roumanian authorities in closing all the irrigation locks in the Danubian dam system, and thus causing widespread floods on the Hungarian side of the frontier. In Serbia, and even in Croatia, it is the Chetniks who are at the root of the mischief. The Germans hoped that disturbances in Croatia would die down after the capture of Colonel Dangic, the ringleader of the guerrillas, but he escaped within a few days. In Serbia, the holding of General Mihailovic's family as hostages has made no difference to the activities of the intrepid fighter. In Bulgaria, the obstinate pan-Slavism of the people gives the Government a lever against the German demand that they should enter the war against Russia. On May 1st, the country was plastered with illicit slogans, "Long Live the Red Army," and so forth; and railway sabotage and arson are widespread. The Germans cannot increase their garrison and cannot, therefore, exert further pressure. Moreover, the Bulgarians are useful to them for the policing of Serbia and as a whip to beat the Italians; the dispute over Macedonia—shall it go to "Greater Albania" or to Bulgaria?—is still unsettled. Finally, in Greece, which would become a major base for operations were the attack on Cyprus and Syria to be launched, the difficulty is not opposition but collapse—the first definite appearance of a spectre which waits in every occupied land. There is little resistance now in Greece; but neither is there any work or contribution to the Axis war effort. The people do not work; the fields are left uncultivated; there is a great deal of pilfering and black marketing; typhus has appeared; and starvation is everywhere. In the north, in Bulgarian-occupied Thrace, there are massacres, but not because of any active resistance on the part of the Greeks. They are part of a systematic policy of extermination such as has been pursued by the Croats against the Serbs in Croatia. The Balkan base for the summer's operations is treacherous ground, and the Nazis are too occupied elsewhere to be able to watch their every step.

Information Services

Mr Harold Butler is going to Washington to oversee Mr Britain's Information Services in the United States. Mr Butler will not stir the Americans. He is not an exciting figure. But he would seem to have many of the qualities needed for this vital but delicate mission. He has worked with Americans through the ILO; he knows America; he has that mixture of international idealism and practical experience that should commend a man to a country where enthusiasm and realism blend to give a rather incalculable edge to the general attitude towards foreign affairs. But his appointment will not, in itself, be enough to cause any important change in the direction of better understanding between Britain and the United States. Tempers and nerves are undoubtedly frayed; a good deal of skilful Axis propaganda has been going round in the form of stories whose origin everyone ignores but whose accuracy their tellers will vouch for; the isolationists have done their part; and the atmosphere is not as cordial as the present alliance and the future of world co-operation really demand. It is the whole scope, purpose and organisation of Britain's Information Services that really need reconsideration. The British "case" can not be put in the United States any more than it can be effectively put anywhere else because, so far, no case has been set out to put. The kind of questions Americans ask—sceptically, angrily or in a friendly way—often cannot be answered because nobody has thought out the answers in advance within a coherent framework of aims and ends. And since policy is still vague and undefined, there is no way of testing whether the people charged with explaining Britain to the United States are in reality the most suitable. The outsider gets the impression of a fierce struggle going on between the Foreign Office and the Ministry of Information over the question who shall say what to whom, which ends in nobody saying anything to anybody. The compromise reached over the Butler appointment—that Mr Butler should go out to replace Sir Gerald Campbell, but that Sir Gerald Campbell should continue to act in roughly the same capacity—is a typical example of the confusion of administration, and of mind, that still prevails.

The Cost of the War

The real cost of the war is not the money spent on it by the Government, but the goods that would have been made and the services that would have been rendered by the men and women and by the production facilities now engaged in war activities. Part of the real cost of the war is met currently by a reduction in civilian consumption and harder work; the remainder is met by the depletion or running down of existing capital assets. An attempt has been made by Mr. S. I. Schwartz in the April issue of the London and Cambridge Economic Service to estimate the real cost of the war in 1941 on the basis of the statistics given in the recent Government's White Paper on National Income and Expenditure (Cmd. 6347). The reduction in current consumption compared with and measured in terms of pre-war prices was of the order of £600 millions; and the legacy to posterity of actual and potential capital assets was diminished by £1,500 millions. The latter figure includes £800 millions for sales of gold and overseas investments, £250 millions for damage and destruction of property, and £500 millions for the net depletion of fixed equipment, stocks and working capital. In wartime, of course, new capital equipment is provided by Government expenditure; in 1941 Mr Schwartz values this increment at £400-£500 millions, and sets it off against the usual peacetime increment in the stock of capital goods, which was valued at £406 millions in 1938. On the basis of these figures, the real cost of the war has been met by a reduction in current consumption and by drafts on existing and potential capital assets in the ratio of 1 to 2½. Britain will undoubtedly be poorer than in 1939 to the extent that its productive power and other assets, including overseas investments, have been depleted. The burden that will have to be met by posterity is represented by the men, materials, and productive equipment that will be required for the rehabilitation of physical capital and for the repayment of overseas indebtedness; and, given reasonably free conditions of trade, there is no reason for believing that the burden will be a crushing one—unless the loss of skill and the depletion and destruction of capital very much exceed present expectations.

The Gyrations of Giraud

Several weeks have passed since General Giraud slid down a rope in Koenigstein in Saxony, travelled comfortably across Germany, discussing strategy in good German—with a rather French accent—with high German officials *en route*, crossed into Switzerland where, after a temporary arrest and an examination, he was permitted to travel on to Vichy. His doings in Vichy have been equally odd. He has had long colloquies with Pétain. He has seen Laval. He has travelled to Moulins to confer with the German High Command. Now reports are circulating that the Germans demand his return and that he, while giving a guarantee to Pétain not to support General de Gaulle, has refused to promise not to fight the Germans. Since France's future is not likely to be decided in Vichy, in any case, the devious doings of General Giraud are not perhaps of first importance. Any attempt of his to set up a rival Free French movement should be watched with suspicion, seeing how easily he slipped down the rope and out of Germany. But there is no evidence that this is his intention. Far more interesting are his contacts and connections with high German military authorities, with whom he appears to have discussed such delicate problems as the alternative to Hitlerism in the event of a German collapse, followed by "Communist anarchy." He and the German Generals no doubt see eye to eye on the undesirability of such an outcome. They may also agree on the pre-eminent claims of the German army to be the "saviours of order" in those chaotic hours. It is known that certain German Generals have been trying for some time past to send out feelers into Allied countries, notably through certain religious leaders in Switzerland. It is not impossible that General Giraud has been entrusted with this mission—yet another reason for following his activities with extreme caution.

Justice for Germany

Judged by his speech in the Lords debate last Tuesday, Lord Vansittart does not appear to differ fundamentally from Mr Morrison, whose recent appeal at Blackpool for "justice for the German people" was the occasion of the debate. The trouble is, as on so many occasions in the inter-

minable wrangle between the "Vansittartites" and the anti-Vansittartites, that they were not referring to the same aspect of the German problem. Mr Morrison appealed for "justice" for the Germans against the "butcher bird" school of thought which identifies Germans with Nazis and demands the same policy of extermination for both. Lord Vansittart has been at pains to dissociate himself from this radical reading of his pamphlets, and his speech in the Lords was only concerned with the other aspect of the German problem—the desire of Germans, good and bad, Godfearing and Hitler-crazed, rich and poor alike, to dominate Europe, if necessary by war. His plea, which no doubt Mr Morrison would accept, is that no sentimentalism and no subsequent regrets over stern measures shall in the future cloud the issue of preventing Germany, or any other nation, from dominating Europe. Here it is a question not of justice for the Germans, but of justice for the other peoples of Europe.

Industrial Assurance in New Zealand

The system and administration of working-class life insurance in New Zealand has certain similarities with those in force in Britain. In both countries industrial assurance is commercially efficient; in both countries, too, it has grievous social deficiencies. According to the latest official statistics, published in the New Zealand Year-Book for 1941, there are some 53,000 new industrial assurance policies issued per annum in the Dominion, which is a satisfactory result for a population of some 1½ millions. Unfortunately, against this there are lapses of existing policies amounting to about 22,000 a year. This conforms approximately with the estimate of the Cohen Committee on Industrial Assurance in Great Britain in 1933 that, against nearly ten million new policies issued per annum, 4½ millions were allowed to lapse. Another feature in common in the two countries is the extremely high expense ratio (commission and management). In 1939, in New Zealand, it was 30.08 per cent. In the ordinary branch, however, the expense ratio was only 13.95 per cent. The high ratio in the industrial branch is officially explained by the high cost of collecting premiums, "principally in the shape of renewed commission." This may be an adequate explanation, but it cannot defend a system which claims to be a stimulus to thrift. Moreover, the sums assured by lapsed policies amount to some £1½ millions per annum, and the premiums already paid on these policies by the insured are a total loss to them—though not to the insurance offices. The prosperity of such a wasteful system is the more surprising since there exists a State Life Assurance Office, created in 1869. Yet the official scheme has remained a failure compared with private industrial assurance, although its expense ratio is only 13.31 per cent. Apparently, people prefer the weekly calls of insurance agents for which they have to pay dearly, and do not care if they lose their benefits through lapsed policies.

Shorter Notes

The following table gives the number of civilian casualties in air-raids since September, 1940:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept.-Dec., 1940	21,669	30,556	52,225
1941:—			
January-June	18,698	20,451	39,149
July	501	447	948
August	169	136	305
September	217	269	486
October	262	361	623
November	89	155	244
December	34	55	89
1942:—			
January	112	61	173
February	22	21	43
March	21	13	34
April	938	998	1,936
Totals to date	42,732	53,523	96,255

Of those killed in last month's raids, which included all the Baedeker raids, 359 were men, 446 were women, 122 were children and 11 were unclassified.

AMERICAN SURVEY

Financing War Industry

FINANCE has not hitherto been a bottleneck in the United States' industrial war effort. The implied compliment to the agencies—private and official—responsible for the comparatively smooth response of the short and long-term capital markets to the demands made on them in recent months may be rated high, since the conversion of industry from peace to war in the United States has not been matched in its size and intensity by any other beligerent. A valuable description of the means by which this conversion of industry has been financed is given in a report by Roy A. Foulke, of the firm of Dun and Bradstreet, Inc., on "Credit Problems in a War Economy."

The problem falls into two distinct parts: first, the financing of new plants or extensions, and of their equipment; secondly, the provision of the additional working capital required by firms whose wage bill and work in progress have been multiplied several times since the defence and Lend-Lease programmes got into their full stride. The private resources of industry and the facilities which it would, in any case, have been able to obtain from the banking system have, of course, gone some way towards satisfying this demand for capital. The war found American banks underinvested, and American industry well endowed with liquid resources. There was thus considerable slack to be taken up. How rapidly this slack is being taken up is shown by the recent rise in member banks' loans and investments, and by the reduction in their excess reserve balances.

The traditions of American industry favoured the resort to private resources rather than the intrusion of State aid in any form. This was encouraged by official action, dating back to the Second Revenue Act of 1940, which allowed concerns expanding their facilities for defence work out of their own private resources to amortise the cost, for tax purposes, over a period of five years. Private resources were a great standby in the early months of the defence programme. But the calls made on them rapidly exceeded the available funds. The estimated cost of war industrial plant expansion approved up to the end of 1941 was \$7,366 millions; and of this total only \$1,326 millions represented expansions financed out of private resources.

The need for more direct official assistance in financing the long-term capital requirements of war industry became apparent. This assistance has been provided through two main channels. The first is the Emergency Plant Facilities Contract; the second the Defence Plant Corporation. The first method was approved in July, 1940; the contract provides for Government reimbursement of expenditure on emergency plant construction financed in the first instance by private resources, and the Government undertakes to repay such expenditure, including the cost of borrowed money, by monthly instalments spread over five years. The importance of this contract from the manufacturer's point of view is that, armed with it, he can approach his bankers and obtain from them the facilities required to finance his construction. Though the expenditure involved represents a long-term capital investment, and would not, in the normal course, be eligible for bank accommodation, the Government's undertaking to repay the cost over 5 years brings the operations safely within the scope of normal commercial banking. The contract provides that on completion of the repayment, the firm for which the plant has been built may purchase it "at a fair cost value," otherwise the title in the emergency plant passes to the Federal Government. The Government may then lease it or sell it, but must give the firm with which the contract was originally signed the opportunity to buy or lease on the same terms as those proposed to any other business enterprise. Some of the largest emergency plants now in construction in the United States—Ford's River Rouge plant, for example—are being financed under these terms.

Far more important is the direct Government financial assistance made available through the Defence Plant Corporation, which is a subsidiary of the Reconstruction

Finance Corporation. It has the power, not merely to build, purchase and lease plant and equipment, but also, if the President thinks it necessary, "to engage in the manufacture of arms, ammunition and implements of war." No such direct Government intrusion into the armament industry has yet taken place, and all plants erected and equipped by the Corporation have been leased to manufacturers. These leases usually have run for five years, and the manufacturer is given the option of acquiring the plant at the end of the emergency period on the basis of cost price less depreciation. The Defence Plant Corporation has become by far the most important unit in the construction of emergency plants. In January, 1941, its total commitments, including some plants already erected, amounted to \$350 millions; by November 15, 1941, the total had jumped to \$2,290 millions.

The problem of providing adequate working capital has raised serious difficulties only in the case of comparatively small firms whose own resources are exiguous and whose claims on normal banking facilities have proved quite inadequate to meet the abnormal demands made on them. The remedy has been provided in the main by the Assignment of Claims Act of 1940 and by a system of advance payments on Government contracts which bears some resemblance to the system of "progress payments" instituted in Great Britain by the Ministry of Supply. Payments due, or becoming due, under a Government contract may be assigned to a bank.

A more direct participation of Government agencies in the provision of short-term finance is represented by the advance payments on Army and Navy contracts which, since 1940, may be made up to an amount equal to 30 per cent of the total expenditure foreseen under such contracts. In addition, a system of "partial or progress" payments has been organised, under which manufacturers are paid certain percentages of the total value of work in progress, as each stage of construction is completed to the satisfaction of the Government inspectors. If, for some reason, special cases were to arise in which the working capital needs of a firm working on defence orders could not be satisfied from the firm's own resources or from the other channels already mentioned, it would be possible to have direct recourse to the Federal Reserve Bank of the district or to the Reconstruction Finance Corporation. By an Act of June 19, 1934, the Federal Reserve Banks were authorised to extend loans direct to established business enterprises for working capital purposes; the amount so lent has hitherto proved very small. Slightly larger, but still negligible in relation to the whole additional working capital put at the disposal of American war industry, are the loans made by the Reconstruction Finance Corporation. This ubiquitous organisation was, by a Congress amendment passed in June, 1940, authorised to grant loans to corporations engaged in the defence programme.

The steadily increasing intrusion of the Federal Government into the long and short-term finance of industry is a development not without political significance in the United States. There is some precedent for it in the earlier activities of the Reconstruction Finance Corporation and in the "New Deal" intrusion of the state into spheres of economic activity where it entered into direct competition with private enterprise. But these precedents shrink into insignificance beside the direct stake which the Government is now acquiring in American industry. Provision has been made in all the contracts for the orderly liquidation of those Government investments and for their transfer to the firms which have been operating the plant. But in the detailed application of these provisions, if not in the broader issues of economic organisation which they represent, it is clear that some scope for friction must exist. The Government's activities may, therefore, be storing up political dynamite—but with a time-fuse set for the "post emergency" period.

American Notes

Penalties and Priorities

The rumours that certain steel companies have been violating the priority regulations appear to be founded in fact. The War Production Board has made charges against Carnegie-Illinois, a subsidiary of US Steel, and Jones and Laughlin, and the Department of Justice is instituting suits to enjoin future violations. The accusations, which have been denied by the companies, are that both have been guilty of "repeated, deliberate violations of priority regulations" since June, 1941, by giving preference to their established customers and disregarding priorities for war orders. In particular, it is alleged that Jones and Laughlin, after having been ordered in February, 1942, to ship no steel pipe after March 14th, immediately recommenced pipe production, which by March 12th totalled 570,000 feet. Only 12 per cent of this was delivered to priority consumers; the rest went into civilian use. If the charges can be proved, the WPB can hardly be accused of exaggeration in calling it a "contribution to defeat." Carnegie-Illinois is the largest American steel producer, and Jones and Laughlin ranks fourth; together they produce more than 30 per cent of the entire American supply of steel. The feebleness of the penalty requested may be due to the fact that the violations occurred before the passage of the Second War Powers Act, which provided criminal penalties for such offences, but it is more likely that the Government is unwilling to take drastic action against key companies in the war effort. Nor can the kind of punishment which has been doled out to other offenders—orders restricting production, or depriving the company of priority ratings—be applied to big producers of essential war goods. A test case under the War Powers Act is expected shortly.

Congress Off the Ration

The introduction of petrol rationing in 19 states has been enlivened by a wholesale attack on Congress. Unlimited supplies of petrol for a few hundred Senators and Representatives have caused a fury of criticism which Congress's more serious faults never succeeded in provoking. True, petrol rationing touches Americans in a very tender spot, and the vision of Mrs Roosevelt, whose activity is legendary, attempting to fulfil her duties on bicycle and horseback, while Congressmen enjoyed unlimited mileage, did nothing to ease the hurt. Some Congressmen have been so alarmed that they are reported to have returned their "X" cards, which allowed them to buy any amount of petrol. The threat of severe penalties for fraud and the announcement that the lists of those securing more than the basic ration would be thrown open to the public has had a salutary effect on others as well; it is reported that in New York City alone over 2,500 motorists turned in "X" and "B1" cards and accepted others limiting their petrol more severely. Five classes of ration have been established: the "A" ration, which currently yields three gallons weekly for non-essential driving; B1, B2, B3, which entitle the holder to extra petrol up to a maximum of about nine gallons a week; and "X" cards which guarantee unlimited supplies to commercial vehicles and essential civilian services such as doctors and nurses. Though it is reported that some drivers have, in defiance of the law and the risk of fire, lined their garages with tins and barrels of petrol, most motorists are accepting the restrictions with good grace. In comparison with British rations they are not unduly severe; only about one-third of the 8,500,000 cars affected will be limited to the basic ration, which in any case makes possible 46-60 miles of driving a week. It is expected that the consumption of petrol will be reduced by about 50 per cent. Apart from the agitation over inequalities in the ration, criticism has seized on the confusion and fumbling with which rationing was introduced. Nor has the United States failed to produce the charge, by now so familiar to this rationed democracy, that the scheme will require 90,000 clerks to administer. A defect to be taken more seriously is the restriction of rationing to 19 states; the existence of "wet" and "dry" areas side by side will presumably lead to the same scandals that attended regional prohibition. Another argument for nation-wide rationing which is receiving attention is the rubber shortage and an extension of rationing seems inevitable.

Atlantic Sinkings

Losses of United Nations ships along the Atlantic coast of the United States and Canada continue to mount. Unofficial press reports this week have mentioned a figure of 190 sinkings in the past 18 weeks; last week a Navy Department statement put the total of 153 sunk or damaged, including tankers, merchantmen, and others, sunk along the Pacific and Atlantic coasts, in the Gulf of Mexico, the Caribbean, and African waters since Pearl Harbour. This included 92 US vessels sunk by submarines and 18 Norwegian. Which-ever figure is correct, ships are being sunk faster than they can be replaced. The record-breaking production of the American shipbuilding industry has only succeeded in delivering 120 ships between January 1st and May 10th. Claims filed against insurance companies since January 1st have almost completely wiped out all marine insurance profits of the last 22 years. Last week, sixteen ships were torpedoed, two of them in the St. Lawrence River and one off the mouth of the Mississippi. Other sinkings have occurred so close inshore that crowds on the beaches have been able to see them and have taken part in the rescue of the crews. The recent dim-out and black-out orders to coastal cities, including New York, are part of the attempt to reduce ship losses; the Navy has increased its sea and air patrols; and ships are urged to follow certain routes and to spend the night in harbour. These precautions, good in themselves, appear to be inadequate to deal with the menace, and it is surprising the United States has not instituted a convoy system along its coasts—unless the reason is that the escort vessels are not available.

Shorter Notes

The Federal Reserve Board has implemented one point of the President's anti-inflation programme by tightening the screw on instalment sales and bringing charge accounts under control. Goods bought on charge accounts must now be paid for within 40 days, those on instalment plans within 12 months. Practically all articles, for personal as well as household use, are included. The statement of the Price Administrator that these controls of consumer credit will be an important aid in keeping down the cost of living seems decidedly optimistic in view of the excess of cash purchasing power over supplies, which is estimated at about \$15 billions for 1942.

Three of the organisers of the Detroit race riot mentioned in a note last week have been indicted by the Federal Government on charges of seditious conspiracy. The demonstration, which included the wrecking of furniture of negroes moving into a Government housing project, appears to have been something more than a spontaneous flare-up of the white occupants; a check of licence plates of cars showed that some of the "indignant white neighbours" came from as far as 25 miles away, and two of the indicted men are said to be officers of an organisation responsible for pro-Axis propaganda.

The President has announced that total Lend-Lease aid in April to all countries amounted to \$677 millions. Total Lend-Lease aid to May 1st now amounts to \$3,835 millions. Since the start of the programme, the proportion of fighting weapons to food, drugs, raw materials and other industrial materials has steadily increased. To-day the major part of the aid supplied is in the form of finished munitions.

The President's action in releasing Earl Browder from prison has had a mixed reception. Browder was sentenced to four years in jail and a \$2,000 fine for perjury in connection with the issuance of a passport. The conservative press professes to see no reason why the relaxation of the sentence should make for greater unity, or what connection there is between his case and "aid to Russia." On the score of fair play, alone, however, Browder should have been released; his sentence was far heavier than that generally imposed for similar offences and was unquestionably due to his political views.

THE WORLD OVERSEAS

Far Eastern Neutrality

(By a Correspondent)

SINCE April, 1941, Soviet-Japanese relations have been based on the Neutrality Pact signed during Mr Matsuoka's visit to Moscow, and on the trade agreement concluded exactly ten days before the outbreak of Russo-German hostilities. The Russian war and later happenings in the Pacific have outwardly had no effect on the relations between Moscow and Tokyo; their neutrality has, in fact, become a sort of armed truce with both sides playing for time.

Trade between the two countries has probably been much reduced because of the war. No exact figures are available, as the publication of statistics on foreign trade has been discontinued in both countries for some time. But the hopes placed on the trade agreement—the first to be concluded after protracted negotiations which dragged on from 1925—do not seem to have been fulfilled, probably because the main items in Russo-Japanese foreign trade are vital war commodities which both countries are now eager to keep for themselves. More than half of Russia's total exports was usually made up of oil, coal and manganese ore; Japanese exports consisted mainly of electrical equipment needed for the new industries built up in the Far Eastern Soviet territory.

The concessions, too, have been modified. The Convention covering the lease of Kamchatka fisheries was reported in *The Economist* of April 4, 1942 (p. 470). At the auction, which took place towards the end of April of this year, only fourteen fishing districts were opened to the Japanese instead of the previous nineteen; Soviet fisheries took over twenty-nine districts. This reduction may have been due to the determination to keep the Japanese away from some districts of military importance. Tokyo raised no objections, for the time being preferring reduced traffic to an open conflict over the fisheries. The same applies to the concession of the North Sakhalin Petroleum Company. The Russians refused to grant a permit of entry to the number of technicians and workers proposed by Japan. No doubt the suspicion of Fifth Column activities under the guise of oil business was responsible for this refusal. But so far the normal work of the North Sakhalin Petroleum Company has not been impeded; and about one-fourth of Japan's domestic supply of petroleum has been flowing from Sakhalin.

During the past year, however, politics and strategy, not trade, have been the chief focus of interest. Soon after the outbreak of the Soviet-German war, Tokyo protested against the use of Vladivostok as a base for the delivery of supplies from the United States. The purpose of the protest went further than its immediate and obvious object. It was designed to test the Soviets' readiness to resist encroachments in the Far East at a time when they were fighting for their lives in the west. Moscow did not allow itself to be frightened into capitulation. The Soviet Foreign Office stated that any interference with the trade on the Vladivostok route would be considered an unfriendly act. The incident was followed by rumours about the lease of Siberian bases to the United States. These were officially denied by the Russians. In Tokyo, as well as in Moscow, it was stated that the Pact of Neutrality held good in spite of changed conditions.

"Friendly" Relations

There followed a period of almost aggressively "correct" neutrality. While Japan's ally was busily violating Russia's western frontier, the Imperial Government showed a curious anxiety to settle the vexed question of the Manchukuo boundary. A mixed commission went to work from May to August, 1941, to draw a demarcation line where up to 1940 frontier clashes had regularly disturbed the peace. In August, 1941, a joint conference at Chita declared the frontier conflict to be finally settled. For a time,

this game of neutrality was upset by the attack on Pearl Harbour. *Pravda* talked of "the perfidious assault of the Japanese"; and Litvinov spoke of "the common enemy," immediately on his arrival in America. Moscow seemed to expect a Japanese attack on Russia. But soon it became clear that Japan had chosen the southward direction for its expansion, and that the expected drive to the north had been postponed, at least for the time being. Re-affirmation of neutrality came from both capitals. Tension eased. Yet both countries concentrated large forces on their land frontiers; and Japan thus obtained what was most vital from the Axis point of view—the Far Eastern Soviet army was pinned down on the Amur, at a time when its services in the west might have been of the highest value.

The first anniversary of the Pact of Neutrality was marked in the Soviet Press by some acrimonious comments. *Pravda* did not mince its words in a warning to "the Japanese military cliques whose heads have been turned by military successes, and who prattle about Japanese expansion to the north." Yet the warning was supplemented by an expression of the hope that wiser counsels would prevail in Tokyo, and by a renewal of the neutrality pledge. As if to put its intentions beyond any doubt or suspicion, Moscow went so far as to publish a communiqué on the internment of American pilots who had landed on Russian soil after the bombardment of Japanese towns—a communiqué which is perhaps unique both as an instance of strict adherence to the letter of international law and as a paradoxical illustration of the "divisibility" of an alliance.

Mutual Restraint

What lies behind this strange rite of neutrality observed in a period when even the term itself has become utterly meaningless? The roots of Russo-Japanese antagonism have not disappeared. The record of hostility goes back to 1904; and it was in no way lessened by the October Revolution. The Japanese intervention in 1918-22, the occupation of Northern Sakhalin, the invasion of Manchuria, the enforced cession of the Far Eastern railway by the Russians, and the battles of Lake Khasan and on the river Khalikhin—these have been Japan's efforts to secure vital stepping-stones for an ultimate drive to the north. A Soviet victory in the west would, of course, endanger Japan's northern acquisitions. On the other hand, the establishment of a Great Asiatic Co-prosperity Sphere might mean that the hour of Russia, as an Asiatic power, had struck. But this basic antagonism has been overshadowed by short-term strategic considerations. Both countries are equally reluctant to disperse their forces in two wars. Soviet Russia could perhaps afford the dispersal of manpower, but not of equipment and weapons. Japan already has its land, naval and air forces stretched over enormous distances. The Soviets' Far Eastern fleet is an added deterrent. Its main strength consists, not in surface units, but in a considerable number of submarines and torpedo boats, which can hardly be put out of action by a surprise stroke on the Port Arthur or Pearl Harbour pattern. True, the seizure of Vladivostok and Khabarovsk may look like a tempting enterprise; but as Vladivostok has become a powerful base, protected by an "air umbrella," probably stronger than any of those the Japanese have so far encountered in the Pacific. And so long as Vladivostok remains intact, Japan's industrial and administrative centres are within the range of Soviet aircraft, whereas the vital centres of the Soviets lie far beyond Japanese reach.

All these risks have prompted caution. Japanese intervention is, therefore, likely and inevitable only in the case of an internal Russian collapse. But for the time being Tokyo is not counting on such a development. In fact, Japanese estimates of the Soviets' fighting capacity seem from the beginning to have been better informed, more

sober and more realistic than those of the Germans. The mysterious "clashes" on the Manchukuo frontier during 1938 and 1939 were in reality big modern battles, in which the Japanese were repeatedly beaten by Soviet tanks and aircraft. These experiences taught Japanese militarists not to look upon the Russian armies through the traditional minimising glasses of their victories of 1904 and 1905. It is also significant that immediately on his return to Tokyo Mr Tatekawa, former Ambassador to Moscow, warned his countrymen about Russia's military strength, and predicted a protracted Russo-German war.

A Waiting Game

In the meantime, both partners in neutrality watch each other with suspicion and keep their powder dry. Political trump cards, too, are held back in readiness. The Japanese have tried to organise the numerous colonies of "white" Russian monarchist emigrés in North China. Some detachments are reported to have been recruited and trained under the supervision of General Yanagita, head of the Japanese Military Mission in Northern China. But the Russian emigrés, torn between the hatred of the Soviet régime and their patriotic sentiments for Russia, failed to give the response expected. The Mongolian problem has been a sort of a Ukrainian question, though on a smaller scale, in the Far East. Outer Mongolia (the Mongolian People's Republic) is a kind of a Soviet protectorate, whereas Inner Mongolia belongs to the sphere of Japanese influence. Japanese agitators have tried to fan racial ambitions among the Mongolians, and to popularise the slogan of Mongolian unity.

The great trump card of the Soviets is the alliance with Free China. But since the outbreak of the war the Soviets have shown great caution in using it. Last May Day the traditional slogans of solidarity with the Chinese struggle for independence disappeared from the posters and banners displayed in Moscow for the first time since 1925. The storm over Asia has not reached the Sea of Japan and the river Amur. But it can hardly be said that their surface is unruffled or that the barometer is set fair.

Latin America and the Axis

[BY OUR CORRESPONDENT FORMERLY IN BUENOS AIRES]

May 1941

IN April, 1917, the sinking of a Brazilian merchantman by a U-boat caused Brazil to sever relations with Germany. Six months later, further sinkings provoked the Brazilian Government into declaring war. To-day none of the many submarine attacks on Latin American shipping has so far become a *casus belli*, although Germany has rejected the diplomatic protests of Brazil, Chile, Uruguay and Venezuela against the torpedoing of their merchant ships, mostly in American waters. Prompt reprisals for these attacks have, however, followed in the case of Brazil, Uruguay and Venezuela. Brazil confiscated 96,325 tons of Axis shipping, and a presidential decree providing for "the recovery of damages for acts involving loss to Brazilian lives or property" imposes a levy on the assets in Brazil of German, Italian and Japanese nationals; this amounted to 10 per cent on funds up to 20 contos (about £360), 20 per cent up to 100 contos (£1,800) and 30 per cent on larger sums.

This measure produced the first of a series of warnings in the Tokyo official press to the effect that Brazil could not always hope to bank on geographical isolation in settling accounts with the Axis. Uruguay replied to the sinking of the merchant vessel, the *Montevideo*, in March by confiscating the German tanker *Tacoma* which had refuelled the *Graf Spee* in Montevideo harbour. Venezuela confiscated seven Axis vessels as reprisals for shipping losses in the Caribbean. Of the ships confiscated, two had been scuttled at the mouth of Lake Maracaibo in an effort to obstruct petroleum exports from Venezuela. The loss of the Chilean ship *Tolten*, with one survivor, provoked great indignation in Chile, which still maintains diplomatic relations with the Axis. In reply to Chile's protest, Germany is reported to have promised satisfaction "if it can be proved that the vessel was sunk by a German submarine." The Argentine steamer *Uruguay* was one of the earliest victims of U-boat action in European waters. Germany's reply to Argentina's protest over this incident has never been disclosed, but the demand for Government efforts to secure satisfaction is revived periodically.

odically, in the Argentine press and Congress. Axis vessels formerly laid up in Argentine ports and now sailing under the flag of Argentina's State Mercantile Marine were purchased, not confiscated.

A Convoy System?

The Rio de Janeiro newspaper, *A Noite*, recently reported that arrangements were being made to form a joint American shipping control board including representatives of those Latin American States which have severed relations with the Axis powers (that is, all except Argentina and Chile). The board would arrange and co-ordinate itineraries and measures of protection for the ships of these states. Brazil has begun to use the convoy system and Uruguay, with characteristic alacrity in matters affecting continental solidarity, has proclaimed the intention of collaborating in any scheme for inter-American convoys. The Argentine Ministry of Marine has announced that Argentine ships will not for the present sail in convoy.

In their relations with the Axis, the Latin American republics fall into three categories. Ten are at war with the Axis, eight have severed diplomatic relations and two maintain diplomatic relations. While these differences exist within the framework of continental solidarity, the organisation of an effective convoy system affording protection to all American shipping and involving the pooling of the Americas' naval resources for escort work is a delicate problem.

Mexico's Strong Protest

The first Mexican U-boat victim in the present war is the tanker *Portero del Llano*, torpedoed last week off Florida in circumstances which leave no room for doubt that the assailant was aware of its nationality before the attack. Mexico's prompt representations to the Axis powers, with whom diplomatic relations were severed before the Rio Conference, introduce a more challenging note into the steadily mounting demand for Axis respect for neutral Latin

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American shipping. The protest demands "complete satisfaction and guarantee of reparation by 28th May," failing which "the Government will immediately take the measures demanded by national honour."

In Mexico City the protest is interpreted by some observers as tantamount to an ultimatum. There have been recent indications that Mexico's mobilisation of war resources, in manpower and material, is proceeding rapidly. The Confederation of Mexican Workers (CTM), the most virile and politically powerful labour union in Latin America, with 450,000 members, has organised compulsory pre-military training for 200,000 workers. And the far-reaching agreement between the United States and Mexico announced last month in a joint statement by Mr Sumner Welles and Sr Padilla, Mexico's Foreign Minister, presages a speeding up of Mexican industry, which, in the words of the statement, will "not only develop the economic life of Mexico and the United States, but will greatly speed the war effort of the United States." The two countries undertake:

1. To negotiate reciprocal trade agreements.
2. To collaborate in establishing in Mexico a series of basic industries with credit supplied by the United States Export and Import Bank (steel and tinplate rolling mills are the principal developments planned).
3. To establish the procedure to be followed in handling priorities and allocations. (A survey of the Mexican railway system to this end has been made by United States experts.)
4. To study the feasibility of constructing small cargo vessels using Mexican facilities and material supplied by the United States.
5. To construct in Mexico a high octane petrol refinery with equipment from the United States.

Since the two countries agreed in March, 1941, on mutual assistance in defence, steps have been taken to improve Mexico's Pacific coast defences with aid from the United States.

Co-operation with the United States

Collaboration between the two countries in the economic and military fields is complete. Politically, relations have never been so cordial—a tribute to President Roosevelt's Good Neighbour policy. The contrast between mutual relations during this war and the last is profound. Mexico is not now, as she was then, a potential springboard for a German invasion of the United States. Instead of a pro-German President and an unstable administration deeply resentful of interference by the United States, there is to-day a stable and progressive government, friendly to the United States, which has suspended internal political dissensions in support of its vigorous policy of continental solidarity and the extermination of disruptive Axis influences. In its handling of foreign affairs the Government of President Avila Camacho represents the country's general opinion. Cordiality towards the United States and naval support for the democracies is not the policy of any one political faction but the consensus of national opinion. All the countries contiguous to Mexico are at war with the Axis. Whether or not the republic joins them, its full collaboration in continental defence has been assured.

The Danish Krone

[BY A CORRESPONDENT]

May 1st

TOWARDS the end of January, the Danish currency was appreciated by about 8 per cent, and was thus brought to its pre-war level again. Large sections of the Danish public, including the representatives of both the industrialists and the workers, have for some time clamoured for this partial reversal of a ten-year-old policy of currency depreciation; their argument ran that the krone was in fact undervalued in comparison with other Continental currencies, and that it is more important to reduce import prices than to maintain the high incomes of agrarian exporters. Farmers have indeed done comparatively well during the last two years—though they could only do so by exhausting their soil—while the price level of raw materials on which Danish industry depends has risen by 100 per cent or more. The cost of living has probably only risen by about half this amount, but the public has been warned that the gradual exhaustion of pre-war stocks of raw materials may soon involve a new pressure on prices. Furthermore, the workers are particularly interested in a more stabilised cost

of living, as they have been unable so far to secure a commensurate increase in their money income.

The agriculturists and their mouthpiece, the Farmers' Party, have fiercely opposed the new proposals and have only given in after the announcement of what is described as a generous gesture on the part of Germany. The Germans are, in theory, prepared to take over the costs of the new arrangement by paying higher prices for Danish products, while the Reichsmark prices of their own exports to Denmark remain unchanged. Denmark, it is true, is trading with twelve other European countries as well, but all of them together account only for one-fifth of her imports and a similar proportion of her exports; Germany's attitude is, therefore, decisive for Danish trade.

It has, however, since been announced that new trade negotiations between the two countries are forthcoming and that the prices of all merchandise may be reviewed on this occasion; it is quite possible, therefore, that the present price level will only be maintained for a limited period. The value of the German "concession" is further limited by the Nazis' practice of buying Danish goods on almost unlimited credit. The German clearing account debt at the Danish National Bank increased by 437 million kroner during 1941, while Denmark's total exports (including those to countries other than Germany) were only 1,277 million kroner. At least 40 per cent of Germany's imports apparently remain unpaid, though the farmers receive advance payments from the National Bank, and the burden of higher import prices is thus largely borne by the whole Danish community instead of by the German customers.

Some small price decreases, e.g. for coke and cement, have recently been announced in consequence of the new exchange rate of the krone. But there are, as well, indications of obstacles standing in the way of a more general lowering of the price level. An appreciable rise in the price of cycles has been foreshadowed in view of the growing shortage of synthetic rubber and other materials; the Government could recently only avoid an increase in the price of flour by granting special subsidies to the millers, and the hoped-for price reductions in other agricultural goods have been postponed pending a clearer development of the prices of fertilisers and other imported products. A recent, though belated and rather small, grant of higher wages by the Wages Arbitration Court may also be used to justify further price increases. Even the more optimistic publicists when commenting on the new rate of exchange forecast only a stabilisation of the general price level.

A less desirable consequence of the appreciation of the krone will be that the remittances of Danish workers in the Reich to their families will automatically be lowered in value by about 8 per cent.

Books Received

- Conditions of Peace.* By E. H. Carr. (London) Macmillan, 279 pages. 12s. 6d. net.
- Road and Rail.* By G. Walker. (London) Allen and Unwin, 236 pages. 12s. 6d. net.
- The Economics of American Defense.* By S. E. Harris. (London) Allen and Unwin, 350 pages. 18s. net.
- Federation in Central Europe.* By M. Hodza. (London) Jarrolds, 236 pages. 18s. net.
- Problems of the Danube Basin.* By C. A. Macartney. (London) Cambridge University Press, 160 pages. 3s. 6d. net.
- The British Colonial Empire.* By W. E. S. Simmet. (London) Allen and Unwin, 254 pages. 8s. 6d. net.
- Jewish Emancipation. A Selection of Documents.* By R. Mahler. (New York) The American Jewish Committee, 72 pages. 20 cents.
- Economic Problems of Eastern Europe and Federalism.* By A. Suha. (Cambridge) Galloway and Porter, 46 pages. 1s. net.
- Bank and Public Holidays Throughout the World, 1942.* (London) Guaranty Trust Company of New York, Bush House, W.C. 2. 108 pages. No price stated.
- Oxford Pamphlets on World Affairs.* No. 54. *China.* By P. M. Roxby. 32 pages. No. 55. *Japan and the Modern World.* By Sir John Pratt. 32 pages. No. 56. *Belgium and the War.* By G. N. Clark. 32 pages. No. 57. *Greece.* By S. Casson. 32 pages. No. 58. *Great Britain and China.* By Sir John Pratt. 32 pages. No. 59. *Who Mussolini Is.* By I. Thomas. 32 pages. No. 60. *War at Sea To-day.* By Adm. Sir H. Richmond. 32 pages. (Oxford) The University Press, 4d. each net.
- The Overfishing Problem.* By E. S. Russell. (London) Cambridge University Press, 130 pages. 7s. 6d. net.

German Europe

Banks in 1941

THE total assets of Germany's five leading banks increased by 22.5 per cent during 1941. Compared with the beginning of 1939, they had been nearly doubled by the end of 1941. The total of the most important items of the *Deutsche Bank*, *Dresdner Bank*, *Commerzbank*, *Reichskredit A.G.* and *Berliner Handelsgesellschaft* were as follows:

(In Million Reichsmark)			
	1939	1940	1941
Total Assets	10,143	13,007	15,927
Bills, Cheques and Treasury Bonds	4,766	7,569	9,423
Advances	3,416	2,715	3,065
Investments	867	1,699	2,270
Deposits	8,802	11,699	14,923
Taxes	75	109	127
Net Profits	37	36.7	41

(In per cent. of Total Assets)			
	1939	1940	1941
Cash	2.7	3.6	3.7
Treasury Bonds	21.9	40.3	44.3
Reich Loans	3.4	9.1	11.2
Advances	33.7	20.9	19.2

The table reveals the interesting fact that the increase of deposits during 1941, which was Rm. 3,224 millions, exceeded the rise in 1940, which was Rm. 2,897 millions. During 1940, the discrepancy between growing deposits and decreasing advances continued. In 1941, however, advances showed a marked increase, although their fall in relation to total assets continued—from 20.9 per cent to 19.2 per cent. Various explanations have been found by the German Press. The general conditions of Germany's war economy in 1941 certainly stopped one source of greater liquidity, that is to say the liquidation of stocks, whose replacement ended at the beginning of the war. At the same time, German industries were flooded with new orders arising out of the prolonged fighting in the Soviet Union. The Government, on the other hand, were trying to reduce direct financing by bills, and forced firms to some extent to demand credits from the banks. The banks were engaged in a big competition for debtors. Detailed figures show that the average amount of advances grew considerably, which reflected the concentration of orders on big factories. The general tightening of financial policy—increased taxation, fixed armament prices and the Excess Profit Tax—may also have forced companies and firms to use banking credits to finance new armament orders. It is expected that advances will again increase during 1942, though there is no doubt that the movement will still remain small compared with the inevitable increase in wartime liquidity.

The main feature of the bank reports is the growing importance of the banks in financing State expenditure. Treasury Bonds and Reich Loans in 1939 amounted to 28.3 per cent of the banks' total assets; at the end of 1941 the percentage was 55.5 per cent, and the percentage is even greater if Treasury Bills were included. At the shareholders' meeting of the *Commerzbank*, it was announced that this percentage had increased from 43 per cent in 1939 to 70 per cent of the total assets in 1941.

The concentration of banks in Germany and the expansion of German banks into occupied countries continued during 1941. The *Deutsche Bank* acquired a clear majority in the *Creditanstalt-Bankverein* in Vienna. This leading Austrian bank, whose collapse in 1931 heralded the financial crisis in Central Europe, holds leading interests in south-eastern countries, and the *Deutsche Bank* will now be able to dominate this part of Europe. New interests were acquired in Hungary, Roumania, Bulgaria, Yugoslavia and Slovakia. The *Dresdner Bank* expanded not only into the south-east but also into western countries. The *Continental Bank* in Brussels and the *Handels-Trust* in Amsterdam are dominated by the *Dresdner Bank*. The *Commerzbank* founded the *Rijnsche Handelsbank* in Holland, the *Banque Hanséatique* in Brussels, and the *Hensa Bank* in Riga and in Tallinn. These three banks also acquired important interests in Yugoslavia and Bulgaria, and concluded agreements with leading banks in Greece and Turkey. The *Bank der Deutschen Luftfahrt A.G.*, of Berlin, which specialises in financing the aircraft industry in Germany and elsewhere on the Continent, took over the entire capital of N.V.

Hollandsche Buitenlandbank at The Hague. Some time ago the bank had founded the *Aero-Bank, S.A.*, in Paris. This indicates greater activity in the French and Dutch aircraft industries.

Banking activities in the occupied provinces of the Soviet Union presented difficulties for German banks. The greater part of the occupied territory is served by *Reichskreditkassen*. In the district called Ostland a public bank, the *Gemeinschaftsbank-Ostland* was founded. In the western part of the Ukraine the *Creditanstalt*, Vienna, opened branches, and in Rovno a new *Central Bank* was established. The new currency is named *Karbowanetz*. Its cover is the value of the land. At the same time, so-called Economic Banks are to be founded. It is admitted that there is hardly any business at present for these banks; financial reorganisation was attempted before agriculture and industry had been restored.

In France the total deposits of four leading banks (*Crédit Lyonnais*, *Société Générale*, *Comptoir National* and *Crédit Industriel et Commercial*) rose during 1941 from 60,300 million francs to 75,900 million francs, or by 26 per cent; the increase in 1940 was 45 per cent. At the end of the year, the most important items of these four banks were as follows:

(In Million Francs)			
	1939	1940	1941
Bills and Treasury Bonds	29,300	46,100	61,600
Loans and Advances	7,100	7,700	7,500
Cash and Money on Call	8,700	9,700	9,600

The large increase in bills and Treasury bonds is entirely owing to the increase in the latter. It is doubtful whether the banks will be able to continue this policy. Two-thirds of the increase in deposits were registered during the first six months of the year. The funds derived by firms from the sale of stocks can no longer be expected to grow, for stocks are almost exhausted. The continued rise in prices, the disappearance of money into black markets and widespread hoarding among the peasants are likely to prevent any further spectacular accumulation of banking deposits.

The banking situation in Belgium, Holland, Denmark and Norway shows the same trend. Everywhere deposits continued to rise, whereas advances fell. The banks' private business is rapidly declining. Investments in state loans and the discount of Treasury bills and Treasury bonds have become almost the sole activity. German influence is also responsible for a cheap money policy, and the intention is obviously to establish a uniform rate of interest of 3½ per cent.

In Central and South-East Europe, conditions are different. In the "new" countries, Bohemia and Moravia, Slovakia, Croatia and Serbia, German banks are in absolute control; in Croatia control is shared with Italy. In Hungary, Roumania and Bulgaria, changes in territory have influenced the general banking trend only imperceptibly. The discrepancy between increasing deposits and declining advances is almost as great as in Germany.

The most interesting difference in the situation in Germany and occupied or dependent countries is the steady rise in small savings in Germany, which compares with an almost general standstill or even decline in the occupied countries. Germany's system of rationing and price control is still effective. Elsewhere the system of rationing is defective.

Books.—The *Frankfurter Zeitung* estimates that sales of books increased in 1940 by 15 per cent compared with 1939 and assumes that the increase continued during 1941. The *Wehrmacht* and hospitals demanded considerable supplies. Exports into occupied countries, particularly where German troops were stationed, increased at the same time. Supplies grew short during 1941. One of the biggest firms had sold out roughly three-tenths of all the listed books at the end of 1941. The issue of new books is now considerably below the pre-war figure, which was from 18,000 to 20,000 each year. Firms tried to increase supplies by re-printing books in greater numbers. Restrictions on the allocation of paper were introduced in the autumn of 1941. But bookbinding is probably the real bottleneck in book production.

THE BUSINESS WORLD

Profits—A New Series I

WAR is so destructive and suppressive that the search for new economic truth in wartime can only be a discouraging business. Researchers have watched their records burn, and have seen their statistical sources suppressed on grounds of security. Yet there is one field at least—the synthesis of statistics of national income and its distribution—in which vital wartime progress has been made. As a critical yardstick of the war effort, this was a job which had to be done; and *The Economist* has the satisfaction of having contributed a small part of the raw material on which these national income estimates, presented with the Budget White Paper, were based, in the shape of a computation of profits drawn upon a more satisfactory, though much more laborious, basis than the series which have been familiar, quarter by quarter, to readers of this journal.

Hitherto *The Economist* has been able to present only a two-year record of profits as they appeared in the companies' accounts. Two major defects were accordingly present in the figures. The first shortcoming was a lack of continuity in the data. This it was attempted to overcome, as far as possible, by resort to a chain index—*The Economist* Profits Index—the purpose of which was not so much to measure the precise rate of change in industrial earning power, as to give a general indication of the direction and rough extent of its movement. The weakness of the index, however, was not primarily in the linking of disparate groups in each succeeding year—there is sufficient stability in the composition and publication of industrial profits

to make the chain index method statistically respectable. But, while one year's companies are sufficiently alike those of preceding years to be comparable, there is an overriding factor, common to all companies, which has threatened increasingly to distort all profits figures during the past five years. This second defect is taxation. No summation of profits can pretend to accuracy which takes no account of the incidence of taxation, and makes no attempt to correct its basis. This arises from the unfortunate fact that different companies treat standard income tax in their published profits in different ways: they may disclose their profits (nowadays, usually, after EPT) before making any provision for standard taxation; or they may deduct only that part of their tax liability which relates to the profits which they have decided to retain in the business; or they may deduct the whole of their tax liability before disclosing their profits. Company and professional accountants have made scarcely any progress towards a standard practice in treating taxation in company accounts.

The immense difficulties which follow for those who wish to study profits seriously can be illustrated by a simple example. For instance, the case may be taken of a company which has earned £100,000 before income tax (i.e. "gross") and decides to distribute this sum up to the hilt to its shareholders. These profits will be shown in this company's accounts at £100,000, and the cost of the dividend will appear at the same amount. But the company will have an income tax liability under present conditions of £50,000, which it will recoup from the shareholders' dividend warrants, though nothing will be shown in the accounts regarding this sum. Suppose now that the company changes its practice, as many companies do from time to time, and decides to present to its shareholders a profits figure after providing for all income tax (i.e. "net"). Its basic earnings before tax may remain the same, yet its accounts will reveal profits of only £50,000 under the new system, and the cost of the dividend will represent the actual net sum which shareholders receive. The trouble is that these two sums, £100,000 and £50,000, represent the same fact from an economic point of view. It is high time that accountants realised this point and ceased to stand on legal niceties about "shareholders' money" and "company's money."

Until accountants develop a uniform practice, therefore, no aggregation of published profits can have any meaning. It follows that the old *Economist* index was unsatisfactory, because it lumped together the profits of all companies, some before tax, some after tax, and some "half and half," over a series of years in which income-tax was changing so rapidly as to distort the figures beyond recognition. The index was an unsatisfactory measure, both of the total profits earned by industry and of the net profits available for shareholders. To get over this latter weakness, *The Economist's* quarterly reviews have for some time past included a table showing the distribution of gross profits (i.e. before any deduction for income tax) between preference and ordinary shareholders and free reserves, and also the gross rates of payment on debenture and share capital, together with gross rates of earnings on ordinary shares. To obtain these figures, it was necessary to examine the accounts of each company in turn, to discover whether profits were struck on a gross or a net basis, and to make adjustments to net figures to convert them to a common gross basis.

This laborious process has now been applied retrospectively to the published accounts of the past four years. The detailed method of deriving homogeneous figures from the heterogeneous mass of data which companies pour out each year need not be described. Its object is simply to bring all the published results on to one common basis, before deducting any allowance for standard income tax, and to set out the figures as gross percentages on capital, comparable with the usual gross dividend declarations which are familiar to shareholders. The results, which are given in the table opposite, show the successive steps involved. The figures relate to 412 companies

whose reports were published during the first quarter of this year, and are presented with a four-year comparison. For the sake of convenience, the latest year's results may be regarded as applying to 1942, and "year 1 preceding" as 1941, etc. But this raises another difficulty in reporting industrial profits—the distinction between the date of the publication of profits, and the date of the financial year in which they were earned. This factor will be discussed in greater detail in a succeeding article, and is only mentioned here in order to emphasise that the figures at present under consideration are presented according to date of publication, and not according to the various dates of the financial years to which they refer.

It will be seen that the analysis covers five sub-divisions of total gross profits. The first is *gross interest*; then follows *gross preference and ordinary dividends*. The two final divisions deserve some slight explanation. *Free reserves and additions (+ or -) to profits carried forward* are plainly allocations from net profits. *Provisions for capital redemption funds and deferred repairs*, however, are, at first sight, specific charges against profits. But closer consideration shows that to charge such sums against the profits of companies which happen to have such capital charges extant would artificially depress their actual earning power, merely to achieve a formal consistency of financial treatment. Two minor points may also be mentioned. First, profits before tax are underestimated to the extent that the figures are shown after deduction of War Damage premiums, and losses written off investments. Secondly, it may be arguable whether the rate of tax applicable to 1940 ("year 2 preceding") should be 7s., and not 7s. 6d., in which case the total would be reduced to £77,302,000.

The four-year comparison of the gross profits of these 412 companies shows some remarkable features. Taking, first, the course of total profits, it will be seen how efficacious is the present regime of 100 per cent EPT. Using the year "1939" as base, these companies showed a 4 per cent increase in profits in 1940, but in the two succeeding years their gross profits were slightly below the 1939 level. This comparison—it may again be emphasised—is a true comparison of the results of the same companies over the four years, after the profits have been adjusted (in an upward direction, be it remarked) to take account of the ever-increasing incidence of standard income tax.

That is the first point, and it comes as valuable confirmation of the inferences which have been drawn in the past from the less satisfactory figures compiled on the old basis. The second point is no less arresting. For each of the four years, there is shown the apportionment of profits under the five sub-divisions as percentages of the yearly totals.

These percentages show an astonishing stability in distribution policy, together with a slight, but persistent, tendency for equity capital to be paid less in dividends, and for reserves to receive proportionately more, out of a smaller total of distributable profits. In "1939," for example, ordinary capital received 63.5 per cent of total profits, and free reserves and redemption funds together 13.1 per cent. These three categories in 1942 together received an almost

412. FIRST QUARTER, COMPANIES GROSS PROFITS—NEW BASIS (IN £'000)

	Year 3 Preceding	Year 2 Preceding	Year 1 Preceding	Latest Year
All interest gross...	5,695	7-6	5,631	7-2
Preference div. gross...	11,867	15-8	11,855	15-3
Equity div. gross...	47,573	63-5	46,524	59-8
Sub-total...	65,135	86-9	64,010	82-3
Free reserves and carry fwd., gross...	8,999	12-0	11,794	15-1
Deb. or pref. redemption deferred, repairs, etc., gross...	775	1-1	2,030	2-6
Profits before tax...	74,909	100	77,834	100
Year 3 preceding ("1939")	100	104	99	98
Rate of tax applied in grossing up...	5/6	7/6	8/6	10/-

* Including war contingencies.

identical proportion of available profits, but the equity share was reduced to 59.0 per cent and the reserves jointly received 17.2 per cent.

These figures surely dispose of any suggestion that equity capital as a whole has benefited from the war. In terms of net dividend payments, of course, it is very substantially poorer. In 1939, the net sum paid to ordinary shareholders in respect of their gross dividends of £47,573,000 was £36,868,000, with income tax at 5s. 6d. in the £. In 1940, the net amount remaining out of the smaller gross dividends of £43,188,000, with tax at 10s. in the £, was no more than £21,594,000. These calculations represent the most useful confirmation of the value of these new basis figures in setting out the facts regarding industrial profits. In a succeeding article, it is intended to examine the course of total profits, assessed on this new basis, for a larger number of companies during the past four years, and to compare them with the results shown by the old basis figures.

Finance and Banking

More Notes in Circulation

The position in the money market has been influenced this week by window-dressing operations, some of the clearing banks having been engaged in making up for their May returns. The volume of credit available has at all times proved adequate for the immediate needs of the market and no special assistance appears to have been needed. But the margin of cash has been sufficiently narrow to make the daily task of balancing positions rather more eventful than is now customary. The discount market had to take up a fair volume of new Treasury bills this week. The syndicate's allotment at the last tender rose from 41 to 44 per cent, and the bills issued amounted to £75,000,000, against this week's maturities of £65,000,000. The Treasury Deposit Receipts required from the banks this week amounted to £30,000,000, which compares with nominal maturities of £50,000,000. Owing to prior encashments, however, it is probable that the last figure must be reduced to about £40,000,000 to arrive at the true maturities. It follows that little was on balance raised by way of floating debt borrowing during the week. This week's Bank return shows the customary expansion in the circulation, the increase in the latest weekly period amounting to £2,293,000. This is balanced by an increase of £2,605,000 in Government securities, a movement which leaves the credit basis unaffected by the continued outflow of notes into circulation. The latest increase in the circulation leaves the reserve of unissued notes at £47,772,000, and the process of using up the recent £50,000,000 increase in the fiduciary issue has thus begun.

Burmese Currency Problems

The currency problems created by the Japanese invasion of Burma differ in some respects from the comparable problems that have arisen in other countries occupied by Japan. This is because Burma shares a common currency with India. The Indian rupee is the monetary unit in Burma and the Reserve Bank of India is the issuing authority. It is true that the Reserve Bank had issued some distinctive notes for circulation in Burma and that these notes were not legal tender in India, but up to the Japanese invasion Indian notes enjoyed legal tender rights in Burma and constituted an appreciable part of the circulation. A notification providing for the withdrawal of these legal tender attributes of Indian bank notes had been given, and the required notice expired some weeks after the Japanese invasion of Burma had begun. In the prevailing confusion, the proposed changes in the currency position and the conversion of all Indian bank notes into distinctive Burmese notes could not be carried out. The metallic currency in both countries was identical, and so were the one-rupee notes which were issued, not as Reserve Bank notes, but as Government paper representing silver rupee coins. This community of currency must create certain difficulties. It is inevitable that substantial amounts of a currency which is legal tender in India will have fallen into Japanese hands, and the authorities in India will no doubt be considering steps to prevent the encashment of such notes. Another difficulty concerns the position of rupee bank accounts opened with a Burmese branch of one of the banks operating in the East. Holders of such rupee balances now residing out of Burma are

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For Barclays Bank (Dominion, Colonial and Overseas),
 C. D. ALCOCK, Manager.

Circus Place, London Wall, E.C. 2. 14th May, 1942.

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claiming payment in rupees, and if their title can be veri-
 fied there can be no doubt about the validity of their
 claim. Most of the Burmese bank offices will have taken
 the precaution of duplicating their books, and the task of
 reconstructing accounts up to the time of the Japanese
 occupation should in most cases be feasible.

* * *

Central Bank Loans to Governments

The League of Nations economic and statistical ser-
 vices have compiled a useful table, in their Monthly Bulletin
 of Statistics for March, showing the growth of central bank
 advances to their Governments and of holdings of Govern-
 ment securities since the beginning of the war. As a measure
 of inflation such figures have lost much of the trustworthi-
 ness that could once be attributed to them. Nevertheless,
 they are a guide to the purest form of deficit-induced infla-
 tion, and certainly deserve closer and more consistent
 scrutiny than they receive in these days of increasing in-
 sensibility to financial heterodoxy. The data for the most
 important of the belligerent powers (where it is available),
 and for some of the occupied countries, giving the position
 at the outbreak of the war, in June, 1941, and at the latest
 available date are given below:

Country	In Million	Sept., 1939	June, 1940	Latest date
U.S.A.	\$	2,804	2,466	2,436 May
		(100)	(88)	(87)
U.K.	£	402	766	955 May
		(100)	(191)	(238)
Germany	Rm.	13,425	15,071	22,838 Feb.
		(100)	(112)	(170)
Japan	Yen	1,805	2,547	4,107 Nov.*
		(100)	(141)	(229)
Belgium	Belga	3,881	8,181	22,562 Feb.
		(100)	(211)	(581)
Denmark	Kr.	119	313	880 Feb.
		(100)	(263)	(740)
France	Frs.	2,200	62,600	245,557 Feb.
		(100)	(2,840)	(11,140)
Roumania	Lei	8,545	3,359	29,806 Feb.
		(100)	(39)	(350)
Netherlands	Fl.	22	54	155 Feb.
		(100)	(245)	(705)

* 1941

The feature of this table is its indication of the compara-
 tive freedom of the belligerent nations from this crudest
 form of inflation, and, on the other hand, the lengths to
 which it has gone in the countries occupied by Germany.

Investment

No Change on Balance

There is still no certainty among investors that the
 spring offensives on either side have taken shape. The news
 from Kerch and from Kharkov and indeed from the Far
 East, where the end of the retreat from Burma appears to
 be dragging on, is received with reserve. There is an impres-
 sion that all the belligerents are at present skirmishing for
 position; and until the next chapter is definitely opened and
 its trend observable, it is probable that the markets will
 continue to exhibit a restricted turnover at prices which
 indicate a sober optimism. Meanwhile, the various
 items of home news which might be expected to sway
 sentiment have had curiously little effect. The further relaxa-
 tion of the ban on conversions has no doubt been partially
 responsible for continued support for gilt edged issues, but
 it has not markedly increased that support. Among equities,
 there is, as ever, a selective demand for high class issues
 which, coupled with shortage of stock, has served to keep
 prices up. There has been little reaction to the Ministry of
 Food's decision to control more strictly the profit margins
 of multiple stores, no doubt in part because the implica-
 tions of the new order are not yet completely clear, and in
 part because the margins affected were in many cases the
 subject of EPT at 100 per cent already. The announcement
 of the levy on bricks caused a temporary recession for
 London Brick, but the setback was short-lived. In the pre-
 vailing mood, sentiment is scarcely affected by minor mili-
 tary operations or refinements of economic policy. It is
 concerned to estimate the next big moves at home and
 abroad, the moves which will give the latest clues as to
 the length of the war and the measures still necessary to win
 it. In the meanwhile, prices are firm, but business somewhat
 stagnant.

Conversions Ban Relaxed

The announcement of a further relaxation of the ban
 on optional conversions, for which a plea was advanced in
The Economist of May 2nd, is welcome. The ban had
 already been lifted by steps to permit conversion of muni-
 cipal, Dominion, public utility and TFA issues. The Chan-
 cellor's announcement of last week removes it altogether
 so far as securities bearing interest at more than 4 per
 cent are concerned. It remains the case that Treasury
 approval has to be obtained in every instance, but this is
 intended only to secure some sort of uniformity in the
 terms offered, and, to make sure that the date of the offers
 is such as to harmonise with the plans of the Exchequer.
 The permission, of course, applies only to conversions made
 within the terms of the original prospectus. According to
The Actuaries' Investment Index, the average yield on in-
 dustrial debentures was just over 4 per cent at the end of
 last month. In certain cases, it is well below this. Probably,
 it is necessary for a company to see a saving of something
 like $\frac{1}{2}$ per cent per annum in the rate, for conversion to be
 worth while, so that, in a general way, debentures bearing
 less than $4\frac{1}{2}$ per cent will not be converted. The bulk of
 those to benefit from the lifting of the ban will, however,
 bear a higher rate than that. There is a large amount of
 these, mostly issued between 1918 and 1931, but many of
 them are, of course, not convertible at present. None the
 less, it is not difficult to compile a list, running into some
 tens of millions of pounds, which are likely to be dealt
 with. There is so far no indication as to whether the
 Treasury will attempt to concentrate a number of issues at
 a given time, or how far it may be feasible to assimilate
 the terms of the different issues. Evidently, complete
 assimilation is not desirable. Consent in principle has

already been given to certain issues, and these will be allowed precedence. The effect of the relaxation can only be to intensify the search for stock giving a relatively high yield, and so to drive up the whole fixed interest list.

Tin Companies and EPT

Two recent announcements should bring consolation to those with investments in Far Eastern tin companies, namely, the new definition of their EPT standards, and the decision to distribute the cash holding of the Buffer Pool. The former also affects rubber plantation concerns. It had already been established that a company which has lost its assets to the enemy will be considered by the Inland Revenue as still carrying on business, provided it intends to resume activity after the war. There will presumably be cases in which it will not pay to re-equip tin properties which are nearing exhaustion. It is now made clear that, wherever capital is withdrawn from a continuing business, the EPT standard will merely be reduced by 6 per cent of the withdrawn amount. On the assumption that the whole capital is lost, this appears to mean that, if the old EPT standard was 50 per cent of the capital, it will now be 44 per cent, and where it was 25 it will be 19. Companies which have lost their all will thus be entitled to substantial refunds of tax, varying according to the relation of the old EPT standard to capital. Further, if refunds due exceed actual payments made, they will rank as an offset against subsequent profits, should these be subject to this tax. In the changed circumstances, it has been decided to distribute the cash held by the Buffer Pool, which is estimated at £2,500,000. Some of this is due to companies outside the Far Eastern area, and some of the Malayan companies borrowed to make their contributions; but the net receipts should constitute a welcome nest egg to strengthen the cash position of many concerns. It is not to be supposed that the refunds will make it possible to resume dividend payments. For the moment, there are heavy income-tax liabilities to be met, and it will be soon enough to decide what the position will be after these have been liquidated.

Gaumont-British Affairs

The circular issued by the Committee, representing those shareholders of the Gaumont-British Picture Corporation, who asked for a Board of Trade inspection at the end of 1938, sets out a great deal of the relevant material, but, inevitably, contains little that is new. The investigation was suspended by the Board of Trade in June, 1940, and there appears little hope that it will be renewed until after the war. It is doubtful whether it will then serve any very useful purpose. The group, as a whole, provides excellent examples of the evils of pyramiding, and of holding companies in general. While the capital structure and voting control remain what they are, the independent investors have no chance of making their wishes felt. Hence, no doubt, the demand for the inspection. And while the law remains what it is, there is no means of altering the position. The disappointed shareholders are advised to press for a more detailed statement of the position than has so far been provided, and to seek to obtain from the new board, what the old would not allow, namely the appointment of a director, or directors, to represent them. This would not, however, get rid of the principal objections to the present set-up, namely, that control of the whole group resides in 5,100, £1 shares of Metropolis and Bradford Trust, and that the group includes concerns with conflicting interests whose shareholders are different. Since it appears impossible to separate out the various interests, the best solution would be to form one holding concern to take over the whole group, winding up subsidiaries where possible, and to ensure that the only return to any of those interested came through a holding of one class of shares in the holding company.

Company Notes

ICI Group Earnings

The profits of Imperial Chemical Industries, and their distribution, were dealt with fully in *The Economist* of April 18th. It will be recalled that they showed a decline, and that the earnings on the ordinary capital fell from

10.2 to 9.1—owing to a misprint this figure appeared as 9.9—while the dividend was maintained at 8 per cent. The full accounts show the income of the group on a different basis, in that it is now given before any deductions for pensions. A straight three-year comparison is, therefore, not possible, but, comparing like with like, total income rose in 1941 by less than £500,000, against an increase of over £3,000,000 in 1940. Lord McGowan states that the rise in 1941 was some £940,000, but this seems to compare the 1940 income, after charging £466,000 of ARP expenditure with the 1941 income before the corresponding charge. Meanwhile, the rise in taxation last year was some £1,376,000, apart from tax on ICI dividends, and, in order to maintain the ordinary payment, it was necessary to charge that part of ARP outlays of a capital nature, amounting to £488,000, against capital and not against revenue, as in the previous years. Details of the appropriation of profit over the past three years are set out in Table 1. The figures of income for 1940 are obtained by adding the increase in

I. APPROPRIATION OF ICI GROUP PROFITS				
	Years to 1939	December 1940	31st, 1941	
Consolidated Income:—				
Trading Profits.....	£13,701,248	17,883,456	18,403,870	
Total Income.....	£15,343,038	19,482,275	19,956,002	
Debt Interest Net.....	181,238	184,350	178,514	
Directors Remuneration.....	78,970	67,877	66,610	
Pensions Contributions.....	£30,113	1,317,535	1,346,437	
Taxation.....	3,653,883	7,385,474	8,761,554	
Obsolescence and Depn. ARP, etc.....	2,733,412	3,070,414	3,045,116	
	987,009	880,724	*314,312	
Net Consolidated Income.....	7,678,413	6,575,901	6,243,459	
Less:—				
Outside Interests and Undistributed Profits	364,928	337,460	261,353	
Add:—				
Back Obsolescence Charged in ICI Accounts.....	\$2,000,000	2,180,092	2,180,106	
ICI Profits.....	9,313,485	8,418,533	8,162,212	
† After Pensions Contributions other than Foremen's Pension Fund and ICI Workmen's Pension Fund.				
‡ Foremen's Pension Fund only.				
* Capital Expenditure charged against Capital.				
§ Also ICI Workmen's Pensions 1940 and 1941.				

pensions charge to those originally published. The amount of ARP expenditure on capital account for that year was £414,693. In his comments on the year's operations, Lord McGowan indicates that at home there has been a net increase in demand, and that prices have only been raised when an increase was dictated by the emergence of factors likely to be permanent, or by the price structure of related products. In some cases, prices have been surprisingly successful in maintaining exports, in which it has received valuable co-operation from the United Kingdom Commercial Corporation. Overseas subsidiaries and connections have, like the corresponding companies at home, continued to expand as much as possible within the limitations of shipping, exchange resources, and locally available materials. In the absence of any detailed information about the rise in prices relative to costs, it is impossible to say how far the expansion of output slowed down last year, but it is clear that the fall in net profit is due solely to the full rigours of EPT.

Writing Down Subsidiaries

The consolidated statement of the group contains accounts of 105 subsidiaries, against 111 a year before. The fluctuation in the number of accounts covered detracts somewhat from the value of the comparison, but Lord McGowan states that, of 14 companies not reporting, three are known to have made profits while 10, situated in areas under enemy control, have been written down to £11. This writing down calls for £625,000, and, together with other charges against capital, explains the fact that the rise in obsolescence and depreciation fund on the year is only £1,474,478, despite appropriations from profits of £3,045,116. The surplus, disclosed in the statement, is lower by £288,488, largely as a result of contributions under the War Damage Act exceeding the allocation from profits for War Contingency Reserve by £250,000. Despite the substantial amount written off, there is a rise of some £2,630,000 in fixed assets of the group. This rise, partially

offset by the increase in obsolescence reserve, finds its counterpart in a fall of some £1,360,000 in net current assets. The details, set out in Table II, show that cash and debtors are down, but that an increase of some £2,450,000 has been secured in stocks of raw material and finished goods. Unfortunately there is no indication as to how far this is due to higher prices, but it is improbable that the whole of an expansion of over 10 per cent can be attributed to this factor. The provision to write down assets of subsidiaries does not represent the whole of the original value of the companies concerned, for substantial provision had been made in earlier years. On the entry of Japan into the war, the main interest of the group in that country was in frozen

II. IMPERIAL CHEMICAL INDUSTRIES AND SUBSIDIARIES Consolidated Balance Sheet

	December 1940	31st, 1941
Capital Employed:—		
7% Pref. Shares.....	23,801,482	23,801,482
Ord. Shares.....	50,401,861	50,401,861
Debs. and Loans (Subsid. Cos.).....	4,771,759	4,743,939
Outside Interests in Subsid. Cos.....	3,492,848	3,677,075
Surplus.....	16,204,225	15,915,737
Total.....	98,672,175	98,540,094
Fixed Assets:—		
Land, Buildings, Plant, etc.....	60,862,154	63,492,278
Patents, Rights, Goodwill, etc.*.....	15,478,661	15,465,335
	76,340,815	78,957,613
Less Obsolescence and Depreciation Reserves.....	7,194,653	8,669,131
Add Interests in Associated Cos.....	8,204,279	8,290,116
Total.....	77,350,441	78,578,598
Net Current Assets:—		
Cash and Bills.....	7,066,863	6,501,276
British Government Securities.....	1,749,940	1,772,481
Marketable Investments.....	1,652,160	1,616,502
Unquoted Investments.....	26,045	9,545
Stocks.....	23,853,169	26,303,070
Debtors.....	22,431,868	19,871,557
	56,780,045	56,074,431
Less Current Liabilities and Provisions	35,458,311	36,112,935
Total.....	21,321,734	19,961,496
Total Fixed and Net Current Assets... 98,672,175 98,540,094		
* Excess of share considerations over net tangible assets of Subsidiary Cos.		

balances. In China and Malaya, business was carried on until the last moment, but again provision had been made in advance of the event. Any further success in the Japanese attack upon India and Australia will intensify the threat to the very large interests of both revenue and capital nature which the group has in those areas. It is difficult to believe that the closing of a substantial part of the Pacific to Allied traffic has not already had adverse effects on these interests. No indication is given about the possible effects upon policy of a further expansion of Japanese influence, but it is very probable that any further substantial advance would make an even more drastic conservation of resources desirable. The £1 ordinary shares of ICI at 33s. 9d. ex dividend give a yield of £4 14s. 10d. per cent.

Dunlop Rubber

The preliminary statement of Dunlop Rubber for 1941 shows a rise in net profits from £3,001,855 to £3,186,269. As in 1940, £650,000 is provided for tax liability in the following year in addition to the current transfer which absorbs £1,924,620, against £1,741,880. If the transfers to tax reserve are in each case charged against current earnings, there is a rise in the free surplus from £417,788 to £424,149, representing 10.2 against 10.0 per cent. The omission of the 2 per cent bonus, leaving the total payment on ordinary stock at 8 against 10 per cent, is, therefore, dictated by prudence—and no doubt by necessity. The directors are transferring £100,000, against nil in 1940 and £200,000 in 1939, to contingencies, leaving the carry forward some £10,000 lower at £622,839. These results are highly satisfactory, but they do not, of course, take account of the Malayan losses which occurred since the close of the financial year. The consequent shortage of raw material

must seriously prejudice current production, and it is possible that the guarantee of the Dunlop Plantations preference may need to be honoured. How far direct losses in manufacturing and trading companies in territory now occupied by the Japanese, or closely threatened, have been written off is uncertain, but no doubt some light will be thrown on this vital aspect of the position by the chairman's speech. In the circumstances, there can be nothing but commendation for the decision to reduce the total ordinary payment. At the current price of 26s. 4½d., ex dividend, the £1 ordinary stock yields £6 1s. 4d. per cent.

Home and Colonial Group Outlook

The full accounts of *Home and Colonial* for the year to January 3, 1942, show a decline in income after EPT from £257,010 to £232,157. Charges against profits are somewhat lower, income-tax reserve requiring £22,000 against £35,000, and total depreciation £59,091 against £59,873. The payment of service on prior charges, however, necessitates a draft on the carry forward of £50,185, against £39,114 a year ago, reducing the total to £119,623. Equity shares have received no payment since the 6 per cent distributed in 1939-40, and under present conditions are not within sight of a further distribution. Trading profits of *Home and Colonial*, and its wholly owned subsidiaries, *Meadow Dairy* and *Lipton*, before EPT, have risen from £1,002,506 in 1939, and £859,169 in 1940 to £1,259,249 last year. Total tax liability, including tax on dividends, jumped from £585,310 in 1939 to £1,123,413. This enormous liability is, as the chairman, Sir George Schuster, points out in his statement, the result of assessment for EPT either on an unfortunate profits standard or on a capital standard which makes no allowance for the goodwill included in the purchase price of the shares of the wholly owned subsidiaries. It is understood that the EPT position is still the subject of negotiation, but that the sums provided by the group will cover any conceivable

Company (Years ending early January)	Total Profits after E.P.T.	Income Tax	Equity Stocks			
			Amount		Rate	
			Earned	Paid	Earned	Paid
<i>Home & Colonial</i> :—						
1940.....	£446,887	£42,000	£140,689	£120,680	7.5	6
1941.....	257,011	35,000	Dr. 39,114	Nil	Nil	Nil
1942.....	232,157	22,000	Dr. 50,185	Nil	Nil	Nil
<i>Maypole Dairy</i> *:—						
1940.....	372,437	58,000	149,861	151,083	7.0	7
1941.....	321,431	75,000	86,032	86,333	3.9	4
1942.....	323,632	85,000	87,615	86,333	4.1	4
<i>Meadow Dairy</i> :—						
1940.....	174,278	27,000	37,247	18,787	11.7	5
1941.....	139,699	20,000	19,006	18,787	5.1	5
1942.....	138,383	30,000	8,723	9,393	2.3	2½
<i>Lipton</i> :—						
1940.....	244,180	32,000	83,380	78,750	7.6	7
1941.....	116,993	13,500	Dr. 20,417	Nil	Nil	Nil
1942.....	163,398	36,000	4,823	Nil	0.9	Nil

* Equity earnings shown after £10,000 yearly to statutory reserve.

liability. The consolidated balance-sheet shows a slight decline in the surplus of current assets, excluding inter-company items, from £1,944,210 to £1,941,930. There is an increase in the total invested in Government securities, and tax reserve certificates, from £19,451 to £214,998, in cash of some £320,000 to £1,458,844, and in stock from £3,416,610 to £3,444,782. The main change on the liabilities side is a rise of nearly £730,000 in tax reserve to £1,831,616. The immediate future of the group, as Sir George Schuster points out, is governed by two factors, the possibility of obtaining an adjustment of EPT liability and the course of Government food and price policy. The implications of the new scheme for the control of profit margins of multiple stores, which is discussed in a note on page 711, vitally affects the scope of future trading. There is frankly little possibility that the facilities of the group can be used to capacity under war conditions as long as legislation is designed to keep the high cost distributor in business. Nor is there any likelihood that the higher gross profits which result from sale at official maximum prices by a low cost distributor can be paid out to the equity holder while EPT operates as it does at present. It is, perhaps, unfortunate that the existing organisation of the provision trade offers so little incentive to efficiency. The *Home and Colonial* 4s. ordinary shares now stand at 3s. 1½d.

The Clothing Ration

The end of the first year of clothes rationing is approaching. The ration in the current period has released a quarter of a million tons of shipping, and nearly 400,000 clothing workers have been transferred to the fighting forces and to industries directly engaged on war production. Rationing has proved its worth, and, on the whole, the Board of Trade has learned the lessons taught by experience. The new coupons, which are now being distributed, have been printed in what it is hoped is a forge-proof form. New measures have been taken, which, among other advantages, will make racketeering more difficult. One of these is the coupon banking scheme, under which traders are now applying for accounts to be opened. The banking of coupons will save labour, trouble and time. Utility clothing has been launched, and supplies of all kinds of clothing are coming on to the market. In general, these clothes are sufficiently well made and designed for popularity, but durability is a factor which deserves greater consideration. Specifications to simplify clothing have been laid down. The ration itself is, inevitably, to be smaller in the period beginning on June 1st. But a principle which has been applied for other commodities in short supply is to hold good for clothes; the basic ration of 60 coupons for fourteen months is available to all, and above this, certain classes of people, such as children and industrial workers, will receive supplements. Several million workers, such as shipbuilders, chimney sweeps, quarrymen and chemical workers, have received a supplement, and more classes of workers are to benefit in the coming period.

Controlled Diamonds

In accordance with expectations, control over gem diamonds has been strengthened. Mr F. A. Mathias, Government Director on the Board of the Sierra Leone Selection Trust, and until recently Diamond Adviser to the Board of Trade, has been appointed Controller of Gem Diamonds. The first Order issued by the new control prohibits the manufacture of gem diamonds from June 1, 1942, except under licence. Although no detailed official statement has been made about the reasons for the new appointment, it is obvious that the Government's object is the adjustment of the diamond cutting industry to the needs of war. The facilities available outside Amsterdam and Antwerp, though improved since 1940 by the influx of refugee workers, are not sufficient to meet the demands of both the industrial and gem diamond trades. As cutters and polishers engaged in the preparation of valuable gem stones receive far higher wages than those engaged solely in the preparation of industrial diamonds, there has been a shortage of skilled diamond workers for war work for some time past. Last autumn the Board of Trade had to intervene to prevent excessive poaching of workers by luxury diamond firms. The licensing of the manufacture of gem diamonds will ensure that essential needs for industrial diamonds are met before any workers are released for other work. The export trade in gem diamonds will probably receive attention after the war demand has been satisfied, while the manufacture of gem diamonds for the home market will probably cease. Owing to the rapidly increasing Allied demand for industrial diamonds, the shortage of skilled diamond workers will, no doubt, force a reduction in the manufacture of gem stones. As prices of industrial diamonds, unlike those of luxury diamonds, have not risen since the outbreak of war, and their sale has never been particularly profitable, the decline in the manufacture of gem stones is bound to lead to a reduction in profits of diamond mining companies. The appointment of the new Controller of Gem Diamonds completes the British Government's ring of diamond control. On November 9, 1939, exports of diamonds from this country were controlled (by licence) by the Board of Trade. Diamond tools have been controlled since the same date by the Controller of Diamond Dies and Tools (Ministry of Supply), and on March 25, 1942, control of rough diamonds was undertaken by the Diamond Controller (Ministry of Supply). The new control closes the last gap in the chain of controls by taking charge of the diamond cutting trade. In this connection it is perhaps interesting that the offices of the new Gem Diamond Controller are at the same address as the Rough Diamond Controller's.

Veterinary Insurance for Cows

As long ago as last August 23rd *The Economist* published a note (on page 244) describing a scheme which was

to begin "shortly," prepared by the National Veterinary Medical Association and designed to protect the health of dairy herds. Discussions have no doubt been proceeding for the last nine months between the NVMA, the National Farmers' Union and the Ministry of Agriculture. At any rate, it is now at last announced that the scheme will begin to operate on June 1st. Farmers can voluntarily enter into agreement with a veterinary surgeon of their own choice, and pay premiums varying from 10s. to 12s. 6d. a year for each dairy cow. In return, each herd will be examined at least four times a year and additional visits made if necessary to treat mastitis, contagious abortion, sterility and Johne's disease. The Ministry of Agriculture is to provide free laboratory services, vaccine and expensive drugs free in some cases, and in others, such as sulphanilamide for mastitis, at reduced cost. It is to be hoped that all farmers will co-operate in the scheme, although it is believed that many will hold aloof on the score of expense. At the time the proposals were first mooted, expense may have been a potent factor, but the prices paid to farmers are now higher—probably high enough to pay for the economy of preventing disease. The four main diseases to which the cow is heir, and which are covered by the premiums, are estimated to reduce annual milk yields by at least 50 million gallons, and large quantities of meat are also lost. It is a pity that some compulsory scheme could not have been evolved which, apart from the advantage that every cow would be examined, would also have the effect of reducing the cost to individual farmers. There is no suggestion yet that the scheme is to be extended to sheep and pigs, as was hoped last August.

Tin Supplies and Requirements

Despite the lack of statistics since the Japanese attack on Pearl Harbour, there are indications that the Governments of the United Nations are successfully tackling their tin problem at both the production and the consumption ends. From all extra-Pacific tin mining areas an intensified production drive for tin has been reported. Bolivia, now the largest supplier of both the United States and Great Britain, produced nearly 43,000 tons of tin in 1941, and is expected to reach the 1929 record of over 46,000 tons this year. The Belgian-Congo may produce as much as 20,000 tons this year, against 12,400 tons in 1940. Nigeria is expected to produce 17,000 tons, or one-10,300 tons in 1940, and Cornwall about 2,000 tons, or third more than in 1940. In other parts of the world, with Australia ranking first, steps have also been taken to expand production, but even if these steps do not produce any sizeable results, the United States and Great Britain may count on about 85,000 tons of new tin this year.

Last year the United States is believed to have used about 95,000 tons of tin, while consumption in this country equalled approximately the 1940 total of just over 29,000 tons. New supplies this year will be about 40,000 tons, or roughly one third smaller than last year's consumption in the two countries. Both the British and United States Governments have been successful in the past five months in reducing tin consumption without adverse effects on the war effort. Their technical research departments are collaborating closely with representative consumers, as well as with the research institutes normally engaged in the development of new uses for tin. The pooling of this extensive experience and skill has been the basis of a substantial number of economy orders or economy recommendations, among which the extensive replacement of tinplate by lacquered blackplate, the grouping of bearing metals on the basis of their tin content, the replacement of tin solder by lead and silver-based solders, the replacement of tin in alloys, as well as the elimination of tin foil and collapsible tubes, are the most important. Although the results of the economies cannot be estimated, it is likely that they will bring United States and British consumption this year into line with new supplies. Withdrawals from stocks may, therefore, not be necessary except to replace tin lost in transit and for any necessary shipments to Russia. Shipments to Russia should remain small for the time being, for China, which used to ship the bulk of its tin to the United States, has now only one outlet through Mongolia to Russia. According to a recent official Chinese report, current output is at the annual rate of 17,000 metric tons, a figure which roughly equals Russian requirements.

COMPANY MEETINGS

THE STANDARD LIFE ASSURANCE COMPANY

STRINGENT VALUATION OF ASSETS

LARGE INVESTMENTS IN GOVERNMENT SECURITIES

The one hundred and sixteenth annual general meeting of the Standard Life Assurance Company was held, on the 19th instant, in Edinburgh. Mr E. M. Beilby was in the chair.

The manager and secretary having read the auditor's report, the chairman said:—

Gentlemen, I regret that, owing to his illness, Mr Jamieson, chairman of the company in the past three difficult years, is not able to be here to-day. We hope for his complete recovery. As vice-chairman I take Mr Jamieson's place at this meeting.

May I take it to be your wish that the directors' report, which is in your hands, be held as read?

Before reviewing the results of the past year, I must refer to the loss of two members of the board since our last annual meeting. Mr George Wm. Blackwood, who served as a director for the long period of twenty-five years, died on 26th April, 1942. Mr Blackwood, as chairman, vice-chairman and director, was interested in all that concerned the company—more particularly in the staff and in the careful development of our business. His wise advice based upon wide experience was greatly appreciated by his colleagues on the board, with each of whom his personal relations were always most happy. His guidance and encouragement will be greatly missed by the officials and staff.

Lieut. J. R. Gifford, R.N.V.R., W.S., who became a director in June, 1939, went on service in the Navy shortly after the outbreak of war; after performing various duties he was posted to H.M.S. Repulse and lost his life on December 10, 1941, when that ship was sunk in the Far East. It is a matter of great regret that our association with him should have been ended after such a short time. Already his keen intellect and sympathetic understanding had forecast a service of marked usefulness to the company which it was hoped would endure for many years.

During the year the directors were fortunate in being able to appoint Mr William Watson, C.A., and Mr J. B. Crawford to the board and later at this meeting you will be asked to confirm the appointments in the usual ways by re-electing them. Further, on his return from a distinguished tour of duty as Governor of Burma, the directors invited Sir Archibald Cochrane to resume the seat upon the board which he had held for some time previous to proceeding to the East. I am glad to say that Sir Archibald accepted this invitation and his re-election also will be submitted to you to-day.

NEW BUSINESS

In spite of the difficult times through which we are passing I am pleased to be able to submit to you what I think you will all agree is a satisfactory report. The new business during the year under review reached a total of £2,004,632 after deducting re-assurances. This represents 90 per cent of the total completed during the previous year and is, I think, a reasonable amount for war time, when it is borne in mind that practically all our outdoor staff is away on service. A substantial total of deferred annuities has been completed in the year although the total is somewhat less than the amount granted last year. There has also been a reduction in the immediate annuities completed during the year.

NET RATE OF INTEREST

Turning to the revenue account of the life assurance annuity fund we find that the premium income at £2,488,000 shows a decrease of over £80,000; this decrease is largely accounted for by the practical cessation of single premium business. It was decided during the year that it was inadvisable that the Company should accept large sums by way of single premium—a decision taken by many other life offices. Naturally this has had a marked effect on the amount of the premium income. The interest revenue after deduction of tax is £1,304,000, being practically the same as the corresponding figure of last year. This represents a net rate of interest on the life assurance and annuity fund during the year of £4 3s. 6d. per cent, which although lower than that earned last year will in present circumstances, I am sure, give satisfaction

to members. Again a sum of over £40,000 was transferred to the revenue of the life assurance and annuity fund from the guarantee fund.

On the other side of the account you will see that the total of the claims by death is £775,000, an increase of over £80,000 upon the figure of last year. The total this year includes a substantial amount due directly to enemy action. The claims by maturity call for no comment and are some £9,000 less than the corresponding amount last year.

RESERVES INCREASED

Owing largely to the restriction of our efforts during the war, commission and expenses of management show a decrease on last year of £20,000, and I am pleased to be able to report that the expense ratio (i.e. the ratio of commission and expenses to premium income) shows a further reduction and now stands at only 10 per cent. It will be seen that the sum of £100,000 has been transferred to inner reserve and that £50,000 has been transferred to the staff pension fund.

The total assets as shown in the balance sheet are now £35,255,000, representing an increase of £893,000 over last year's total. The increase on this occasion is not so large as during recent years; but this is mainly accounted for by one maturity claim of exceptionally large amount which has reduced the capital redemption fund during the year from over £1,000,000 to just over £400,000. As in previous years members will be glad to know that the directors have been able to state that in their belief the value of the assets was in excess of the balance sheet figure. It is a difficult matter in these days to place a proper value upon each of the company's assets; but I can assure members that a very thorough and careful examination of the assets has been carried out and that, after making such provisions as in the opinion of the directors were advisable and, in the case of Stock Exchange securities, making use of the lowest quotations in the official list after deducting accrued interest and dividends, the directors were satisfied that the excess value of the assets over the figure shown in the balance sheet was of considerable amount.

INVESTMENTS IN NEW WAR LOANS

The policy, referred to last year, of subscribing largely to British Government loans has been continued and it will be seen from the balance sheet that the total holding in British Government securities as at November 15 last was £9,570,000, an increase during the year of £1,744,000. From the outbreak of war to the present time the company has increased its investments in British Government securities by £5,308,000, of which total £4,142,000 represents investment in New War Loans. In accordance with the wishes of the Government all excess income over outgo in this country, in addition to a substantial proportion of other funds available for investment, is being invested in New War Loans so that members have the satisfaction of knowing that the company is assisting materially in the National Savings movement, which forms such an important part of the country's war effort.

STAFF

In these days the efforts of the company's officials and staff must be directed almost entirely to endeavouring to give efficient service to those persons who are already members of the company. Our staff has been greatly depleted, as, after the departure of those members who are expecting to leave very shortly, over two-thirds of the pre-war male staff in this country will have left on national service. Many members of our overseas staffs have also joined the forces and as a result of the demand by the authorities for female labour, we expect to lose a considerable proportion of our female staff before long. The reduction in our male staff has been heaviest among our outside men and in the circumstances we are forced to rely upon our members and upon our agents to bring new business to the company, because we have

not the staff to give the same full service to the public which we were accustomed to give in pre-war years. It is difficult in these days to overestimate the value of life assurance and any enquiries which are addressed to the head office or branches by our members or agents will, of course, receive the fullest possible attention. The foresight of those persons who in the past have assured with the Standard is amply demonstrated when one looks at the accounts and sees the large sums which have been paid out by way of claims, many of them arising from the war.

It is with deep regret that I report that two further members of our staff have given their lives in the service of their country. Both of these young men were lost in air operations over enemy territory.

To the many members of our staff who are absent on service I send from this meeting our warmest greetings and best wishes. They are continually in our thoughts and they can be assured of a hearty welcome back to the service of the company when the time comes. The staff who are left at home to carry the heavy burden of the work have responded with admirable loyalty to the calls made upon them. Members will appreciate the debt they owe to the staff and I know I shall be carrying out their wishes in recording our sincere gratitude for their efforts.

MANAGER'S RETIREMENT

I am very sorry to have to report that our manager and secretary, Mr Mascall, has decided to retire on September 15th next. We are greatly indebted to Mr Mascall; at a time when he might well have sought rest in retirement he willingly undertook the heavy burden of the managership of the company in war time and during the whole period of the war he has guided the affairs of the company with wisdom and success. Mr Mascall, when he retires in September, will have served the Standard for 52 years—a record of which I think he and we may be justly proud. During all that time he has done good and loyal work for our company at home and abroad. We give him our warm wishes for health and happiness in well-earned retirement.

The directors have appointed Mr Davidson manager and actuary as from the date of Mr Mascall's retirement and they have every confidence that under his leadership the company will fully maintain its high position. Other appointments have been made at head office—in particular Mr A. R. Reid as secretary, Mr P. C. Reynolds as deputy secretary, Mr J. B. Dow as joint actuary and Mr W. M. Wishart as assistant secretary. In London, consequent upon the retirement of Mr A. B. Drayton after 48 years' loyal and devoted service with the company in various parts of the world, the directors have decided to combine the City and West End branch offices under Mr E. V. Goodall as manager for London, who will be assisted by Mr A. E. Bromfield as secretary for London. I may say that it was with gratification that the directors were able to give these appointments to men already in our service.

I now move the formal adoption of the report, revenue accounts and balance sheet submitted.

The resolution was carried unanimously.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY, LIMITED

THE CHAIRMAN'S STATEMENT

In a statement circulated with the 106th annual report of the Liverpool and London and Globe Insurance Company, Limited, the chairman, Mr A. Kentish Barnes, indicated total fire, accident and marine premiums of £10,009,347, being £690,448 higher than in 1940. Underwriting profit was £750,784.

New life business, at £1,331,199, was some £60,000 lower.

Fire premiums, at £3,964,216, were well maintained. Sums insured were not generally keeping pace with rising values and policyholders were urged to re-examine their insurances.

Accident department trading was again satisfactory, premiums, at £4,928,422, showing a substantial increase.

Marine premiums rose by £230,000, or 26 per cent.

Interest to profit and loss account was £323,858, and balance carried forward was £1,526,905.

The directors recommend a final dividend of 13s. 6d., making 27s. per share, less tax, for 1941.

ALLIANCE ASSURANCE COMPANY, LIMITED

MR. R. D. TROTTER'S REVIEW

The annual general court of the Alliance Assurance Company, Limited, will be held on May 27th.

The following is an extract from the statement of the chairman, Mr R. D. Trotter, which has been issued to shareholders:—

On January 28th our late and much-revered chairman, Mr Lionel N. de Rothschild, died. We have lost in him a great personality and one who devoted a large measure of his energies to looking after the interests of the company and of the shareholders.

The net new business completed during the year in the life department amounted to £1,118,485. This is slightly lower than the corresponding figure for 1940, and is about one-third of the amount of business which we used to complete in the pre-war periods. The claims experience was satisfactory. The claims by death were only £573,104, and this figure included £50,496 for war claims, as against £826,027 in 1940, which was admittedly a bad year from that point of view. At the close of the year the Alliance life and annuity funds amounted to £23,141,164, an increase of £318,429 for the year.

FIRE AND ACCIDENT DEPARTMENTS

In the fire department the net premiums amounted to £2,129,372, which is £46,247 less than the premiums in 1940, and this is not surprising, owing to the fact that we have naturally lost business in foreign countries now occupied by the enemy. The claims experience was again more satisfactory than in 1940, and, after having put by £25,000 for bad and doubtful debts, after adjustment of reserves for unexpired risks and the inclusion of interest, less tax, amounting to £95,595, there is a balance of £529,552 carried to profit and loss account. I feel that you will agree with me that this is a very satisfactory year's result in these difficult times.

In the accident department there was a net increase in premium income of £22,573, the comparative figures being £1,227,778 in 1941, as against £1,205,205 in 1940. The principal increase is in respect of the employers' liability account. Our motor account shows a good profit. The premium income is lower than in 1940. This is not to be wondered at in view of the shortage of petrol and the consequent laying up of cars, and we must look for a considerable contraction in the premium income during the current year for the same reasons. The profit of the department, £198,867, has been transferred to profit and loss account, and is slightly in excess of the amount transferred in the previous year's account.

SATISFACTORY MARINE BALANCE

The marine underwriting account for 1939 has been closed with the very satisfactory balance of £143,348, which is £59,514 higher than the balance of the 1938 account. The surplus, after setting aside £9,168 for further claims in respect of 1939, is therefore £134,180, which, together with interest (less tax) on the marine fund £28,820, making a total of £163,000, has been carried to profit and loss. This is an exceptionally good result and one we can hardly hope to repeat next year.

In the trustee department the funds now being administered total approximately £16,000,000, excluding debenture trusteeships and the like. The number of trusts now being administered is 246. With regard to our Stock Exchange securities, I am glad to be able to report a considerable recovery in market value. As was reported last year, there was a favourable margin over the book value in the case of the members' accounts. This margin has further increased, in spite of considerable sums written off during the last two or three years in respect of deposits in enemy-occupied territories.

As was to be expected, the rate of interest earned on the company's funds has suffered further from the requisitioning of relatively high-yielding securities and the investment of the major part of the proceeds, as well as all new money, in Government War Loans. The policy of the company has been from the outset to invest the maximum amount in such loans in order to assist the Government in the prosecution of the war, and I feel sure that it will be gratifying to the shareholders to know that the total subscriptions to such loans by the "Alliance" group of companies during 1941 amounted to over £1,000,000. The holding of British Government securities at December 31st last represented fully 40 per cent. of the company's Stock Exchange investments.

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

SIR BERTRAM HORNSBY'S STATEMENT

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held on May 26 at the registered office of the company, 24, Cornhill, London, E.C.

The following are extracts from the review by the Chairman, Sir Bertram Hornsby, C.B.E., on the report and accounts and balance-sheet for the year 1941: Perhaps the most gratifying feature is the increase in the volume of our business despite the extension of hostilities to the Far East, where, as you will be aware, our interests were extensive and of long standing.

FIRE DEPARTMENT

The premium income amounts to £5,813,593, being an increase of £259,175 over that of the year 1940. The ratio of claims paid and outstanding is 43.98 per cent., while commission and expenses of management account for 46.71 per cent., and there is a net underwriting profit of 7.52 per cent. £500,000 is transferred to profit and loss account, and the fire fund now amounts to £7,192,869, or 123.73 per cent. of the premium income. As to our home business, the results during 1941 show a noteworthy improvement in comparison with our experience for 1940.

LIFE DEPARTMENT

The outstanding features of the year are (1) the substantial increase of £905,040 in the amount of new sums assured, the total of which, after deduction of reassurances, was £3,806,938; (2) the increase of the year's premium income to £2,004,203, thus for the first time passing the two-million mark; and (3) the increase in the life fund of £1,085,614, which brought it up to £29,917,664. These three features are closely connected and played their part in enabling us to increase our holdings of war issues by nearly £2,500,000. This, coupled with the heavier taxation, brought down the net rate of interest obtained on the life fund to £3 2s. 9d. per cent., against £3 5s. 8d. per cent., which has obliged us to introduce a new and somewhat higher scale of premiums at the beginning of this year for many of our contracts.

Our current bonus period ends on December 31, 1942. At present we are allowing an interim bonus on "with profit" policies which in the old series is equivalent to a minimum cash bonus of 16 per cent. of the premiums due and paid since December 31, 1937, and in the new series to a reversionary bonus of £1 per cent. on the sums assured for each year's premium paid.

MARINE DEPARTMENT

The net premiums of the marine department amounted to £1,476,655, showing an increase of £138,939. Claims paid and outstanding amounted to £698,820, and £250,000 has been transferred to profit and loss account. The marine fund now stands at £2,099,109, or 142.15 per cent. of the premium income.

ACCIDENT DEPARTMENT

The premium income at £8,342,178 shows an increase of £808,307, arising principally in the United Kingdom and the United States of America and, as one might expect, mainly in the employers' liability section of this department due to the increase in industrial activity through the expanding war effort.

PROFIT AND LOSS

Gross interest, dividends and rents at £1,016,323 show an increase of £29,132, and reflect the result of the increase in the funds during the year. The weight of taxation falls upon us again with increased force, United Kingdom taxes taking £1,045,517 and Dominion, Colonial and foreign taxes £207,067, increases of £310,512 and £87,429 respectively. Part of the increase in the United Kingdom taxes arises from a provision of £250,000 which we have thought it prudent to make this year on account of prospective liability on the year's trading results.

A transfer of £379,902 is made to general reserve fund, raising that fund to £5,000,000, or over 140 per cent. of the issued capital of the company. The balance remaining will meet the cost of the final dividend recommended by the directors of 3s. 6d. per £1 stock and leave a balance to be carried forward of £197,498.

Bearing in mind the increasing difficulties arising out of war-time conditions the results will be regarded as satisfactory.

NORWICH UNION LIFE INSURANCE SOCIETY

CONTINUED PROGRESS

The one hundred and thirty-fourth annual general meeting of the Norwich Union Life Insurance Society was held, on the 19th instant, at Norwich.

Mr Ernest Hicks (the president) said that during the past year they invested over £950,000 in British Government securities, which now stood at £6,758,785, and they were continuing to invest all available moneys in this way. In addition, under their special Savings Bonds schemes they had bought approximately £400,000 of National War Bonds for individual policyholders, and these purchases were shown under the heading of loans on stocks and shares.

In these days of anxiety and distress the value of life insurance to the community and the relief it could give in so many ways was even more evident than in normal times. They paid out in claims during the year £1,267,287, of which £208,625 was directly due to war deaths. In addition, they had paid out £2,057,918 in maturities.

The net new business was £6,683,408, being 57 per cent. of the production of the last pre-war year of 1938. The expense ratio was 13.34 per cent. and the net rate of interest £3 7s. 9d. per cent.

There was a considerable increase in the market value of their securities. The shares of the Norwich Union Fire purchased in 1925 had always appeared at the figure of £6,088,174. At the time of purchase the total assets of the Fire Office were £5,700,000 and the shares carried an uncalled liability of £493,000, which had since been entirely discharged out of the profits of the Fire Society, and the total assets now amounted to £7,600,000. They had received throughout a gross dividend of £4 6s. 8d. per cent., and in these days of low interest rates a first-class permanent investment of this magnitude showing such a satisfactory return was extremely valuable. The close co-operation of the work of the two societies throughout the world became every year of greater worth to both. By this alliance the combined societies were able to offer comprehensive insurance service covering practically all insurable risks.

The report was unanimously adopted.

NORWICH UNION FIRE INSURANCE SOCIETY LIMITED

SATISFACTORY UNDERWRITING RESULTS

The annual general meeting of Norwich Union Fire Insurance Society, Limited, was held, on the 18th instant, at Norwich.

Mr Ernest Hicks (the chairman), dealing with the underwriting results, said that in the fire account there was a very satisfactory increase of £160,872 in premium income, and he was glad to report that the resulting profit of £90,358 was a considerable improvement on last year.

The share certificates representing the society's holdings in its subsidiary insurance companies in the U.S.A. had been deposited with H.M. Government, their position being protected by the provisions of the Financial Powers (U.S.A. Securities) Act. This arrangement was satisfactory to all concerned.

The accident account had again been very satisfactory, the premium income having increased by £168,050, a full recovery from the temporary set-back in 1940. The result of the underwriting produced a profit of £162,459. In these excellent figures he was glad to say the overseas section had again contributed.

The marine premium income at £707,838 showed an increase of £75,425 and the account, so far as they could judge, was progressing satisfactorily. It was necessary, however, to maintain a cautious outlook. The 1939 account, now closed, showed a profit of £48,677, which they were transferring to the profit and loss account, in the knowledge that a full reserve strength was maintained to meet all liabilities.

In addition to the trading profit above referred to, the profit and loss account had a credit of £111,241 for net interest, leaving with the amount brought forward a sum of £738,736 at their disposal. The dividend, after deduction of income tax, took £137,324, and the large sum of £168,139 was now necessary as home taxation provision. The balance remaining to be carried forward amounted to £335,196 as against £325,995 last year.

The total assets were now £7,604,085—£546,627 more than in the previous year.

The report and accounts were unanimously adopted.

ROYAL INSURANCE COMPANY, LIMITED

97TH ANNUAL REPORT

THE CHAIRMAN'S STATEMENT

In a statement circulated with the 97th annual report of the Royal Insurance Company, Limited, the chairman, Mr A. Kentish Barnes, indicated that fire premiums totalled £5,754,087, and losses £2,625,849, the underwriting profit being £413,649, or 7.19 per cent. Home fire premiums had increased slightly as a consequence of advancing values, but losses, though less than in 1940, were still abnormally heavy.

Premiums in the United States had expanded with the growth of industrial activity and increased commodity prices, but losses were higher, several fires of exceptional severity having occurred.

In Canada, losses showed an increase, but a gratifying expansion of premium income helped to produce a moderate profit.

Results in Australia and New Zealand again made highly satisfactory showing. In the general foreign field, fire business was well maintained and underwriting experience was on the whole satisfactory.

ACCIDENT AND GENERAL RESULTS

Accident and general premium income was higher at £6,579,577; losses were £3,022,603; and a profit of £528,295, or 8.03 per cent., resulted. Motor business showed no falling off during the year but the further restrictions on motoring must cause contraction in this account. Workmen's compensation business again increased, reflecting industrial activity and higher wage rolls, and a modest surplus emerged.

In the United States, satisfactory results were produced, coupled with a considerable rise in premiums. In the Dominions and the general foreign field business showed gratifying development and contributed substantially to the aggregate results.

New life business, at £3,195,000, showed a slight improvement. War death claims were £74,000 out of total death claims of £902,000.

MARINE DEPARTMENT

In the marine department, the 1940 account closed with a profit of £249,685. There had been an increase of marine losses which was inevitable having regard to the greatly increased hazards of navigation due to necessary wartime measures.

Total underwriting profit (including £46,000 on account of shareholders' proportion of life profits) was £1,237,629.

New investment in this country had been confined to Government War Loans, the Royal and its associated companies now holding over £8,000,000 of British issues.

The staff had now subscribed for over 100,000 National Savings Certificates without taking into account individual subscriptions to 3 per cent. Defence Bonds.

COMPANY'S AMERICAN SHAREHOLDINGS

Reference was made to its shareholdings in associated American companies which the Royal had placed at the disposal of the Government. The dollars accruing to the company in the United States, both from its branch and subsidiary companies, had been made available in America to the British Government and the sterling equivalent was paid to the company here. This arrangement was satisfactory to all concerned, and the directors had been glad to assist the Government in this way.

ASSISTANCE TO THE GOVERNMENT

In many important directions the company was affording help to the Government. Since the commencement of the war the Royal and allied companies had issued on behalf of the Government approximately one million policies or certificates of insurance under the various war risks insurance schemes. During 1941, a scheme was formulated for the handling by insurance companies of all claims on the Government under commodity insurance and business war damage policies. For this purpose, committees had been formed throughout the country and the Royal and its allied companies were bearing a full share of this work. In addition, the Royal, together with other companies, placed at the disposal of the Government the services of technical staffs for inspection purposes with the object of fire prevention.

Activities were not limited to this country. Similar assistance was rendered in Canada, India and the other Dominions, while, in the United States, the technical organisations controlled by the companies generally had been active in fire prevention service in factories and plants vital to the war effort.

THE DEMAND FOR INSURANCE

War conditions had presented insurance companies with many problems, not the least of which was adaptation to changing conditions. Competition between companies had to all intents and purposes ceased, but the demand for insurance had in no way lessened. Nor was it to be expected that it should. Insurance was not a commodity that could be rationed, and the needs of the community expanding in many directions under war conditions required to be adequately met. Much had been done to help the position by a drastic curtailment of routine operations, and further possibilities were under constant examination. It must, however, be borne in mind that each insurance was a separate individual contract and no ingenuity could avoid the need for separate individual handling.

A considerable curtailment of the service so far offered to the public in this country must be faced—or perhaps, more correctly, an alteration in its character. This was made necessary by the depletion of the staff.

There were now over 560 of the home staff serving with His Majesty's Forces. Casualties had fortunately been few, but the loss of a further six who had given their lives since the meeting a year ago was deplored; also three more were reported missing and nine as prisoners of war. Deepest sympathy was extended to those who had been bereaved.

The chairman concluded his statement with the following words:—

I make no forecast for the present year; it is only to be expected that, in the conditions created by the world upheaval, we shall feel its adverse effects. Nevertheless, we face the future with a sober confidence and, above all, with the knowledge that, to the limit of our capacity, we are playing a useful part in sustaining the economic welfare of the nation and the community.

INDUSTRIAL AND GENERAL TRUST, LIMITED

DIVIDENDS MAINTAINED

The 54th annual general meeting of The Industrial and General Trust, Limited, was held, on the 21st instant, in London.

Mr W. Sandford Poole (the chairman) said that the impact of events in the Far East did not, to any extent, affect their gross revenue in the past year, and it was gratifying to be able to present accounts showing an increase of £16,306 in the gross income compared with a year ago. Net receipts amounted to £275,637. Deducting debenture stock interest and all working expenses and adding £137,395 brought forward, their net revenue available for appropriation was £333,659. They recommended the declaration of a final dividend on the ordinary stock of 8 per cent., making a total dividend of 12 per cent. for the fifth successive year. The increase in the rate of Dominion tax relief which they were able to pass on to stockholders on payment of these dividends was an indication of rising taxation in the British Dominions. The carry-forward was raised by £20,809 to £158,204.

Market quotations of investments were still fitful and afforded no true index to intrinsic values. Events in the Far East in recent months had caused a considerable setback in the quotations for plantation and other Far Eastern stocks and shares. The Trust's investments in enemy and enemy-occupied countries were estimated to represent at book cost less than one-eighth of their total investments. They had thought it might be interesting to have an unofficial valuation made of their investments portfolio based on quotations on March 31st last, so far as they were available. The valuation showed an overall depreciation of less than 3 per cent. on the total of £8,000,000 at which the investments stood in the balance-sheet but, as against that, their reserves and undivided revenue, after providing for the dividends to be declared, amounted to nearly 25 per cent. of the £8,000,000 invested. Their total investment in British Government securities was now £335,000.

He was hopeful that they might be able to repeat this year's rate of dividend again next year.

The report was unanimously adopted

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

FACTORIES AT FULL CAPACITY

LORD MCGOWAN'S STATEMENT

The fifteenth ordinary general meeting of Imperial Chemical Industries, Limited, will be held on the 28th instant in London.

In a statement circulated with the report and accounts, the chairman (the Right Hon. Lord McGowan, K.B.E., D.C.L., LL.D.) writes:—

As a result of the pressure of the war for more production, our factories have been worked to capacity throughout the year. The performance of the various plants, maintained at a high level, testifies to the excellence of the equipment, the standard of maintenance which it is our practice to keep, and the technical control. The volume of output to meet demands has for a number of products touched new peaks. Our task is to provide supplies to meet industrial, agricultural and civilian requirements. The shrinkage in civilian needs under the national policy of rationing and limitation of supplies, is outweighed by the enlargement of industrial and agricultural activity.

We have continued our basic price policy. It is to approach every case with a reluctance to advance the price and not move unless we are convinced of the need for a change by the emergence of factors which are likely to be permanent, or unless a change is called for by the general symmetry of the price structure for related products. Where the expansion of demand and growth of efficiency have made it possible, we have made price reductions, notwithstanding all the conditions of war.

OVERSEAS ACTIVITY

When we look back on the numerous and growing difficulties with which our efforts to promote our export trade have been surrounded, we are surprised by the degree in which volume has been maintained. But with patience, persistence and a willing co-operation of all those with whom we must work in this sphere of activity, and above all with the indomitable courage of the merchant sailors and the high degree of protection afforded by the Royal Navy, and, during much of the year, by the silent vigil of the United States Navy, goods have moved to their distant destinations.

Our main manufacturing subsidiary or associated companies in the British Empire—Imperial Chemical Industries of Australia and New Zealand, Canadian Industries, and African Explosives and Industries—have continued their successful progress. Within the limitations of shipping, exchange resources and locally available materials, they have continued to expand their own activities, which like ours have grown with the intensity of the war effort.

The unprovoked attack by Japan upon the United States and the embroilment of the whole of the Far East by the declaration of war on the United Nations, has vitally affected our companies in Japan, China and Malaya. We had, however, not been unmindful of the risks of carrying on business in these areas, and had from time to time in preceding years made ample provisions against contingent losses in the territories now occupied by the enemy in the Far East. I must, however, warn you, now Japan is at the gates of Australia and India, that we have very large interests, both of revenue and capital nature, in those countries, through Imperial Chemical Industries of Australia and New Zealand and I.C.I. (India).

RESEARCH AND DEVELOPMENT

Our research activities during 1941 have again covered a wide field. They have embraced problems arising out of new plant conditions brought about by war circumstances, such as the substitution of novel raw materials for normal ones now unobtainable, and the development of entirely new products of both present national and possible future commercial importance. Our research staffs in this task have shown much original and ingenious thinking, while our readiness to assist have been highly appreciated.

War conditions call for the development of research ideas through the semi-technical stage to full scale operation much more rapidly than for peace time, and particular attention has been given to the development of new projects. Important materials are now being supplied by processes which not long since were in the hands of the laboratory staffs. The company is collaborating

with other concerns in this country where exchange of technical information appears to be in the national interest, and in some instances is voluntarily supplying its technique to industry.

The number of the company's employees in Great Britain at the end of 1941 showed a further substantial increase on the previous year, while changes have continued to come about through additional calls to H.M. Forces. We have also carried further the process of dilution of staff and workers in our own factories in order that the services of those released may be at the disposal of the Government. New entrants have proved very adaptable, and under the skilled guidance of the older workers have rapidly shown themselves capable of efficient production. Large numbers of women have been introduced and taken their places both on day and shift process work.

I wish again on your behalf to thank the servants of the company, in whatever capacity they work, for all they have contributed during the past year, first to the national interest and secondly to the company. Work was carried on during the first six months under the continued severity of air attack, and though this was greatly diminished during the second half of the year, other conditions of difficulty, whether of transport, of hours worked in the factory, or otherwise, still affected them. Yet our men and women carried on with unflinching courage and a dauntless spirit, and displayed that toleration and patience which solves all problems. Their loyalty and efficiency have maintained the high name of the company. Your board is proud to work with them.

FINANCIAL RESULTS

The total gross income shown in the consolidated income statement is £19,956,000, compared with £19,016,000 for 1940. This increase of £940,000 is largely to be ascribed to the expansion of our activities. The net consolidated income, however, has declined from £6,576,000 to £6,243,000, a fall of £333,000. Once again the conversion of an increase of £940,000 in gross income into a reduction of £333,000 in net income is due to taxation. The net burden from this cause to be borne by the company, and its subsidiaries, after allowing for income-tax recoverable from dividends to stockholders, is £8,762,000, compared with £7,385,000 last year, or an increase of £1,377,000. The difficulties which flow from high taxation, and the drain on cash resources from this and other special war time measures unfortunately still remain. For instance, the restriction of our financial resources has not permitted us this year, like last year, to write off capital expenditure on air raid precautions against revenue. The cumulative cost of all air raid precaution expenditure, both capital and revenue, to December 31, 1941, was over £3,400,000.

The surplus of combined assets over combined liabilities and share capital fell from £16,204,000 to £15,916,000 during the year. This fall is largely to be ascribed to the capital charge on the company for liabilities under the War Damage Act, 1941, the provision for which exceeded the amount we were able to appropriate out of the balance of available profits for 1941 by £250,000.

The charge for obsolescence and depreciation in the accounts of Imperial Chemical Industries, Limited, was £2,000,000, the same as in 1940, and in addition subsidiary companies provided in their own accounts £1,045,000.

In the legal profit and loss account of Imperial Chemical Industries, Limited, itself, the net income shown declined by £256,000 to £6,162,000 by reason of the heavier income-tax and excess profits tax. The appropriations made by your board and its recommendation of the final dividend on the ordinary stock are set out fully in the report of the directors.

Just as I have abstained from giving you any review of our production activities during last year, so I shall refrain from recording any opinion of the future. Our interests are indissolubly tied up with those of the nation and we have special responsibilities by reason of the magnitude of our interests, the national need for the products we make, and their vital importance in war. We shall endeavour fully to discharge them, and I am confident that every man and woman associated with the company will spare no effort to contribute his or her part.

ARMY AND NAVY STORES, LIMITED

DIVIDEND MAINTAINED

The annual general meeting of the Army and Navy Stores, Limited, was held on the 19th instant in London.

Brig.-General Sir Frederick Gascoigne, K.C.V.O., C.M.G., D.S.O. (the chairman and joint managing director), presided.

The chairman, in the course of his speech, said: At the last general meeting I warned you that our path in the following months would be beset with many difficulties, and that our earning powers would be drastically reduced and profits would suffer. The first part of that forecast was fully realised, but the second part was not, as we not only propose to maintain the dividend of 7½ per cent., but have actually increased our profits.

TRADING DIFFICULTIES

As regards the difficulties to which I referred, these continued to mount up. Further restrictions were imposed by the Government on the production of goods not necessary for the prosecution of the war, and replenishment of nearly all our stocks was in consequence difficult, and in many cases impossible. Many of our experienced staff were called to the Forces or to do work of other national importance, and we had to carry on with a sadly depleted staff. Petrol was severely cut, and the frequency and area of our delivery service had to be drastically curtailed.

We have borne these restrictions with patience, for we realised they were imposed on us in the national interests, and I know that the vast majority of our customers have accepted them with the same understanding and not blamed us when we have failed to produce all the goods for which they have asked; where the service has not been up to pre-war standard; or when we have been forced to curtail our deliveries.

Despite all these drawbacks, we have been besieged by people who wished to become new customers and by others who wished to make fuller use of the Stores than they did in pre-war days, especially in such commodities as wines, spirits and tobacco.

Ever since the supply shortage began—I refer, of course, to unrationed goods—it has been the policy of your board to look first after those people—whether they be shareholders or not—who relied on the Stores in pre-war days for their supplies. This does not mean that even our pre-war customers got anything like they were accustomed to order in the old days, but their needs were the first to be met, and to the full extent of our available stocks. This has been a little difficult to regulate in the case of goods which are being received spasmodically and in fluctuating quantities, but in the case of wines and spirits—where we knew precisely where we stood—we decided to issue ration cards to our old and regular customers for these commodities and to confine supplies to them.

Turning to the profit and loss account, our gross profit—that is the balance from trading account, miscellaneous revenue and the interest on investment account—amounted to £547,307, which is £19,524 more than in the previous year. As our expenses at £435,266 showed a reduction of £7,778, the net profit is £112,040, or £27,302 higher than in the previous year. In view of my warning last year and the difficulties about which I have told you, this excellent result must surprise you. The explanation is that our branches in India, Bombay, Calcutta, Delhi, etc., have done extremely well and our factories also made a very useful contribution to the result.

ALLOCATION OF PROFIT

The directors recommend that a dividend of 7½ per cent. the same as last year, be paid, that £2,000 be allotted to the Indian good service fund, which is the same allocation as last year; that £12,249 be placed to the credit of the pensions redemption fund; and that £35,000 be reserved for N.D.C. and Indian excess profits tax. Together these appropriations account for £110,749, leaving £1,292 to be carried to the surplus to carry forward, which will then stand at £104,375. I hope you will consider these to be satisfactory results, and I am sure we have a very sound balance-sheet.

As regards the future, we can only do our best by eking out our existing stocks and supplementing them as far as possible, so that our customers can continue to get, at any rate, a modicum of what they require until the days of greater plenty return.

The report and accounts were unanimously adopted.

INCORPORATED ACCOUNTANTS

FUNCTIONS OF FINANCE IN WARTIME

The annual general meeting of the Society of Incorporated Accountants and Auditors was held on the 21st instant in London.

Mr Percy Toothill, F.S.A. (the president), expressed undiminished confidence in the inspiring leadership of the Prime Minister and ultimate victory. The duties of the accountancy profession were, he said, almost entirely devoted to work of national importance connected with the war. Men and women had been released for duty with the Services, and the strain on the profession due to increased professional work and the severe depletion of personnel was acute. By a system of individual deferment something had been done to ease the claims which the Ministry of Labour and National Service was forced to make on the profession.

AUDITORS AND E.P.T. CREDITS

There would be regret in the accountancy profession that the Finance Bill had done nothing to remove the serious anomalies associated with the assessment of E.P.T. The Chancellor of the Exchequer had reminded them that the 100 per cent. rate was introduced to take the profit out of war. That was generally recognised, but the adjustment of inconsistencies would not conflict with that sound principle and the rectification of anomalies would stimulate war production. These criticisms were not a specious cloak to avoid the burden of taxation which industry, as well as all classes of the community, must sustain for the prosecution of the war. It was satisfactory, however, that the Finance Bill appeared to clarify the conditions relating to the 20 per cent. repayment.

From the viewpoint of accountants, however, the suggested new provisions were still obscure, and it might be felt that it would be unwise to include amongst the assets of companies sums which might later be repayable under these provisions. For these reasons it would probably be preferred to insert a note on the balance-sheet in general terms, with a specific reference to this future right to repayment, the application of which still remained to be laid down by Statute, except that the amount would clearly not be distributable either as dividend or bonus shares. Some companies were precluded, for security reasons, from disclosing their profits before taxation, and it would probably not be desirable in many cases to insert any definite estimate of the E.P.T. repayable. The omission of such vital information from the accounts was to be regretted, but there appeared to be no other available course.

The past twelve months had witnessed extensions of the two main functions of wartime finance: the restriction of unnecessary personal expenditure and the provision of means for the maximum war production. On the whole, the first function by means of ever-increasing taxation and stricter rationing, had worked fairly well, although further restriction on personal expenditure was necessary. But the second function had been less successfully explored, and it was probable that our financial resources were not yet fully deployed. It was a strange anomaly that the ability of a company to expand its vital war production depended not entirely on the need for that production but on the accidental factor of the amount of its profits for the years 1935-37, in relation to E.P.T.

FUTURE WORK OF PROFESSION

He hoped that the future work of the accountancy profession might be increasingly concerned with the practical application of accountancy experience and methods in the solution of business and social problems. Accountants could usefully participate in evolving new methods of price fixing and costing and the simplification of industrial and commercial administration. Government accounting and costing methods might have developed under pressure to meet immediate requirements and reform by way of simplification and standardisation should be pursued. Incorporated accountants were in a position to obtain a unique knowledge of the whole field of industry, commerce and agriculture and their professional work provided scope for diverse talents which should be fully and effectively employed in attempting to solve the economic problems of the present time and those which would present themselves with the coming of peace. Whilst everyone had accepted the controls and rationing which were essential for the successful prosecution of the war, he trusted it would be an early purpose of Government policy, when peace was secured, to eliminate gradually but none the less certainly the controls which were imposed by wartime necessity.

CENTRAL MINING AND INVESTMENT CORPORATION, LIMITED

IMPROVED RESULTS

STATEMENT BY MR F. R. PHILLIPS

The annual general meeting of the Central Mining and Investment Corporation, Limited, will be held, on the 27th instant, at 1 London Wall Buildings, London, E.C.

The following is an extract from the statement of the chairman (Mr F. R. Phillips) issued to shareholders:—

The profit for the year 1941 amounts to £682,143, compared with £309,557 for 1940. The improvement is substantial and gratifying. Before arriving at the profit of £682,143, the sum of £30,000 has been appropriated for contingencies account.

THE DIVIDEND

The amount available on the appropriation account, including the amount brought forward from 1940, is £862,019. A final dividend of 8s. per share will be paid on the ordinary shares, which, with the interim dividend of 4s. per share paid last December, will make a total distribution on the ordinary shares of £255,000. The total paid to both classes of shareholders is thus £305,000. In pursuance of the policy mentioned at our last meeting of gradually building up again our reserve fund, the sum of £100,000 has been appropriated, raising that fund to £1,300,000. Provision for taxation, at £175,000, is naturally higher than that of the previous year. The amount to be carried forward is increased by £2,143, to £182,019.

MINING RESULTS

During the year 1941 new records in several directions were established by the Witwatersrand gold mining industry. For instance, the ore milled reached a total of 67,255,450 tons, or 2,740,100 tons more than in the previous year, the average grade of ore milled further decreased by 0.069 dwt. per ton to 4.127 dwt., and the number of ounces of fine gold produced increased by 356,494 to 14,039,912, with a currency value of £117,935,261, which was £2,994,550 in excess of the year 1940. On the other hand, the working profit earned amounted to £45,845,043, or £1,680,144 less than in the previous year, due mainly to a rise in working costs of 6d. per ton.

On the property of the Blyvooruitzicht Gold Mining Company, Limited, from the initiation of development operations in April, 1941, to the end of March, 1942, 5,160 feet had been sampled, all of which proved payable, with the exceptionally high average value of 836 inch-dwt. Those of you who have followed the history of this new company must have been struck by the remarkable development results obtained to date.

In the case of Consolidated Main Reef Mines and Estate, Limited, the tonnage milled for the year 1941 was 5 per cent. greater at 2,525,000 tons. Lower grade and higher costs resulted in a drop of £194,500 in profits, with the result that dividends totalling 25 per cent. were paid, compared with 30 per cent.

At Crown Mines, Limited, the available ore reserve as at December 31, 1941, was 688,400 tons lower at 19,518,500 tons, but the value was unchanged at 4.8 dwt. The ore reserve is, however, quite adequate for current requirements.

Development at Durban Roodepoort Deep, Limited, reached the record total of 106,447 feet and of the footage sampled 70 per cent. was payable, compared with 62 per cent. for 1940. Payable ore developed increased by over 800,000 tons to 3,118,300 tons, and the available ore reserve at the end of December, 1941, amounted to 7,881,800 tons, valued at 4.4 dwt. per ton, compared with 6,799,300 tons of the same value for the previous year. Considerable progress was made with winding plant installations. The ore crushed totalled 2,393,000 tons, a record, and an increase of 169,000 tons compared with the previous year. Working profits rose £76,600 to £1,225,309, and dividends from 32½ per cent. to 35 per cent.

The decrease in profit earned by East Rand Proprietary Mines, Limited, was due almost entirely to the lower grade of ore mined. Dividends were maintained at 35 per cent.

THE FUTURE OF GOLD

From time to time over the past few years the question of the future of gold has been raised, but nothing which has been said

has in any way shaken our belief in the essential part which gold must continue to play in the economic structure of the world, and consequently we have no misgivings as to the wisdom of the policy we have consistently followed over many years past of having a large commitment in the South African gold mining industry.

STEWARTS AND LLOYDS, LIMITED

MR A. C. MACDIARMID'S STATEMENT

The fifty-second ordinary general meeting of Stewarts and Lloyds, Limited, was held, on the 19th instant, at the registered office of the company in Glasgow. Mr William Forbes presided in the absence of Mr A. C. Macdiarmid, the chairman of the company, who was slightly indisposed.

The notice calling the meeting was held as read, and the secretary (Mr William Stewart) read the auditors' report.

The chairman said: A copy of the directors' report has been sent to each stockholder, and I presume that, in accordance with your usual custom, you will agree to hold it as read.

I am not at liberty to make at this meeting a speech on the usual lines. I shall, however, read to you Mr. Macdiarmid's statement circulated with the report and accounts:

"For the second year I am circulating with the report and accounts a statement in place of the speech which, under normal circumstances, I should have delivered at the annual general meeting to be held in Glasgow on the 19th instant. Cards of admission to the meeting, which will be formal, are not being issued. A quorum has been arranged, but any stockholder who wishes to be present will be welcome.

"Stockholders will appreciate that it is not possible for me to make the usual detailed review of the company's activities. The accounts submitted show that the company's affairs are in a sound condition. You will observe that the directors have transferred the sum of £100,000 to reserve for special depreciation and that they have added a further sum of £250,000 to reserve for contingencies.

"The directors again wish to express their appreciation of the services rendered by the whole body of staff and employees of the company under most difficult and trying conditions."

I move that the report and accounts for the year 1941 as submitted to this meeting be hereby received and adopted.

Mr J. C. Lloyd seconded, and the resolution was adopted. The chairman: I move that the dividends as detailed in the directors' report to the stockholders dated May 11, 1942, be paid—these dividends to be paid on or after May 23, 1942, to the stockholders whose names are on the register at the date of this meeting, and that £192,875 be carried to the accounts for the year 1942.

Mr J. C. Lloyd seconded, and the resolution was adopted. The retiring directors were re-elected and the auditors were re-appointed.

BRITISH MATCH CORPORATION, LIMITED

SATISFACTORY TRADING RESULTS

The 15th ordinary general meeting of British Match Corporation, Limited, was held on the 20th instant at 66A, Fenchurch Street, London.

Sir Clarence E. Bartholomew, O.B.E. (chairman and managing director), presided.

The chairman submitted the report of the directors, which states: The net revenue for the year ended April 30, 1942, amounted to £340,881, to which has to be added the balance brought forward, £89,922, and after allowing for the dividends already paid, which absorbed £92,297, there is a balance of £338,506 available for distribution.

The directors recommend placing to dividend equalisation reserve £60,000, the payment of dividend on the preference stock for the half-year to April 30, 1942, and a final dividend on the ordinary stock of 5½ per cent., making a total of 8 per cent. for the year, leaving £94,524 to be carried forward.

The trading results of subsidiary and associated companies at home and overseas have been satisfactory, though considerably affected by heavy taxation.

The chairman moved the adoption of the report and accounts and the recommendations contained therein, which were unanimously approved.

BRITISH ENKA LIMITED

PROFIT MAINTAINED

The seventeenth ordinary general meeting of British Enka Limited was held on the 20th instant at Winchester House, Old Broad Street, E.C., Mr A. D. Carmichael presiding.

The chairman, in the course of his statement, said: The working profit amounts to £122,438. Although this appears a larger amount than in the accounts published last year, the actual working profit is almost the same. The previous year's figures included a reserve for excess profits tax which is now believed to be higher than the actual liability. The 1941 Finance Act gives the company a more favourable standard, and no reserve is thought necessary for the current year.

In the first half of the year we suffered very considerably from interruptions due to war conditions, but later our working conditions were somewhat easier. We have been able to maintain a good standard of quality. In solving our many problems, we miss at times the technical advice and assistance which we used to receive from the A.K.U. in the years before the war.

Relations with our competitors in the trade have been happy and collaboration has been close and always very helpful. The organisation set up before the war by the rayon producers has proved a great benefit, and in particular it has enabled the industry to deal collectively with the Government on many matters forced upon us by war conditions. The introduction of the Clothing Rationing Scheme has meant still closer control upon our output, and a Rayon Allocation Committee has been set up by the rayon producers to collaborate with the various controls and to ensure compliance with the Government's instructions. All rayon yarn produced is now directed into the various channels of consumption, as decided from time to time by the Government.

The report and accounts were unanimously adopted.

JOHNSON AND PHILLIPS

We regret that the meeting of this company on page 699 of our issue of May 16th was stated to be the twenty-seventh annual general meeting instead of the thirty-seventh.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE strength of the Russian counter offensive at Kharkov and the various speeches by members of the Government served to maintain sentiment, but the small price improvements throughout the markets were a reflection of increased enquiry and shortage of stock rather than any real expansion in turnover. The gilt-edged market continued to provide the major interest; demand for 3 per cent issues being reflected in numerous small advances, while among dated stocks, 2½ per cent Funding was raised ½ at the reopening. Among irredeemable stocks, turnover was slight and barely affected prices. Apart from steady support for South American issues, the foreign bond market was quiet. Light buying and a general shortage of stock occasioned many small advances among Brazilian stocks, while Chilean bonds rose ½ point on Tuesday. Interest in the home rail market was at a low ebb and prices tended to weaken in the absence of support. Junior issues were generally steady, but small declines were common for the prior charges both before and after the week-end. Some slight improvement in Argentine rails in the foreign rail market was not continued after the week-end, when interest was transferred to Brazilian rail stocks, but, apart from a point rise for San Paulo at the reopening, improvements were small. Elsewhere, Canadian Pacific issues were persistently weak. Further buying of the Funds in midweek occasioned widespread gains, while a stronger tendency was apparent in the home rail market.

Conditions in the industrial market were quiet, but even light enquiry for leading issues was sufficient to reveal a considerable shortage of stock at current prices. With several small advances on Tuesday, brewery shares reversed their pre-week-end dullness when H. & G. Simonds lost 1s. 6d. There was a steady demand for tobacco shares, and after gains of ½ each on the previous Friday, BAT advanced ½ and Imps ½ at the reopening. The following day Gallaher rose ½ while Tobacco Securities jumped ½. Several small gains for leading issues were registered in the motor and aircraft group, Morris gaining 6d. on Monday among other smaller advances. The heavy industrial section reflected the generally improved sentiment in slight gains, but the reduced dividend of Pease & Partners, on which the shares fell 1s. 4½d., introduced some irregularity.

Turnover in shipping shares was light and prices showed little movement. Active dealing in British Celanese Second preference was the feature of the textile section, while Courtaulds rose 6d. at the reopening. Stores issues were generally unaffected by the new Ministry of Food Order, but the announcement of the levy on producing brick companies occasioned some dullness for London Brick. Later, conditions remained unchanged, and among many small advances Harrods rose 1s. 9d.

With little buying from the Cape, the kaffir market remained generally quiet, prices of both dividend payers and developing mines remaining firm. Central Mining rose ½ before the week-end, while on Tuesday West Wit. Areas repeated the previous day's gain of ½ and Grootvlei and Government Areas gained the same amount. A little more interest was apparent in the rubber market, but apart from a gain of ½ for Sungei Krian at the close of last week, prices scarcely moved on balance. In the tea market, Ceylon issues were in favour and shortage of stock resulted in persistent improvement. The small volume of business in the oil market was concentrated almost solely on the leading issues. Thus, Shell Transport rose ½ on Friday, as did Burmah Oil, while in the early part of the current week Anglo-Iranian, Shell and Burmah all showed further improvement. Activity continued on a reduced scale in midweek, but the undertone remained firm.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	30 Ord. shares*	20 Fixed Int.†
May 14	2,487	2,290	77.1	134.5
" 15	2,501	2,369	77.3	134.5
" 18	3,152	2,279	77.5	134.5
" 19	2,737	2,803	76.3	134.6
" 20	2,698	2,327	77.8	134.6

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942; highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5).

New York

THE uncertainty of war developments, together with fears regarding the possible effect of taxation on profits, kept turnover at a low level throughout the week on Wall Street. Despite rather slow dealing, small gains were well spread before the week-end, but on Tuesday support slackened, and several falls up to two points were registered among leading issues. Despite increased activity in midweek, most issues were slightly easier.

New York Prices

STANDARD STATISTICS INDICES
(1935-36=100)

	WEEKLY AVERAGES			
	Low April 29	High Jan. 14	April 29, 1942	May 6, 1942
347 Industrials	62.4	75.0	62.4	63.8
32 Rails	60.0	71.0	60.1	61.1
40 Utilities	53.1	67.4	53.1	56.4
419 Stocks	60.8	73.3	60.8	62.5
Av. yield*	8.40%	7.65%	8.40%	8.25%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4. (c) May 13.

DAILY AVERAGE OF 50 COMMON STOCKS

May 7	May 8	May 9	May 11	May 12	May 13
79.4	79.4	79.9	80.6	79.9	78.5

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.
Total share dealings: May 14, 279,000;
May 15, 257,000; May 16, 122,000;
May 18, 217,000; May 19, 377,000;
May 20, 405,000.
* Two-hour session.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
May 23, 1942	209,457	£ 266,579	£ 266,579
By Permission to Deal	209,457	£ 266,579	£ 266,579
Particulars of Government	209,457	£ 266,579	£ 266,579
Year†	711,501,037	707,499,978	500,152,997
1942	711,501,037	707,499,978	500,152,997
1941	518,976,293	500,152,997	500,152,997

Year†	Destination (Conversions Excluded)		Foreign Countries
	U.K.	Brit. Emp. ex U.K.	
1942	707,262,182	199,308	37,488
1941	497,603,894	2,549,108	37,488

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.
1942	703,087,612	467,538
1941	497,491,483	34,468

† Includes Government issues to May 12, 1942, only. Above figures include all new capital in which permission to deal has been granted.

BY TENDER

Glasgow Corporation Bills.—Glasgow Corporation has issued £325,000 bills, maturing September 30th, 1942, at an average rate of £1 os. 3.59d. per cent and £425,000 bills maturing October 31st, 1942, at an average rate of £1 os. 4.05d. per cent. The total amount of bills outstanding is now £750,000.

COMMODITY AND INDUSTRY NEWS

Rubber Gloves.—The Rubber Gloves order (S.R. & O. 918) has been made by the Board of Trade, whereby the purchase of rubber gloves for other than essential use is prohibited. Rubber gloves will be obtainable only on production of a certificate signed on behalf of either H.M. Inspector of Factories, the Board of Trade, the Ministers of Health, War Transport and Agriculture or the relevant Ministers for Scotland and Ireland, and endorsed by the person to be supplied. Certificates will be given only where the industrial need is considered essential and where there is no substitute for rubber gloves. Traders will obtain replacements on production of certificates. Supplies to Government departments and for direct export are exempt, as are gloves which contain rubber only as elastic in the wrist.

Soft Drinks.—Manufacturers of soft drinks decided on May 12th to form a war-time association to represent the industry in all negotiations with the Ministry of Food and to carry out the reorganisation and regulation of production and distribution which is necessary during the war. A provisional executive committee representative of the various groups was set up to organise, in conjunction with the Ministry of Food, the formation of the Association.

Smaller Cotton Exports.—The recent decline in exports of cotton goods is shown by the statistics just published by the Board of Trade, the shipments of cloth for the first quarter of this year being given as 142,622,000 square yards, against 227,023,000 square yards in the fourth quarter of 1941 and 185,109,000 square

yards in the first quarter of last year. Shipments of cotton yarn during the three months ended March 31st were 4,294,000 lb., against 5,807,000 lb. in the fourth quarter of last year and 8,114,000 lb. in the first quarter of 1941. These figures are not surprising in view of the recent cut in export allocations made by the Cotton Board. For comparison purposes it may be mentioned that in the first quarter of 1940 shipments of cotton cloth were 322,508,000 square yards and of cotton yarn, 26,712,000 lb.

Soap Rationing.—The effect of the new arrangements for the supply of soap to catering establishments and institutions, which come into force on June 1st, will be to reduce their consumption by 20 per cent. They will no longer be restricted to buying the particular types of soap which they previously used. Part of the allowance may be taken in loose coupons at the rate of not more than 1½ in a four-weekly period for each resident, to enable such residents to buy their own soap. The cut of 20 per cent, is the average reduction which rationing has made in the supplies of soap for the domestic consumer.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended		From Apr. 1 to	
	May 2, 1942	May 9, 1942	May 10, 1941	May 9, 1942
Argentina	7	5	...	26
Atlantic America	...	...	...	...

Source: The Corn Trade News.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week Ended		From Aug. 1 to	
	May 2, 1942	May 9, 1942	May 10, 1941	May 9, 1942
N. America	655	618	19,974	19,652
Argentina, Uruguay	183	217	8,276	7,213

Source: The Corn Trade News.

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

	May 14, 1942	May 15, 1942	May 18, 1942	May 19, 1942	May 20, 1942
Crops	115.7	115.7	115.7	115.7	115.7
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	141.3	141.3	141.3	141.3	141.3

	Mar. 31, 1937*	Aug. 31, 1939	May 13, 1941	Apr. 20, 1942	May 13, 1942
Crops	147.9	92.2	108.5	115.6	115.7
Raw materials	207.3	122.9	173.7	172.7	172.7
Complete Index	175.1	106.4	137.3	141.3	141.3

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	May 6, 1941	April 28, 1942	May 12, 1942
Cereals and Meat	93.0	66.9	97.3	111.2	110.6
Other food	0.4	61.1	93.3	99.1	99.1
Textiles	74.2	54.3	90.9	93.3	96.2
Minerals	113.2	95.4	129.8	130.7	130.7
Miscellaneous	87.0	77.6	113.5	118.3	118.8
Complete Index	87.2	70.3	104.6	110.6	110.7
1913=100	119.9	96.8	143.9	152.2	152.3

* Highest level reached during 1932-37 recovery.

STEEL
MILNERS
EQUIPMENT

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MILNERS SAFE CO., LTD.

21, HAMPSTEAD LANE, LONDON, N.6. Telephone: MOUntview 6655.



Finance

GOVERNMENT RETURNS

For the week ended May 16, 1942, total ordinary revenue was £43,211,000, against ordinary expenditure of £79,364,000, and issues to sinking funds of £195,000. Thus, including sinking fund allocations of £833,155, the deficit accrued since April 1st is £358,537,609 against £375,636,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 17 1941	April 1 to May 16 1942	Week ended May 16 1941	Week ended May 16 1942
ORDINARY REVENUE				
Income Tax	44,024	75,934	6,551	7,285
Sur-tax	5,505	5,580	780	460
Estate, etc., Duties	14,725	14,270	4,172	2,100
Stamps	940	870	100	100
N.D.C.	2,026	3,163	430	320
E.P.C.	19,622	26,370	4,510	5,160
Other Inland Rev.	50	130	...	50
Total Inland Rev.	86,892	126,317	16,613	15,475
Customs	44,227	55,679	7,309	10,978
Excise	22,000	48,800	1,400	4,500
Total Customs and Excise	66,227	104,479	8,709	15,578
Motor Duties	4,222	2,928	103	102
Canadian Govt. Contribution	...	31,451	...	8,989
Post Office (Net Receipts)	3,600	6,650	350	1,150
Wireless Licences	270	160	...	...
Crown Lands	170	...	...	...
Receipts from Sundry Loans	711	488	...	87
Miscel. Receipts	1,163	10,119	22	1,830
Total Ordinary Rev.	162,985	282,872	25,827	43,211
SELF-BALANCING P.O. and Broad-casting	9,850	10,200	1,900	1,250
Total	172,835	293,072	27,727	44,461

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to May 17 1941	April 1 to May 16 1942	Week ended May 16 1941	Week ended May 16 1942
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	48,645	54,930	720	864
Payments to N. Ireland	598	653	...	...
Other Cons. Fund Services	286	274	...	...
Total	49,529	55,857	720	864
Supply Services	488,366	584,715	70,000	78,509
Total Ordinary Expenditure	537,895	640,576	70,720	79,364
SELF-BALANCING P.O. and Broad-casting	9,850	10,200	1,900	1,250
Total	547,745	650,776	72,620	80,614

After decreasing Exchequer balances by £19,113 to £2,857,545, the other operations for the week (no longer shown separately) raised the gross National Debt by £36,600,727 to about £14,431 millions, after deducting sinking fund allocations in 1941-42, but before allowing for issues to sinking funds in 1942-43.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 16th and May 22nd. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-02-03; mail transfers 4-02-03. Canada. \$ (4-88) 4-43-7; mail transfers 4-43-7. Switzerland. Francs (85-23) 17-30-40. Sweden. Krona (18-159) 16-85-95. Argentina. Peso (11-45) 16-95-17-15; mail transfers 16-95-17-15. Dutch West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64. Portugal. Escudo (110) 99-80-100-20. Panama. \$ 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Office.—Spain. Peseta (25-25) 40-60 (Official rate); 44-95 (Voluntary rate). Turkey. Piastre (110) 520. Italy. 11-23 lire.

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
Anglo-Turkish Armaments	86
286	
NET RECEIPTS (£ thousands)	
Title Act	15

FLOATING DEBT (£ millions)	
Date	Tender
1941	May 17 895-0
1942	Feb. 14 915-0
	" 21 905-0
	" 28 905-0
	" 14 905-0
	" 21 905-0
	" 31 2620-6
	" 11 905-0
	" 18 910-0
	" 25 920-0
	" 2 935-0
	" 9 950-0
	" 16 965-0

Date	Tender	Tap	Ways and Means Advances		Treasury Bills	Total Floating Debt
			Public Depts.	Bank of England		
1941	May 17	895-0	Not available	Not available	Not available	Not available
1942	Feb. 14	915-0	215-4	21-7	677-5	3432-3
	" 21	905-0	Not available	Not available	Not available	Not available
	" 28	905-0	Not available	Not available	Not available	Not available
	" 14	905-0	Not available	Not available	Not available	Not available
	" 21	905-0	Not available	Not available	Not available	Not available
	" 31	2620-6	195-1	...	496-5	3312-2
	" 11	905-0	Not available	Not available	Not available	Not available
	" 18	910-0	Not available	Not available	Not available	Not available
	" 25	920-0	1757-3	251-7	17-0	487-0
	" 2	935-0	Not available	Not available	Not available	Not available
	" 9	950-0	Not available	Not available	Not available	Not available
	" 16	965-0	Not available	Not available	Not available	Not available

TREASURY BILLS (£ millions)	
Date of Tender	Amount
1941	May 16 75-0
1942	Feb. 20 75-0
	" 27 75-0
	" 13 75-0
	" 20 75-0
	" 27 75-0
	" 10 75-0
	" 17 75-0
	" 24 75-0
	" 1 75-0
	" 8 75-0
	" 15 75-0

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941	May 16	75-0	154-7	75-0	20-0-18
1942	Feb. 20	75-0	153-7	75-0	20-0-52
	" 27	75-0	142-6	75-0	20-0-18
	" 13	75-0	139-4	75-0	20-0-31
	" 20	75-0	128-0	75-0	20-0-34
	" 27	75-0	121-4	75-0	20-0-63
	" 10	75-0	142-2	75-0	19-11-69
	" 17	75-0	155-0	75-0	20-2-72
	" 24	75-0	147-5	75-0	20-2-89
	" 1	75-0	133-0	75-0	20-3-15
	" 8	75-0	148-0	75-0	20-3-30
	" 15	75-0	143-8	75-0	20-0-73
	" 22	75-0	135-4	75-0	20-0-65

On May 15th applications at £9 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 44 per cent of the amount applied for, and applications at higher prices in full. Applications at £9 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on May 22nd. For the week ending May 22nd the banks will be asked for Treasury deposits to a maximum amount of £30 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	(£ thousands)			
	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Apr. 7	4,932	3,367	11,008	4,206
" 14	4,810	3,205	7,732	4,566
" 21	6,203	2,843	6,735	4,001
" 28	5,472	2,665	8,937	2,970
May 5	4,900	2,676	12,118	5,608
" 12	4,288	2,400	4,082	5,565
" 19	...	...	6,380	6,183
Totals to date	539,641	457,242	723,356	410,071
* 129 weeks. † 72 weeks. ‡ 32 weeks.				
§ Including series "A." Including all Series.				
Interest free loans received by the Treasury up to May 19th amounted to a total value of £48,113,770. Up to Apr. 25th, principal of Savings Certificates to the amount of £64,472,000 has been repaid.				

Market Rates.—The following rates remained unchanged between May 16th and May 22nd.

Egypt. Piastres (97½) 17½-18½ d. India. Rupee (18d. per rupee) 17½-18½ d. Belgian Congo. Francs 176½-177½. China. National \$ 2½-3½ d.

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 1 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Sweden. 5 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between May 16th and May 22nd:—Bank rate, 2½% (advanced from 3% October 26, 1939). Discount rates: Bank Bills, 60 days 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%; 9 months, 1½-1½%; 12 months, 1½-1½%. Short Loans, 1½-1½%. Bank deposit rates 1½%. Discount deposit at call 1½% at notice 1½%.

BANK OF ENGLAND RETURNS MAY 20, 1942

ISSUE DEPARTMENT	
Notes Issued:	£
In Circulation	782,469,608
In Bank, Department	47,772,110
Govt. Debt	11,015,100
Other Govt. Securities	817,031,750
Other Secs.	1,941,583
Silver Coin	11,567
Amt. of Fid. Issue Gold Coin & Bullion (at 168s. per oz. fine)	830,000,000
	241,718
	830,241,718

BANKING DEPARTMENT	
Props. Capital	14,553,000
Res. & Prov. Funds	3,201,398
Public Deps.	17,563,077
Govt. Secs.	130,447,838
Other Secs.	6,715,828
Advances	22,414,848
Securities	29,130,894
Other Deps.	125,801,216
Bankers' Balances	47,772,110
Other Assets	47,772,110
	1,066,371
	208,416,995

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

COMPARATIVE ANALYSIS

	(£ millions)			
	1941	May 21	May 6	May 13
Issue Dept.	629-7	776-9	780-2	782-5
Notes in circulation	50-5	53-3	50-1	47-8
Notes in banking department	677-3	828-2	828-0	828-0
Government debt and securities	2-7	1-8	2-0	2-0
Other securities	0-0	0-0	0-0	0-0
Silver coin	0-2	0-2	0-2	0-2
Gold, valued at s. per fine oz.	168-00	168-00	168-00	168-00
Deposits:				
Public	39-9	16-8	12-6	12-6
Bankers'	96-6	118-5	126-6	47-3
Others	51-7	49-6	50-5	190-7
Total	188-2	184-9	189-7	190-7
Banking Dept. Secs.:				
Government	121-6	117-4	127-8	130-4
Discount, etc.	12-6	7-5	7-0	22-4
Other	19-6	23-6	156-2	159-5
Total	153-8	148-5	311-0	312-3
Banking dept. res.	52-2	54-1	51-1	48-8
"Proportion"	27-7	29-2	26-9	25-6

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £780 millions to £830 millions on April 22, 1942.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
May 14	23½	23½
" 15	23½	23½
" 18	23½	23½
" 19	23½	23½
" 20	23½	23½

1½%; 4 months, 1½-1½%; 6 months, 1½-1½%; 9 months, 1½-1½%; 12 months, 1½-1½%. Short Loans, 1½-1½%. Bank deposit rates 1½%. Discount deposit at call 1½% at notice 1½%.

NEW YORK EXCHANGE RATES

New York on	May 13	May 14	May 15	May 16	May 18	May 19
Cables	403½	403½	403½	403½	403½	403½
London	88-310	88-750	88-625	88-750	88-750	88-750
Zurich	23-30	23-30	23-30	23-30	23-30	23-30
B. Aires	23-60*	23-60*	23-60*	23-60*	23-60*	23-60*
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills.

PROVINCIAL BANK CLEARINGS (£ thousands)

Working days	Week Ended		Aggregate from Jan. 1 to	
	May 17 1941	May 16 1942	May 17 1941	May 16 1942
Birmingham	1,774	2,103	43,623	50,285
Bradford	2,924	2,593	45,157	44,721
Bristol	1,853	2,663	37,937	46,095
Hull	472	789	12,648	16,214
Leicester	754	709	19,617	23,152
Liverpool	970	813	16,978	17,485
Manchester	5,122	4,359	104,462	94,827
Newcastle	11,834	11,023	233,221	243,822
Nottingham	412	418	9,148	9,617
Sheffield	618	602	13,071	17,938
Southampton	80	214	2,054	2,509
12 Towns	28,009	27,803	563,776	598,050
Dublin*	5,422	6,172	116,091	132,381

* May 10, 1941, and May 9, 1942.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE BANKS	
Million \$'s	
12 U.S.F.R. BANKS	May 16 1941
Gold certifs. on hand and due from Treasury	20,223
Total reserves	20,561
Total cash reserves	328
Total U.S. Govt. secs.	2,284
Total bills and secs.	2,194
Total resources	23,889
LIABILITIES	
F.R. notes in circ.	6,360
Excess m. bank res.	5,690
Mr. bank res. dep.	13,458
Govt. deposits	762
Total deposits	16,180
Total liabilities	23,889
Reserve ratio	91-2%
BANKS AND TREASURY RESOURCES	
Monetary gold stock	22,538
Treasury & bank currency	3,129
Money in circulation	9,155
Treasury cash and dep.	3,045

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Unit of Measurement
Population mid 1939, 47,676,000; Area:	95,030 sq. mi.
1. Retail trade, Gt. Brit. : Food	Avg. daily sale
2. " Other merchandise	in 1937 = 10
3. " Total	Thousands
4. Registered unemployed G.B.*	
5. " United Kingdom (a)	"
6. " London	"
7. " "	"

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Allowance is made for no interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.												
Prices, Year 1941		Prices, Year 1942		Name of Security	Price, May 12, 1942	Yield, May 19, 1942	Prices, Year 1942		Last Dividends	Name of Security	Price, May 12, 1942	Yield, May 19, 1942
High	Low	High	Low				High	Low				
British Funds												
82½	76½	83½	82½	Consols 2½	83	4 5/8	45/9	43/-	%	Iron, Coal and Steel	43/9	43/9
113½	110	113½	111½	Consols 4½ (after 1957)	113	3 10/9	50/3	46/6	a	Babcock & Wilcox £1	48/1½	48/1½
100	98½	100	99	Conv. 2½ 1943-45	100	2 1/3	28/4½	26/6	11½	Bolover Colliery Ord. £1	27/-	27/-
100½	98½	100½	99	Conv. 2½ 1944-49	100½	2 9/6	22/9	18/3	3	Brown (John) Ord. 10/-	21/-	21/-
103½	101	103½	101½	Conv. 3½ 1948-53	102½	2 13/6	20/8½	14/-	7	Colville's Ord. £1	15/-	15/-
106½	102½	106½	105½	Conv. 3½ (after 1961)	106½	3 5/3	22/6	20/-	12½	Dorman Long Ord. £1	21/6	21/6
108½	104½	108½	105½	Conv. 5½ 1944-64	104½	2 19/6	27/9	25/7½	14	Guest Keen & Co. Ord. £1	26/3	26/3
95½	91½	95½	93½	Funding 2½ 1956-61	94	2 18/6	45/6	42/1½	12½	Hadfield's Ord. 10/-	43/9	43/9
100½	97½	100½	98½	Funding 2½ 1952-57	98½	2 17/6	47/4½	45/-	14	Staveley Coal Ord. £1	45/-	45/-
101½	98½	101½	99½	Funding 3½ 1959-69	100½	2 19/6	35/0½	31/-	12	Stewart & Lloyds £1	31/3	31/3
116½	111½	116½	114½	Funding 4½ 1960-90	114½	2 19/6	23/7½	22/1½	5½	Hunter & Co. £1	23/-	23/-
101½	100	101½	99½	Nat. Def. 2½ 1944-48	101	2 8/6	17/6	15/5½	4	United Steel Ord. £1	16/9	16/9
102	100	102	100½	Nat. Def. 3½ 1954-58	101½	2 17/6	10/10½	7/-	Nil c	Vickers Ord. 10/-	7/6	7/6
100½	99½	100½	99½	War Bonds 2½ 1945-47	100½	2 9/6	10/10½	7/-	Nil c	Textiles	7/6	7/6
100½	99½	100½	99½	War Bonds 2½ 1946-48	100	2 10/6	8/3	6/3	Nil c	Bradford Dyers Ord. £1	7/4½	7/4½
101	100	101	100	Savings Bds. 3½ 1955-65	100	2 19/6	39/1½	33/6	Nil c	British Celanese Ord. 10/-	34/-	34/-
114½	110½	114½	112½	Victory Bonds 4½	113½	2 19/6	36/3	31/-	2½	Coats, J. & P. Ord. £1	32/9	32/9
101½	100½	101½	100½	War Loan 3½ 1955-59	100½	2 18/6	26/3	22/9	7½	Courtaulds Ord. £1	26/-	26/-
106½	102½	106½	104½	War Loan 3½ aft. 1952	104½	3 6/10	73/9	71/3	10	Lancs. Cotton Corp. £1	72/6	72/6
96½	92½	96½	94½	Local Loans 3½	96½	3 2/6	73/9	71/3	5	Callenders Cable, &c. £1	22/6	22/6
99½	95½	99½	97½	Redemption 3½ 1986-96	99	3 1/6	22/9	20/9	12½	Crompton Park 'A' 5/-	41/3	41/3
102½	100	102½	101	Austria 3½ 1933-53	101	2 17/6	42/-	37/6	10	English Electric Ord. £1	83/9	83/9
101½	96	101½	100½	India 3½	101½	3 7/6	84/-	78/4½	20	General Electric Ord. £1	37/6	37/6
Dom. & Col. Govts.												
105½	101	105½	101	Australia 5½ 1945-75	101½	4 9/6	38/9	34/6	3	County of London £1	28/6	28/6
106	100	106	102	New Zealand 5½ 1946	100½	5 2/9	29/-	28/-	2½	Edmundsons Ord. £1	12/6	12/6
111	107½	109	107½	Nigeria 5½ 1950-60	108	5 15/6	14/7½	12/1½	4½	Gas Light & Coke Ord. £1	32/3	32/3
Corporation Stocks												
108½	106	108½	105½	Birmingham 5½ 1946-56	106	3 7/4	40/-	38/1½	2½	North-East Electric £1	39/4½	39/4½
93½	84½	97	93½	L.C.C. 3½	96½	3 2/2	40/6	39/-	3	Scottish Power Ord. £1	40/-	40/-
99	93	99	98	Liverpool 3½ 1954-64	98	3 2/7	17/3	15/-	10	Yorkshire Electric £1	16/-	16/-
106	100½	106	105	Middlesex 3½ 1957-62	105	3 1/6	17/3	15/-	10	Motor and Aircraft	16/-	16/-
Foreign Governments												
99½	77	101½	97½	Argentina 4½ Stg. Bds.	101	4 8/6	11/4½	9/3	7½	Austin 'A' Ord. 5/-	21/-	21/-
48½	31	58	46½	Brazil 5½ Funding 1914	58½	4 5/6	14/9	11/9	7½	B.S.A. Ord. £1	10/3	10/3
27½	11½	28	23½	Chile 6½ (1929)	26½	5 13/2½	26/4½	24/-	6	Bristol Aeroplane 10/-	12/6	12/6
84	71½	80	73½	Egypt Unified 4½	88	4 10/11	13/1½	11/4½	18	Fairley Aviation Ord. 10/-	24/6	24/6
42	9	13	6½	Japan 5½ 1930	67	3 17/11	33/-	29/10½	6	Ford Motors Ord. £1	12/9	12/9
73	58	77½	70½	Portuguese 3½	67	3 17/11	33/-	29/10½	15	Hawker Siddeley 5/-	65/-	65/-
46	27	36½	33	Spanish 4½	36½	10 19/2	93/9	82/6	20	Lucas (Joseph) Ord. £1	30/-	30/-
Shipping												
71/3	67/6	71/3	67/6	Alexanders £2, £1 pd.	70/-	5 0/6	54/0½	42/-	10	Morris Motors 5/- Ord.	91/3	91/3
6	3½	6	3½	Bank of Australia £5	51	7 12/6	43/9	35/7½	10	Cunard Ord. £1	22/6	22/6
38½	36½	38½	36½	Bank of England Stock	380½	3 3/6	36/10½	30/6	6	Furness, Withy Ord. £1	27/6	27/6
47½	43½	47½	43½	Bank of Montreal £100	446½	3 8/9	45/7½	42/3	2	P. & O. Def. £1	22/-	22/-
27/6	19/-	27/6	19/-	Bank of New Zealand £1	22/6	23/9	68/6	70/-	6	Royal Mail Lines Ord. £1	20/-	20/-
76½	72/9	76½	72/9	Barclays Bank 'B'	74½	5 16/6	88/1½	70/-	5	Union Castle Ord. £1	5/7½	5/7½
74	4½	74	4½	Chartered of India £5	6	6 1/2	57/9	19/9	4	Allied Sumatra Rbr. £1	8/9	8/9
46½	45	46½	45	Hongkong and S. £125	49½	8 17/6	22/9	19/9	2	Anglo-Dutch of Java £1	22/6	22/6
54/-	50/-	54/-	50/-	Lloyds 'A' £5, £1 paid	53/6	4 10/6	69½	47	24	Jokni (Assam) Tea £1	1/-	1/-
89/3	81/6	89/3	81/6	Midland £1, fully paid	87/3	3 14/6	115/-	97/8	10	London Asiatic Rbr. £1	11/10½	11/10½
67½	64½	67½	64½	Nat. Dis. £2½, fully paid	61	4 0/6	33/1½	24/4	3	Rubber Plant. Trust £1	1/1	1/1
46½	44½	46½	44½	Royal Bank of Scotland	470	3 12/6	63/6	51/3	Nil c	United Serang Rbr. £1	43/1½	43/1½
50/-	46/9	50/-	46/9	Union Discount £1	48/9	4 2/6	33/1½	30/-	5	Anglo-Iranian Ord. £1	33/1½	33/1½
82/3	77/9	82/3	77/9	Westminster £4, £1 paid	81/9	4 8/6	68½	5½	10	Burmah Oil Ord. £1	43/9	43/9
Banks and Discount												
71/3	67/6	71/3	67/6	Alexanders £2, £1 pd.	70/-	5 0/6	54/0½	42/-	10	Shell Transport Ord. £1	67/6	67/6
6	3½	6	3½	Bank of Australia £5	51	7 12/6	43/9	35/7½	10	Trinidad Leaseholds £1	46/3	46/3
38½	36½	38½	36½	Bank of England Stock	380½	3 3/6	36/10½	30/6	6	Assoc. P. Cement Ord. £1	38/9	38/9
47½	43½	47½	43½	Bank of Montreal £100	446½	3 8/9	45/7½	42/3	10	Barker (John) Ord. £1	33/1½	33/1½
27/6	19/-	27/6	19/-	Bank of New Zealand £1	22/6	23/9	68/6	70/-	10	Boots Pure Drug Ord. 5/-	43/1½	43/1½
76½	72/9	76½	72/9	Barclays Bank 'B'	74½	5 16/6	88/1½	70/-	7	British Aluminium £1	72/3	72/3
74	4½	74	4½	Chartered of India £5	6	6 1/2	57/9	19/9	7	Brit.-Amer. Tobacco £1	67/6	67/6
46½	45	46½	45	Hongkong and S. £125	49½	8 17/6	22/9	19/9	10	British Oxygen Ord. £1	20/7½	20/7½
54/-	50/-	54/-	50/-	Lloyds 'A' £5, £1 paid	53/6	4 10/6	69½	47	10	British Plaster Board 5/-	58	58
89/3	81/6	89/3	81/6	Midland £1, fully paid	87/3	3 14/6	115/-	97/8	10	Cable & Wire Hdg. Stk.	102/6	102/6
67½	64½	67½	64½	Nat. Dis. £2½, fully paid	61	4 0/6	33/1½	24/4	10	Carreras 'A' Ord. £1	27/3	27/3
46½	44½	46½	44½	Royal Bank of Scotland	470	3 12/6	63/6	51/3	8	Dunlop Rubber Ord. £1	14/3	14/3
50/-	46/9	50/-	46/9	Union Discount £1	48/9	4 2/6	33/1½	30/-	6	Elec. & Mus. Ind. 10/-	23/9	23/9
82/3	77/9	82/3	77/9	Westminster £4, £1 paid	81/9	4 8/6	68½	5½	12½	Gestetner (D.) 5/-	35/-	35/-
Insurance												
25½	23½	25½	23½	Alliance £1, fully paid	25	3 12/6	31/3	24/9	10	Harrisons & Cros. Def. £1	33/6	33/6
88½	79½	88½	79½	Atlas £5, £1 paid	114	4 15/3	50/6	39/9	10	Imperial Chemical Ord. £1	6½	6½
26½	24½	26½	24½	Gen. Acctd. £1, 10/- pd.	85½	4 2/3	39/1½	30/-	10	International Nickel n.p.	25/-	25/-
16½	14	16½	14	Lon. & Lancs. £5, £2 pd.	251	2 5/6	98/9	85/7½	5	Lever & Unilever Ord. £1	45/-	45/-
14½	13	14½	13	Pearl £1, fully paid	16	2 6/9	22/10½	19/8	2½	London Brick Ord. £1	34/4½	34/4½
26½	20½	26½	20½	Phoenix £1, fully paid	14½	4 2/6	65/5	58/9	2	Marks & Spencer 'A' 5/-	91/3	91/3
8	7½	8	7½	Prudential £1 'A'	26	2 4/6	64/4	60/-	2	Murex £1 Ord.	12/6	12/6
8	7½	8	7½	Royal Exchange £1	7½	3 16/6	33/-	27/6	10	Pinchin Johnson Ord. 10/-	62/6	62/6
62	58	62	58	Royal £1, 12/6 paid	8	4 1/6	86/6	80/6	10	Spillers Ord. £1	61/20½	61/20½
Investment Trusts												
182½	165½	182½	165½	Sun Life £1, fully paid	61	4 6/6	73/1½	62/6	10	Tate and Lyle Ord. £1	28/1½	28/1½
182½	160	182½	160	Debenett Cp. Ord. Stock	182½	5 9/7	46/3	36/7½	8	Triplex Safety Glass 10/-	81/10½	81/10½
155	152½	155	152½	Investment Trst. Def. Stk.	152½	6 11/2	5/9	3/-	8½	Tube Investments Ord. £1	65/7½	65/7½
200	192½	200	192½	Trustees Corp. Ord. Stk.	192½	5 11/11	42/6	30/7½	20	Turner & Newall Ord. £1	28/9	28/9
Breweries, &c.												
150/6	138/-	150/6	138/-	Base Ratcliff Ord. £1	146/3	2 15/6	90/-	35/-	10	United Moleses Ord. 5/-	51/3	51/3
59/-	54/6	59/-	54/6	Courage & Co. Ord. £1	55/6	5 1/9	8½	6½	10	Woolworth Ord. 5/-	40/-	40/-
77/3	71/10	77/3	71/10	Distillers Co. Ord. £1	74/9	4 6/6	15/6	11/9	10	Ashanti Goldfields Ord. 4/-	31/1	31/1
94/9	80/-	94/9	80/-	Guinness (Arthur) Ord. £1	91/-	5 14/6	7½	6½	10	Burma Corp. Ord. Rs. 9	33/9	33/9
92/6	79/7½	92/6	79/7½	Ind. Coopers & Co. Ord. £1	89/-	8 6/6	7½	6½	10	Cons. Glids. of S. A. £1	81	81
60/9	50/7½	60/9	50/7½	Watney Combe Def. £1	58/9	5 0/6	4½	3½	10	De Beers (Def.) £2½	36/6	36/6
Mines												
150/6	138/-	150/6	138/-	Base Ratcliff Ord. £1	146/3	2 15/6	90/-	35/-	10	Randfontein Ord. £1	61	61
59/-	54/6	59/-	54/6	Courage & Co. Ord. £1	55/6	5 1/9	8½	6½	10	Rhokana Corp. Ord. £1	12/6	12/6
77/3	71/10	77/3	71/10	Distillers Co. Ord. £1	74/9	4 6/6	15/6	11/9	10	Roan Antelope Corp. 5/-	6	6
94/9	80/-	94/9	80/-	Guinness (Arthur) Ord. £1	91/-	5 14/6	7½	6½	10	Sub Nigel Ord. 10/-	61	61
92/6	79/7½	92/6	79/7½	Ind. Coopers & Co. Ord. £1	89/-	8 6/6	7½	6½	10	Union Cp. 12/6 fy. pd.	41	41
60/9	50/7½	60/9	50/7½	Watney Combe Def. £1	58/9	5 0/6	4½	3½	10	W. Witwatersrand 10/-	41	41

(a) Interim div. (b) Final div. (c) Last two yearly divs. (d) Includes 2½% not subject to tax. Yield basis 25%. (e) Allowance for exchange. (f) Flat yield. (g) Ann. per share. (h) Yield to average redemption—end 1960. (i) Based on redemption at par 1946. (j) Yield on 1.55% basis. (k) Yield on 2½% basis. (l) Free of Tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Ending	Gross Receipts for Week	Aggregate Gross Receipts
		1942	+ or -
B.A. and Pacific	46	May 16	11,605,000 + 60,000
B.A. Gt. Southern	46	" 16	12,337,000 + 33,000
B.A. Western	46	" 16	12,337,000 + 33,000
Canadian Pacific	49	" 16	1,951,000 + 51,000
Central Argentine	46	" 16	1,797,000 + 343,000
San Paulo (Brazil)	19	" 10	237,249 - 4,326
Receipts in Argentine pesos.			
		1942	+ or -
B.A. and Pacific	46	May 16	67,016,000 + 1,136,000
B.A. Gt. Southern	46	" 16	112,561,000 + 1,055,000
B.A. Western	46	" 16	112,561,000 + 1,055,000
Canadian Pacific	49	" 16	39,359,000 + 3,666,000
Central Argentine	46	" 16	88,159,000 + 17,731,000
San Paulo (Brazil)	19	" 10	80,504,850 + 5,473,100
			654,449 - 17,970

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the weakening and frustrating of Japan through five long years of war, but also for China's part in the Burma campaign. Of all the fighting Allies, the Chinese are least able to equip themselves. Bombs, grenades and small arms of various kinds are produced, sometimes fabricated by guerilla bands behind the enemy lines. But no more complicated weapons are made. For all the armament of modern war the Chinese are dependent upon outside supplies. In a country and in a climate where heavy panzer equipment is out of place, the lack of equipment has not reduced the Chinese to the impotence it must have done on other fronts. But on every front, from Pearl Harbour to the Straits of Dover, air power is decisive. It was air power that was most lacking in Burma. It is air power that is China's most urgent need in Yunnan and Chekiang.

Finally, the defence of China is in the overwhelming interests of the United Nations. It is estimated that China's resistance is holding down over 30 Japanese divisions. Some 800,000 men are immobilised. If they could be thrown into the campaign against India, against Australia, against Siberia, their intervention might be decisive. Just as the maintenance of Russian resistance is the first principle of successful action in the West, the maintenance of Chinese resistance is the first necessity in the East. Both Russia and China provide the resistance on land which the war effort of Britain and the United States, still primarily maritime, must maintain and complete. If either goes or, worse, if the resistance of both is smashed, there can be no further talk of a second front. It is very doubtful, indeed, whether the reinvasion of Eurasia can be accomplished from the sea alone.

What can be done? No one can question the imperative need to give all aid with all speed to both Russia and China. The problem is, how? From the Chinese end some proposals were put forward a month ago. The situation of China has grown worse since, but it is just possible that it can still be made good. The first require-

ment is effective unity of action in what is left of the Burma front. General Stilwell has been to India and held consultations with General Wavell. Perhaps a joint plan of action will emerge from these joint discussions. The most effective way of defending India is to defend it in Burma. If General Alexander's men can be reinforced, then an offensive launched before the Japanese have had time to dig in at Bhamo and Myitkyina might restore the link with the Chinese and ensure that the new India Road will be able, when it is opened, to function without savage interference from Japanese aircraft. Any such attempt requires strong reinforcements in the air. Bombers and fighters are China's first need. It is useless to underestimate the technical difficulties of getting fighters to this front or into China in a fit state for use on arrival. But both the Germans and the Russians, as well as the Japanese, have improvised their way through similar difficulties.

Finally, the Chinese need more aid from Russia. The problem is difficult. The Russian armies are so heavily engaged in the West that any diversion of effort may well be out of the question. But if China is first overwhelmed, the Soviet Far Eastern Army will face an army augmented by anything from 15 to 30 divisions. Once again it is a problem of synchronisation, in the East as in the West.

Some phrases recur in this war with dogged and dreary persistence. "One at a time" is one. "Too late and too little" is another. Their melancholy echo is the reason why Russia must be aided in the West with all the arms and by every means her allies can provide. But to-day these phrases are running with the speed of bad news all through the Far East. If the concept of the United Nations is to mean anything in the war, and later in the peace when the formidable task begins of giving an ordered framework to the lives of the millions of people of East Asia, then China, too, must be helped until it hurts; and helped now.

The Parties and the People

THERE was no revolt at this week's assembly of the Labour party, though it was only by a hair's-breadth vote that the Executive secured the party's agreement that the political truce should go on. Independents will continue to capture Tory constituencies which, in Labour's view, might well have gone Labour. Conservative seats of the 1935 vintage will continue to be protected against the swing of the pendulum. More than that, there will be no demand from Labour's official platform for Socialism in Our Time. "It is of vast importance to proceed on a basis of co-operation," said, not Mr Attlee or Mr Morrison, but Mr Shinwell.

The basis of co-operation looks pretty broad. At the conference, the National Executive of the Labour Party moved and carried a resolution on reconstruction which, in many of its essentials, might be endorsed by majorities in all the other parties. There must be no return to an unplanned society, which produces economic insecurity, industrial inefficiency and social inequality; measures of Government control, needed for mobilising national resources in war, are no less necessary for securing their best use in peace; the planning of production for community consumption is the only lasting foundation for a just and prosperous economic order, in which political democracy and personal liberty can be combined with a reasonable standard of living for all citizens. These arguments were the gist of the resolution and they have been heard before in recent months from almost every other point of the political compass. On the face of it, they do not clash too greatly with the report on reconstruction put out on Friday by the Federation of British Industries.

For the first time for many years the leaders of the Labour party have sought to draw up a viable pro-

gramme; and it is, perhaps, a doubly welcome development that the Labour party is trying to bring its policy into line with political realities. In the first place, it is obviously important during the war that broad agreements should be sought by the politicians who are in coalition. In the second place, the Labour party was far too content before the war to remain permanently in Opposition with a programme which had no chance of popular acceptance or practical realisation. But there is also a serious danger in this façade of agreement. It is misleading. Up to a point, it is true that all parties are agreed upon the need for a measure of planning to remove insecurity, inefficiency and inequality. But the verbal agreement hides vast differences in interpretation. The vital question is who are to be the controllers? An amendment "to remove from power the commercial vested interests which at present dominate the system of Government control of industry" was shelved at the Labour Conference; but the FBI make it plain in their report that, in one form or another, they intend this régime to continue.

At bottom, the issue is one of power even more than of policy. In one sense, it is true that there is at present a vacuum in British politics. Ever since the last war, the parties have proved themselves incapable either of furnishing democratic leadership or of working a Parliamentary system in a democratic way. In another sense, however, there has been, and is, no vacuum. The Baldwin-MacDonald-Chamberlain era may be said to have started in 1922; and ever since then effective political power has remained with the Tory back-benchers who still form the 1922 Committee. They decided the course of British politics twenty years ago, and it was their decision in May, 1940, when they saw the red light,

which finally made Mr Chamberlain make way for Mr Churchill. It was their conception of industrial self-government which made this country's economy into a producers' ring before the war, and it is their notion of political economy which underlies the system of wartime controllers. They may agree verbally about the need for post-war planning, the planning of production and the planning of overseas trade. But they expect the planning to be done, not by the community in any sense, but by organised industrialists and traders; and they are much surer of what they want than the planners who find it so hard to decide between representative boards, public utility bodies and Government departments as the method of communal control. Where the planners are most certain, as in the case of the Labour plan for a National Board for the mining industry, including both miners and employers, they come closest to the Conservative industrialists; in this respect, the miner and the mine-owner belong to the same producers' club.

It would be disastrous if this fundamental conflict were to be completely hidden by the fog of war. Parliamentary democracy in this country will never be fresh and alive again unless the real issues of policy are made plain and openly debated. The people must decide. It is they who will be most affected by what is done. At present, they stand on the side lines. They are outside politics. In their millions, they are in the Forces, and the war factories. Most of them have no chance to cast a vote in wartime. Many of them have no votes to cast. The most fundamental question of all is what they want, and they cannot say until they are shown the real choices and asked for a decision. Too many politicians and reformers who are planning for the people hardly ever think of the people at all. It is much easier to work out an employment programme or an investment policy or a trade plan than it is to bear in mind all the human implications. Under any plan which is not totalitarian, for instance, will working people be prepared when the war is over to give up their right to choose their own job, their own place of work and their own place to live? Will not the desire of ordinary people for the ordinary freedoms of ordinary life be as much a limiting factor to any plan as their desire for security of employment and pay?

It is hard to know what the popular view is. It is certain that most people do passionately desire security for themselves and their families; that is why there must be these plans for full employment, equal opportunity, and fair distribution. But, just as much, they want what the Labour resolution called "personal liberty." Indeed, if the question is put to them, that is what they believe they are fighting for now; and in the long run it will be they, by what they want and what they will stomach, who will decide the boundaries between state control and free enterprise. The only sure thing is that they will want no more control by vested interests. But at present they are not being asked. There

are no elections. Their so-called representatives are mostly relics from another and shabbier era. The gap between reform and reality has scarcely ever been wider.

Mr Churchill has said, rightly, that there is no war weariness. This is perfectly true in the sense that there is no defeatism, no call at all for peace at any price. But there is a weariness with politicians, with blind leaders who have not led. Mr Churchill stands unique and unchallenged among politicians because he does lead. But Mr Duff Cooper, say, is more typical. He emerges from the security in which he has dwelt since he left Singapore. He hastens breathlessly to the microphone. He looks backwards at the British Empire. In the words of a popular comedian, he says "You lucky people!" But the people who are lucky enough to hear him are not impressed. They want, first, to get on with the war and, secondly, to get back to their jobs, their families and their homes when the war is over; and the proceedings at this week's Labour Conference were sometimes as much out of touch with both these sentiments as Mr Duff Cooper. The entire Conference tended to talk as if the war was all over bar the shouting—at a moment of acute crisis in the war when good counsel about the economic war effort was never more needed.

The fact is that the real battle, the battle for political power, is going on behind the scenes. At present, it is raging round the coal industry. It is never far from the doors of the "business men's" Ministries. Mr Churchill is the only leader the people know and trust; they look to him to win the war. The battle for power, therefore, is a battle at the highest level, for Mr Churchill. Professor Laski calls upon him to proclaim a people's peace; the Conservatives look to him to remember that he leads a party as well as a nation.

All this is too much out of sight. Mr Attlee and Mr Morrison are impeccably right when they force an overwhelming Labour vote of wartime solidarity in support of the War Cabinet. But they are sadly wrong if they believe that the struggle against old political abuses, any more than the war against Germany itself, can be won without further grim fighting. Reform cannot ride to glory on an old Tory band wagon, however plain the name of Churchill on its side. There is no virtue, admittedly, in party strife. But the division between the interests of the corporations and the interests of the community is as deep as history. The time cannot be indefinitely delayed when this issue will be stated in public and to the people, when Ministers will choose their side and be ready to resign. The gap between Parliament and the people is so wide that a wartime General Election, which may be impossible now, cannot be ruled out for the duration. When it comes, it must on no account be a coupon election with all the rivals stubbornly on the same side as Mr Churchill. The lion and the unicorn must fight it out, and the people must acclaim the victor.



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The Coupon Age

IT has frequently been remarked in recent years that the age of finance is over. It died in 1931. Since then, money has been recognised, not as the dominant element in the national economy, but as the handmaiden of more tangible realities. These arguments have been reinforced in wartime. The handmaiden has been conscribed; finance is now the camp follower of production. The war effort of the country is planned and executed in physical terms, and there is a widespread belief that, whatever else happens after the war, there must be no return to the dominance of money. So the financial age is dead. It is less widely recognised that what has taken its place is the coupon age.

The coupon, properly speaking, was an invention of the last war. But so long as it was restricted to the purchase of one commodity in one shop, its wings were clipped. The decisive stage in the development of the coupon—a step as important as the invention of paper money—came with the points rationing scheme last year. The points coupon can be spent on different things at different shops. In this sense, we have points for some foodstuffs and for clothes. We are to have points for sweets and, if the Government shows a little firmness of purpose, for fuel. There is every expectation that there will be more points schemes. There was a rumour that tobacco and cosmetics were to be included with sweets. There is no reason in principle why there should not be a points scheme for travel, cinemas and gramophone records.

With the invention of points, the coupon takes on many more of the attributes of money. In districts where there are many munition factories, and where the majority of the population have more money than they know what to do with, it is the surrender of the coupons, rather than the payment of money, that constitutes the real consideration for the acquisition of goods. Moreover, coupons begin to respond to demand and supply. For example, the British public (for reasons which lie deep in the psychology of a very peculiar people) has a pronounced liking for tinned salmon, and when the points scheme was first introduced, there was a run on this particular item. Demand exceeded supply. But did the price rise? Certainly not; that would have been unforgivably mid-Victorian. Even worse, it would have been ineffective. It was the points-value, not the money-price, that was put up.

Clearly, here is a very potent new social weapon. Hitherto, rationing and coupons have been associated only with restriction and scarcity. But there is no reason why they should not equally be associated with plenty. It is not the coupons that create the scarcity of butter. The amount of butter that can be consumed is, in any case, fixed by the amount that can be imported. The coupons achieve equality of distribution. "Equality of distribution"—the phrase has a peacetime ring. Why not secure an equality of distribution of butter in peacetime by issuing coupons and selling butter, against coupons, at a very low cost, covering the loss by selling the remainder at exorbitant prices? Why not extend the principle until every mortal thing is included in some points scheme or other? "Come ye, buy and eat; yea, come, buy wine and milk without money and without price."

The prospect opens up a planner's paradise. By this means a revolution could be achieved of a peculiarly English character. This great people can rarely be induced to take any action at all by direct arguments of a logical kind. But give them a run around the mulberry bush and pretend you are really doing something else, and they will acclaim you as a pillar of church and state. For example, early in the war, Mr J. M. Keynes put out a scheme for what he called compulsory savings. He was roundly denounced by every perorator in the country who could lay his tongue to such phrases as "the voluntary system" or "the basis of self-respect." Mr Keynes tried again, this time calling his scheme "deferred pay." The opposition was less indignant but still enough to kill the proposal. Mr Keynes entered the Treasury as an adviser, and the

Chancellor of the Exchequer produced the same basic idea under the description of "post-war tax credits." The scheme went through the House of Commons with universal assent. The same endearing national trait could be illustrated by many other examples. Blood would run in England's streets if it were proposed to limit incomes to £5,000 a year—but the same result achieved by an increase of the rates of income tax and surtax is regarded as being in the soundest tradition of Conservative finance. Why then struggle fruitlessly for anything so dangerous and revolutionary as an equalisation of incomes, why interfere with incomes at all, when an equalisation of the standard of living can be achieved by universal coupons? The English genius consists in raising the euphemism to a political dogma. Let other countries have their revolutions; in England the new social order will seize power by *coupon d'état*.

There is something in this for the academic economist too. Points rationing, as has been mentioned, takes the place of the invention of paper money in the development of the coupon. We are already on the verge of the next stage of the invention of bank credit. Coupon banking accounts already exist, in which deposits and payments are made, not in money but in coupons, the retail hosiery drawing on his account to pay, say, 10,000 coupons to his wholesaler. The chairman of Lloyds Bank, in announcing this scheme last January, remarked that "of course" no overdrafts would be permitted on these coupon accounts. The "of course" is in the historical tradition. In the early days of banking, banks "of course" permitted no notes to be outstanding to a greater amount than the cash in the till, and contemporary opinion attributed the failure of the Bank of Amsterdam to its transgression of this obvious rule. But gradually it was discovered that the average note-holder was content to hold his notes and not ask for cash, and modern banking is founded on the axiom that only a small percentage of a bank's creditors will ask for hard cash. What is to prevent the banks learning from experience that there are some people who do not use all their clothes coupons? What is to prevent them, over the years, evolving the doctrine that it is safe to permit small overdrafts on coupon accounts, since, if the proper ratios are preserved, if confidence is maintained and if the balance sheet is suitably ambiguous, there is no risk of default—that is, of any coupon failing to be converted into clothes. Eminent and painfully respectable bank directors will be outraged by the suggestion that there is any dishonesty in such a proceeding.

They will also be outraged when, as will inevitably happen, some ingenious professor writes a book to prove that banks can create coupons. They will deny it. That banks can create coupons. They will say, are not clothes any more than Coupons, they will say, are not clothes any more than credit is money. The banks' only function, they will assert with their traditional felicity of metaphor, is to serve as a cloak-room. But the theorists will still preach their pernicious doctrine; and the parlance of the markets will also play its part in confusing the issue. The Clothes Market which will grow up in Lombard Street will no more resemble Petticoat Lane than the Money Market looks like a casino. When *The Economist* of the future reports that "clothes are tight in Lombard Street, overnight clothes are in great demand, and the running brokers are embarrassed" the meaning will be other than might appear at first sight.

Only one stage in the development of the coupon will then remain. Some professor, even more ingenious than his fellows, will propound the thesis that if only the banks would create more coupons, we could all be better clothed. Why go naked when every fourth row of cotton is being ploughed under? If only the natural flow of commerce were not impeded, for their selfish ends, by a conspiracy of international couponers, a new era would dawn. The wheel will have come full circle. The radicals will be proclaiming that the age of coupons is over and that some more scientific device must be invented. They might try

Reform of the Foreign Office

TO say that the world of diplomacy has been revolutionised in the last hundred years is a truism. But it has to be said for the reason that Britain's diplomatic practice did not, until recently, appear to recognise that this truism was true. The age of dynasties had gone, the age of mass democracy had come. Every kind of issue and interest—trade, wage and labour questions, standards of living—had thrust itself up to the level of international relations. Yet, to an almost incredible extent, the old limited dynastic world lingered on behind the closed doors of the Foreign Office, the embassies and the legations. In the years before the war, a few concessions were made. A commercial councillor was appointed here, a press attaché there. The BBC began some foreign broadcasting. The British Council was brought into existence and given a small grant. But there was nothing approaching the really revolutionary changes which were necessary to make British diplomacy even reasonably effective, let alone successful.

The onslaught of total war made glaringly explicit the conditions under which modern diplomacy must work—so explicit that very widespread changes were in fact introduced. Now that morale on the enemy's home front was a war-winning factor, the people—as opposed to their governments or ruling classes—could no longer be ignored. Now that contacts hitherto private and unofficial—say, between traders, bankers, businessmen and trade unionists—could affect the course of the war, they had to come under Government control. Britain began to build up a range of institutions which the dictator states had been using for years. There was now a Ministry of Economic Warfare and a Ministry of Information; the BBC vastly extended its propaganda services; finally a Political Warfare Executive was set up. These new institutions were linked with the Foreign Office, but enjoyed a degree of autonomy depending largely on the vigour with which they resisted outside control. This is still, roughly speaking, the position today, in the third year of total war.

It is obvious that the multiplication of agencies, although it met a very genuine need, has not solved the problem of the efficient conduct of foreign relations. Looking on at the workings of this strange machine, with all its ancillary but quasi-independent parts, is like standing outside a room in which a conference of deadly urgency and deathly secrecy is being carried on. Occasionally the door swings wide and a burst of high altercation is heard; occasionally the door bursts open and out flies the convulsed form of a Minister of Information or a BBC executive or a PWE official. Time and time again, the developing fortunes of the war have shown that the dispute raging inside—the grand dispute of war and peace aims—is still undecided and that, as a result, a proper control of the various agencies and an efficient division of labour between them is impossible.

The fault of the Foreign Office is, surely, its inability to formulate policy and its consequent inability to foresee problems before they arise and to have an answer ready. The other organisations are left to make good the lack of policy as best they can, partly by pushing up the bright ideas of individuals or departments as far as they can go in the executive hierarchy (seeing them lose brilliance, polish and effectiveness as they pass from departmental thumb to departmental thumb), partly by attempting to secure a snap decision on some question of policy, in the hope that the "higher-ups" will be either too lazy or too occupied to notice and that a precedent will thus be established. A great deal of Britain's foreign policy at this moment is being settled on a completely *ad hoc* basis, according to the individual whims, prejudices or deep convictions of relatively junior officials who, from the very nature of their work, are

unable to see the problems they deal with as a coherent whole.

Such a situation is intolerable. It is not incurable. Indeed, a magnificent opportunity awaits the Foreign Secretary to create order out of chaos and to transform the energetic but frustrated machine that is heaving and humping and throwing up jets of steam below him into a smoothly running, well geared and speedy instrument of foreign policy. Mr Eden's speeches have gone some way towards fulfilling the first principle of effective foreign policy—that is to say, having a policy at all. There is nothing in his speeches, particularly in his most recent Edinburgh speech, which, if properly developed and the implications worked out, could not form a framework within which long term diplomatic activity, short term decisions and day to day propaganda could not be integrated. The difficulty is that no adequate machinery exists for dealing with his general pronouncements in this fashion.

The reform of the Foreign Office does not differ in character from the reforms which are needed in general in Britain's machinery of government. Here, again, the two basic principles of the Haldane Report hold good: the integration of the field of work and the separation of planning from administration by the appointment of a Minister with general oversight and a competent planning staff. The difference lies in the urgency of the need and in the fact that here not even a first embryonic attempt has been made to deal with the structural problem on new lines. At present the only factors pointing in the right direction are the presence of Mr Eden in the War Cabinet, at one level, and the various rather chaotic attempts to secure Foreign Office control in the Ministry of Information, PWE and the foreign services of the BBC, at another. The integration of the field of work should present no difficulties of principle since the sphere is very clearly defined by the term "foreign relations." Such a reorganisation would mean the disappearance of the old narrow concept of traditional diplomacy and the substitution for it of a conception of the totality of the nation's public actions, contacts, responsibilities *vis à vis* the outside world.

Over this new unified structure Mr Eden would exercise general direction as War Cabinet Minister charged with the oversight of foreign affairs. The Foreign Office, the various agencies set up under the pressure of total war (the Ministry of Information, PWE and MEW) and other old established institutions (the BBC, the British Council, the Department of Overseas Trade) can be brought together as a single field of administration, with their work of necessity rationalised and re-allotted. The conduct of political business with other governments, diplomacy in the strict sense, would still be the province of the Foreign Office itself. The conduct of economic affairs would be the work of a new amalgam of MEW, the Department of Overseas Trade and the Consular Service. Propaganda, that is direct contact with the peoples of other countries, would be the task of a new Department of Information devoted to foreign publicity and controlling the foreign services of the BBC.

To secure effective supervision and guidance, Mr Eden would need the assistance of a skilled staff comparable to the production executive with which Mr Lyttelton has been provided or the experts who work on home affairs for the Lord President of the Council. This staff would not be composed of "experts" on foreign policy in the old sense. What is needed here is not a man who knows all about Patagonia, but rather one who sees how the particular problems, claims and possibilities of Patagonia fit into the general pattern of Britain's foreign policy. The instinct of the Foreign Office to recruit those who have benefited most from the best kind of general education is undoubtedly sound. Unhappily, the results of this

education are then largely nullified by a decade of soul-destroying dragooning along the exclusive paths of traditional diplomacy. The youth who is caught at twenty-three or twenty-four, and compelled thereafter to limit his social contacts and the horizons of his work to ambassadorial coteries and to diplomatic problems viewed in the narrowest traditional sense, is seldom capable by the time he is thirty of understanding the broad movements, popular passions and social upheavals by which the modern community is tossed along. Those Foreign Office officials who have survived the routine with vigour and freshness and those who have been brought into the Foreign Office and its allied agencies during the war as temporary civil servants are probably the men from whom Mr Eden could pick his general staff. They possess

the width of vision; they have gained some specialised knowledge; they have worked in the machine; they still have energy and enthusiasm and ideas.

A body of this sort would not only provide the essential link between the Secretary of State for Foreign Affairs—the title is already remarkably apt—and the various departments. They would also provide the machinery without which British foreign policy cannot hope to be either comprehensive or forward looking or even abreast of the times. The urgencies of war have pressed this problem upon the nation. The urgencies of peace will be even more pressing. An efficient army and navy and air force can perhaps win victory, a timid and inefficient foreign policy notwithstanding. But only the efficient and vigorous conduct of foreign affairs can win the peace.

Bars to Freer Trade

THE principle of free trade is simple and, in theory, generally accepted, even by those who in practice oppose it. A country should concentrate on producing commodities more cheaply than other countries, and on the production of commodities which it can produce more cheaply than other commodities. In practice, the objections which Adam Smith himself saw to the application of this principle remain the chief impediments to freer trade. In words now hackneyed, he explained that the impediments were two: the need to bring new native industries to a position where they can compete with established foreign ones; and the fear of exposing established native industries to the competition of new foreign ones.

To-day the problem tends to be over-simplified. The Atlantic Charter has promised greater freedom of trade after the war and equal access to trade and materials for every nation. But international commercial reconstruction will not be achieved simply by stating objectives. Adam Smith's impediments remain. The discrepancies in the costs of agricultural and industrial production between one country and another remain the crux of the problem; and after-war periods have never been favourable to their adjustment. Wars always mean more production in every belligerent country; nowadays they also mean a great expansion in the production of costly substitutes. When wars end, there are new industries and new armies of workers. New countries, brought into being or back into being by war, strive to become economically self-sufficient at whatever cost. These are lessons of history, and suggest that the real impediments to freer trade tend to be biggest at the close of wars. After 1815, industrial tariffs were raised up on the Continent of Europe in order to prevent invasion by Napoleon's troops from being followed by invasion by British goods. After 1871, the barrier of protection was used to fortify the competitive position of the new German Empire, threatened by American grain and British iron and textiles. The course of events after 1918 is only too familiar—growing tariffs, drastic measures against the migration of labour and the creation of artificially bolstered industries. The fact that post-war periods are poor springboards for freer trade should be recognised.

Leading statesmen of the Allies have followed the Atlantic Charter in urging that every country should have free and equal access to raw materials. In fact, such access has never been denied. By and large, no country has prevented another country from buying raw materials at a single world price. The real problem is whether countries can be allowed—if there is to be freer trade—to develop, in their own industrial hothouses, high-cost manufactures to convert these materials into highly protected goods. There is a similar problem in the case of food. The present plans to feed the starving populations of Europe immediately after the war are necessary and desirable. But they will not touch the fundamental food problem of Europe. The countries of Europe have had, and will have, free access to the cheapest food in the world, if they

want to buy it. But the free importation of grain, meat, butter, fruit, eggs and other products would bring ruin, not only to the big landlords of Prussia, but no less to the legion of small proprietors in Austria, Bavaria and other parts of central and eastern Europe. A flood of cheap food from overseas would cause serious economic disturbances in the receiving countries; and it would be politically resisted. There will be similar problems outside Europe. The new industrial countries overseas are making industrial headway more rapidly than ever because of the war. Will they be prepared after the war to abandon their high-cost manufactures in order to introduce freer trade? If they are not, how are the older industrial countries to pay for the raw materials to which they will have "freer and equal access?" These are the real dilemmas.

What can be done? Some guide can probably be gained from the practice of private undertakings when they are forced by circumstances to adjust their business to new conditions. They work out, according to comparative cost of production, what lines they can keep going, and they give up the rest. One suggestion is that this should be done nationally and internationally, on the basis of some kind of world census of costs of production. A comparison of grain costs in the New World and in Europe would reveal what proportion of European agriculture would reveal what proportion of European agriculture would carry on under competitive conditions; and for those unable to compete, compensation would have to be found by employment in other activities. In agriculture, the net effect of placing European farming on a paying basis would reduce it to a very much more limited size. The same process is proposed for the international readjustment of industry. High-cost manufactures which cannot exist without high tariffs should be placed on a list of industries to be slimmed, reduced and transferred to other activities. It is a problem of economic adjustment, to be done by agreement or competition.

It will be answered to this argument that no conceivable international body, and no national Governments, could impose readjustments of this kind upon agriculture and industry. Nor, it will be argued, could they adopt the simpler and much more direct course of exposing all national economic activities, high-cost and low-cost, equally to the winds of international competition—which, classically, is the free trade solution. The point is that, if this is so, it is idle to speak in general terms of an all-round application of freer trade after the war. Adam Smith once said that "to expect freedom of trade to be entirely restored is as absurd as to expect that an Oceania or Utopia should ever be established." He might say this again now with added feeling. He knew that the barrier to free trade is the desire to maintain high-cost production; and he would have said now that the only way to freer trade is, not by good will, but by the elimination of uncompetitive enterprises and the transfer of their resources to other work. If the national and international framework of the post-war world cannot include such a process of adjustment, freer trade will remain a slogan.

NOTES OF THE WEEK

The Sixth Campaign

An atmosphere of expectancy, with its inevitable accompaniment of rumours and reports from the usual well informed sources, has hung over the Mediterranean for some weeks past. The heavy bombing of Malta was obviously a screen for the passage of large Axis convoys through to Libya and their slackening suggested that the supplies and reinforcements had arrived and that the offensive might be expected to begin. Three weeks ago, a first feint did in fact occur. Rommel brought up three mechanised columns, but later withdrew, presumably after testing the strength of the British defences. Now it seems that the real battle has begun. Heavy German forces are being engaged by the British south of Tobruk and the attack shows signs of developing into a major offensive. On the right flank of the British forces, the first enemy attacks were repulsed; but on the left, further south, very severe fighting was joined. The weather is unfavourable; if the Libyan position alone had been in question, then Rommel would probably not have chosen this time of year. But it is most unlikely that Libya alone is in question. The attack is probably one move in the long awaited three-pronged attack upon the Middle East, of which the fighting at Kerch and Kharkov is the other extremity.

The Kharkov Front

It does not look now as though the Russians are likely to attain any of their major objectives in the first bout of the summer fighting. The three-week attack has brought them nearer to Kharkov, but the Germans hold the city. The drive on Lzovo has not succeeded in developing into a threat to Dnepropetrovsk. Meanwhile, the German counter-attacks on the Izyum sector are gathering strength and the centre of the fighting has shifted southwards. It is, however, possible that Marshal Timoshenko's offensive was not launched primarily with the purpose of recapturing territory. The most urgent task may well have seemed to disrupt von Bock's plans for an offensive on Rostov by securing the initiative. At best, the German winter defence line might be pierced. At the least—and it is not yet certain that it is only the least—van Bock would be compelled to that it is only the least—van Bock would be compelled to reorganise his plans and call up reserves designed for other purposes. The achievement of the major objective—a definite break through—appears to have been hampered by the Germans' success at Kerch. At what may well have been a turning point in the Kharkov fighting, aircraft have been available from the Kerch front and von Bock could throw them into the counter-attacks. Bitter fighting goes on all over the southern front, but it looks as though the advantage has swung—if only temporarily—to the Germans.

Full Mobilisation

It is not true that this country is yet fully mobilised. There is still need for constant combing-out of civilian industry and government service. The new Kennet Committee will not find much surplus labour in the service of finance but its appointment is a step in the prudent direction. The old Kennet Committee, which has the Civil Service under review, has not done a completely successful job; the Departments have been left too much to decide for themselves on the labour they need. In civilian employment at large, the new Order fixing minimum hours, if rightly applied, is an important advance. It has long been plain that civilian industries should be expected to work as long hours and as efficiently as the war factories, and to use no more labour than absolutely necessary. The standardisation of civilian manufacture, too, which is proceeding, means an important gain in manpower. The trouble is that it may still be blocked, in its final stages, by the desire of manufacturers to retain their identity and the identity of their products. The bar here is not simply the self-interest of manufacturers. It is, as in the case of shopkeeping, the disinclination of the Government to prepare a policy for compensating squeezed out firms and proprietors.

But, when all this is said, it remains true that this country, if not fully mobilised, is mobilised to an astonishingly high degree. Mr Bevin claimed last week that it was

mobilised more highly than any other country in the world. He said that two-thirds of the men and women between the ages of fourteen and sixty-five were in the Forces, in Civil Defence or in industry; and many of the rest are doing essential domestic duties or important part-time work. The time when fresh labour can be found to push up output has very nearly gone. The problem in Britain, as in Germany, is now a problem of efficiency. Mr Bevin said that the test between now and the end of the war will be between British and German managerial ability. In Germany, the reservoir of manpower has been run dry by casualties as well as by mobilisation. The shortage of men for the Forces as well as for industry is acute throughout German Europe. In addition, there is a shortage of plant, materials, equipment and transport facilities. Britain is better placed. The door to the outside world is open and supplies and finished products can come in. The bottleneck here is shipping. But the bottleneck of manpower at home is hardly less serious; and it is still true to say that no measure should be neglected, however small, either to find a few fresh recruits for war work or to raise the output of those already brought in. Germany's greater difficulties will tell if they fail in this summer's fighting. For this summer, they have thrown everything into the scales, and nothing less is needed from this country.

French Monkey Puzzle

The situation in France is more confused than ever. In the ring of rival pressure groups and interests, only one policy is clear and consistent—that of Italy. The Duce wants Corsica, Tunis and Nice. He has wanted them for years, but he wants them now with a new urgency to offset the uniformly bleak record of Italy in the war. At the same time, the general situation has shifted slightly in his favour. In 1940 or 1941 it was possible to disregard Italy's claims, for the Italian contribution to the Axis victories was negligible. Since the first failure in Russia, however, the German war effort has been running on a much narrower margin. Italy's foodships, Italy's navy, even Italy's men in Libya bulk larger now than Germany's own reserves are so much reduced. At Salzburg, Hitler put on the screws for a greater contribution. The troops massed on the Italian-French frontier and the Blackshirts gathered noisily at San Remo opposite Corsica, suggest that the Duce demanded, and possibly received, the promise of an adequate *quid pro quo*. This fact introduces the first element of uncertainty into Germany's policy towards France. The Nazis are, of course, only concerned to squeeze equally the two Latin sisters, but to squeeze Italy successfully now involves making demands on France—demands which, if fulfilled, would almost certainly mean the breakdown of any policy of collaboration. Hitler's attitude towards collaboration also shows the uncertainty of touch which follows from a failure to decide on a definite course of action. The Germans could have put an end to the farce of Vichy's "independence"—they could have occupied all France, set up a quisling administration in Paris and ruled by terrorism. Such a step would have led almost surely to their losing the chance of obtaining the French Empire and Navy. Alternatively, the Nazis could have backed a collaborationist, Laval or some other, and by relaxing their pressure attempted to make the Quisling regime popular. But, just as Hitler is hesitating between Italy and France, so he hesitated between reprisals and collaboration. Heydrich visited Paris; at the same time, Laval was brought in. But this background of uncertainty makes Laval's position impossible. He cannot placate both the Axis and the people of France, any more than he can conciliate both the United States and Germany. While ready to give away on a number of points, including, apparently, the use of bases and the transfer of the French Fleet, he is standing firm against Italy's demands. At the same time, he is refusing to take drastic action over Madagascar and Martinique. It begins to look as though Hitler's last experiment in collaboration is so obvious a failure that only the alternative of total occupation remains.

French Resistance: The Implications

A factor which recurs in every estimate of the French situation is the steady growth of internal opposition. This movement, gathering in strength and purpose, is, or ought to

be, represented by the Free French, since they from the first have raised the torch of resistance à l'outrance. Now that the fires are beginning to break out and burn on occupied soil, it should be possible for all the phases and types of French resistance to be fused into one great effort of liberation. Clearly, however, this is not coming about. The basis of the Free French movement is not broadening as a result of France's less passive rôle. Since the disappearance of Admiral Muselier and the high naval officers who went with him, it must be said quite definitely to have been further restricted. This potential insufficiency has been underlined by the events in Madagascar and Martinique. General De Gaulle himself recognises that the present situation is unsatisfactory, and at Free French Headquarters on Wednesday expressed his desire "to broaden the basis of the Free French movement from which no Frenchmen would be excluded who would work for France against the Axis." General De Gaulle's statement bears out the persistent rumours circulating both in Washington and London. It is all to the good that not only the logic of the situation should press in that direction, but that a definite lead should come from the Foreign Office and the State Department. Much of the uncertainty of touch in the Free French handling of delicate political problems can be traced back to an even greater uncertainty of touch in Allied diplomacy. In no connection is it more important that the broad outlines of the United Nations' future policy towards Europe should be clearly known in advance. France is in many ways the key to the new Europe; but the lock must be understood if the right key is to be forged in the hour of victory.

Miners' Wages

On Friday last week the national executive of the Mineworkers' Federation placed before the coalowners a request for an immediate general increase in wages and for a uniform national minimum wage of £4 5s. per week. The application was considered on Thursday by the Joint Consultative Committee of owners and miners. As is shown in a Note on page 765, wages in the coal-mining industry have already been raised by 3s. 8d. per shift, or 36 per cent, since the outbreak of war. The average increase involved in the new claim is 4s. per shift, which would raise the price of coal by something like 5s. a ton. Coal-mining is an arduous and unpleasant occupation. There is a shortage of mining labour; and the remuneration of miners must be adequate to ensure a sufficient inflow of young labour as well as reasonable contentment among the existing labour force. In the view of the mining unions, current wages do not fulfil these conditions, and, in spite of the increase since the outbreak of war, often compare unfavourably with the remuneration paid for less taxing work in the munition industries. The case does not lack substance. The White Paper on Price Stabilisation and Industrial Policy (Cmd. 6294) specifically provided that—

There may be proper grounds for adjustment of wages in certain cases, particularly among comparatively low-paid grades and categories of workers; but it emphasised that

The maintenance of wages and employers' remuneration at a reasonable level should be achieved as far as possible by efficiency of production by the joint efforts of employers and workpeople.

The great need of the moment is to increase the output of coal. The rationing of domestic and industrial consumers is essential but it will not be enough. If an increase in wages will ensure the wholehearted collaboration of miners in a scheme of technical and administrative reorganisation designed to improve the efficiency of the industry as a whole, the price may not be too high—even though it will mean a substantial subsidy from the Treasury, at least to begin with, in order to prevent retail prices from rising. But the demand for a National Coal Board, endorsed by the Labour Party Conference, provides no guarantee of increased efficiency. An improvement in labour relations is necessary and urgent; but a pact between miners and owners at the expense of the consumer is unlikely to solve the coal crisis.

Essential Work

A new element has come into discussions about social security. In the past, there have been two wings to the movement to secure minimum standards of life and work. On the one hand, there was the demand for a minimum

wage, stressed at this week's Labour conference by the vehement opponents of family allowances; on the other, there have been the attempts by means of social insurance and assistance payments to ensure that no individual or family fell into avoidable destitution. The main bogey is unemployment—insecurity of work. In war conditions, the guaranteed pay week has been introduced into many industries. Several millions of workers are employed under the Essential Work Order; in return for the loss of liberty to leave their work, they are guaranteed wages whether there is work for them or not. Notoriously difficult problems like the problem of casual labour at docks have been solved for the duration by the pooling of labour in areas and the guaranteeing of work and payment. This is the minimum wage with an added dimension—security of employment—and it is plain from Mr Bevin's recent speeches that he and some see in this an important contribution to the problem of security in more normal times. It is obvious, however, that the guaranteed pay week is part and parcel of a situation of full employment. It is obvious also that it involves a limitation of the worker's freedom to choose his job. It could not possibly be part of peacetime policy unless, by successful planning, full employment could be ensured; and it remains doubtful whether most workers will be willing, even for security, to sacrifice their fundamental freedom of choice.

Mexico at War

Why Germany thought fit to precipitate a declaration of war against the Axis by Mexico, by first sinking a Mexican tanker and then marking its rejection of Mexico's Note of protest by sinking another, remains something of a mystery. President Camacho asked Congress for a declaration of war and for the grant of extraordinary powers for national defence. There was every reason to suppose that Congress would agree. Relations with the United States, based on a genuine belief in the sincerity of the "Good Neighbour Policy" and in the value to both countries of close economic co-operation, have become increasingly close and cordial since the outbreak of the European war. Relations with Great Britain, break of the European war. Relations with Great Britain, at one time strained to breaking point on account of the oil dispute, have improved in recent months, and particularly since the exchange of diplomatic representatives was resumed. Mexico, both at Havana and at Rio, showed itself to be in the van of opinion which grasped the necessity of a hemisphere defence. The advantages to the Allies of a belligerent Mexico will be many, but perhaps the most important is that it will be possible to deal radically with the Nazi fifth column, a serious potential danger which has been sedulously cultivated from Berlin. Economic co-operation is already very close—some eighty per cent of Mexican exports find a market in the United States—but it will be possible to push to the limit the interchange of Mexican raw materials and minerals for American arms and finished products. Equally important will be the fact that defence of the vulnerable Mexican Pacific coast line can be undertaken jointly. Agreement for the reciprocal use of air bases was made as long ago as April 3, 1941. The announcement by the Mexican Navy Minister that all Mexican vessels will in future be conveyed is no doubt a portent of goodwill by the Mexican attitude, pause to contrast it with the very real threat which Mexican hostility to the United States presented in the last war, they can draw little comfort from the supposition that a further and unwelcome obligation may have been imposed on the defensive preparations of Washington. It has always been clear to the Roosevelt administration that security could only be based on hemisphere defence. The removal of any obstacle to that end is of great advantage to the Allied cause.

The Art of Price Fixing

If it is true that the military development of the war is teaching the world a grim geography lesson, it is no less true that the total war effort is driving home a number of hard facts of economic science. In the sphere of price control, almost all the conceivable mistakes have by now been made. Unhappily, they have not yet all been remedied. The basic condition of successful price fixing, that control should be complete—that it should extend not only to the article itself but to the retail and wholesale prices of all goods

which could possibly be used as substitutes, at all stages of production and distribution, and must be accompanied by measures to ensure maintenance of supply—is still very partially applied. This week sees the introduction of two orders designed to fill important gaps in the structure: the Second Hand Goods Order and the Sales by Auction Order. The details of the Orders of this week illustrate the considerable difficulty of relating the prices of second hand and new goods; but the principle, that second hand articles made later than January 1, 1900, must not be offered for sale at prices exceeding those of equivalent new goods, is clear and should be enforceable. The task is still not complete. The price of cobbling is now to be controlled, but the price of many services, and particularly of domestic service, is still determined by the law of a market which is anything but free. The prices of vegetables are becoming something of a scandal in a country where reliance on a vegetarian diet is every day more necessary. And where control has been ventured, there has been an obvious failure to see that production for the market is maintained. The prices of household linen and of many sorts of household equipment, including cookery, are soaring. It is to be hoped that the Government will press forward with the task of completing, and making coherent, the piecemeal controls which represent so important a bulwark against inflation. Partial control actively exaggerates the evil in all sectors of the economy to which it is not applied.

The End of the Militia

The Military Training Act, 1939, which marked Great Britain's first adoption of conscription in time of peace, was originally to remain in force for three years. It was then to expire unless, after an Address by each House of Parliament, an Order in Council was made continuing its operation for a year at a time. The first three years have now come to an end, and since the body of the Act has been swallowed up in the various National Service Acts of the war, the Government is allowing it to lapse. The rights, however, guaranteed to the original militia, including the right of reinstatement in employment, are carried on in the National Service (Armed Forces) Act of 1939. The chief interest in Mr Bevin's announcement, however, lies in his hint that a similar Act to the one now lapsed will be passed after the war. He said that the expiration of the Act would "leave a clear field for the enactment, at a later date, of such legislation as circumstances may show to be desirable." In 1939 there was far less opposition to peacetime military conscription than might have been expected. After this war, even the trade unions are likely to approve of some form of military training for all young men. But the principle should not be confined to military training or to a certain age-group. The legislation that circumstances already show to be desirable should provide for compulsory service for the community by all citizens. The principle that they should be willing to work for democracy as well as fight for it is one that commands ready acceptance.

Old England

The memorandum on population trends, submitted to the Royal Commission on the Geographical Distribution of the Industrial Population in 1939, has now been published as a White Paper (Cmd 6358). Its appearance at the present time, when there is considerable public interest in population problems, is welcome, because it gives a full factual background to discussion and also a sober estimate of the likely trend of Great Britain's population until 1970, farther than which the Registrars-General will not commit themselves. It can be said at once that the wildly alarmist prophecies about "the possible extinction of the nation" after a hundred years have no foundation, because it is quite impossible to predict the future birthrate on which the size of the population will then depend. What is almost certain, however, because the estimate is based on the actual birthrate in the past and at present, as well as on the actual decline in mortality, is that there will be far more old people. In the second half of the nineteenth century the annual number of births rose from about 600,000 to a million, with a peak of 1,082,000 in 1903; since 1914 there has been a decline to about 700,000, which is the present level. Therefore, the population now in the middle years of life consists of survivors of births which were considerably

in excess of those that have produced the existing youngest and oldest sections of the community; and it is this large group of middle-aged who will more than double the over 65 age-group in thirty years' time, compared with the actual numbers in 1937. The following table, condensed from one given in the White Paper, shows the effect of current trends on the age distribution of the population:

	Actual Population 1937	Forecast Population			
		1941	1951	1961	1971
Total (thousands)	46,008	46,565	47,501	47,192	45,980
Age-Groups (thousands) :—					
0—15	10,179	9,573	9,054	8,433	7,600
15—30	11,305	11,080	9,882	8,762	8,421
30—45	10,351	10,897	10,993	10,168	8,764
45—65	10,303	10,689	12,061	13,339	13,332
Over 65	3,870	4,326	5,511	6,490	7,863
Distribution of Age-Groups per thousand of the population :—					
0—15	221	205	191	179	165
15—30	246	238	208	186	183
30—45	225	234	231	215	191
45—65	224	230	254	282	290
Over 65	84	93	116	138	171

The probabilities revealed in this table are clearly of great social importance. In thirty years' time the total population will be very little smaller than in 1937; but the old will outnumber the young, and will not be very much less than the numbers in the two most productive age-groups—the 15-45's. Old-age pensions, therefore, may be expected to be as burning a social topic of the day as children's allowances are at the present time, although, as the White Paper wisely points out, with lowered mortality goes increased vitality and an increase in the age up to which economic productivity can be maintained. The ratio between the age-groups does not necessarily give the ratio of potential producers to dependants. A large body of healthy old men and women need not be a national liability, but it is a factor which economic and social planning must take into account.

The Birth Rate

The population forecasts of the Registrars-General, given in the previous Note, are based on the assumption that the birth rate will follow the natural course postulated by its present low level. Thus, the smallness of the younger ages in the existing population will mean a serious decline in the numbers of women in the child-bearing ages (15-45) in the future; compared with the actual number of 11,129 in 1937, it is estimated that the total of potential child-bearers was 11,176 in 1941 and will fall to 10,464 in 1951, to 9,388 in 1961 and to 8,498 in 1971. It is consequently calculated that, assuming a fixed fertility curve, the number of births per annum will fall from its present level of 700,000 to 570,000 by 1961. If, however, the number of births could be kept constant at 700,000 a year, the present population would be maintained in perpetuity at not much below its present figure, with a possible increase to 47½ millions in the likely event of a further improvement in mortality. But to maintain the number of births at 700,000, there would have to be a rise in fertility in order to counteract the fall in the number of reproductive women which, as has been explained, is bound to take place in the next two or three decades. The Registrar-General's report for England and Wales in 1938—which is not for general sale owing to the paper shortage—is therefore opportune. The "gross reproduction rate" in 1938 was 0.897, that is, each 100 women produced nearly 90 female children; thus each

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100 women of child-bearing age in this generation would be replaced by 90 women of child-bearing age in the next generation, if all the children survived. But all the children will not survive. The "net reproduction rate," after allowing for the mortality rate current in 1938, was 0.805; and, after a further allowance was made for the likely improvement in mortality, the "adjusted net reproduction rate" was 0.84. Each 100 women of child-bearing age, therefore, were likely to be replaced by 84 in the next generation; and to maintain the annual number of births at 700,000 the reproduction rate must be raised by about 19 per cent above the 1938 level. This conclusion lends considerable interest to the new section of the Registrar-General's report for 1938, which contains the first analysis of the age of mothers and of married fertility obtained under the Population (Statistics) Act of that year. This section will be a gold mine to the sociologist; and even to the layman it is full of interesting items. For the present discussion one of the most significant facts is that the rate of child-bearing at any given age decreases progressively as the interval since marriage increases. Thus, in 1938, wives in their eighth year of marriage were only bearing children at about half the rate of wives of the same age in their second or third year of marriage. This is in strong contrast to 1911—the last previous year for which fertility statistics are available—and must have been due to an increase in the desire for family limitation and in the means for attaining it.

The conclusions of the White Paper and those based on the Registrar-General's 1938 report may, of course, be completely invalidated by the war. Nevertheless, there are indications that the effect of the war is not likely to be so serious as might have been expected. First, the mortality directly due to the war is so far much less than was feared. Secondly, the fall in the birth rate has so far only been 10 per cent.; in the first quarter of this year the rate was higher than in any other first quarter since 1931, in spite of the adverse circumstances, that is, air raids, in which conception took place. This not unfavourable birth rate is partly due to the large number of marriages of young women in the first year of the war, which itself may be partly due to the financial incentive of marriage allowances for Service wives. How far child-bearing itself is determined by economic factors cannot be estimated, but whether the determining factors are economic or psychological, there can be no doubt that at the present time a declaration of Government policy on the subject would be most opportune. On the psychological side, women should be told that child-bearing is of greater importance to the community than working in a factory; on the economic side, every restraining factor should be removed. Half the increase in births required to maintain the existing population could be secured, according to the Ministry of Health, if women who would normally have married at ages between 24 and 30 were to marry three years younger, and the other half could be provided by an increase in the fertility of married women by 10 per cent. These are concrete remedies, and the Government must neglect no means to see them put into effect.

The Small Shopkeeper

On the motion for the Whitsuntide adjournment, the House of Commons debated the thorny problems which govern the future of the small retailer. The debate was singularly disappointing. Although grievances were aired, the House came no nearer to formulating a policy for the retail trade. Possibly, from the Government standpoint, this was due to an unwillingness to anticipate the findings of the third interim report of the Committee on Retail Trade which is shortly to be published. The debate did, however, serve to illustrate how the present lack of policy displeases the protagonists on both sides. For, almost simultaneously with the announcement of the order controlling profit margins of multiple shops, which the large retailers consider designed to favour the small man, numerous speakers in last week's debate continued to assert that official policy, wittingly or unwittingly, discriminates against the one-man business. The truth of the matter is that in very many, though not all, cases, the multiple store is a more efficient unit of distribution under wartime conditions than the small shop. The special features of the small shop, individual attention and the display of particular lines of goods, are at a discount under war conditions. Rationing and the points system has made distribution more suitable for

stereotyped mass methods. There can be no doubt that efficient conduct of the war does require the temporary closure of many small shops. It is also true that many shops which are closed under the pressure of war conditions will never be reopened. The small retailer has been losing ground to the multiple shop and the department store for some decades, though probably far less than is generally claimed. The war will, and must, accelerate the process. But the small shopkeeper has a serious cause for complaint in the absence of any system of compensation. It should not be impossible to introduce some form of levy into the retail trade through which firms which profit at the expense of competitors will automatically contribute compensation. The problem is not unique. It is a special case of the concentration of industry as a whole. The Board of Trade knows the solution. It must permit neither the existence of superfluous distributive units nor the injustice of enforced, but uncompensated, liquidation.

Walter Darré

Germany's Minister for Agriculture, Walter Darré, has been sent on long leave for reasons of ill-health. Secretary of State Backe takes over his office. This change comes after many weeks of makeshift arrangements in Germany's agricultural industry, all designed to husband food stocks and to repair winter damage to the crops. After a third and unusually cold war winter, the prospects for the harvest in 1942 are very poor. Germany's agriculture is extremely short of labour. The supply of fertilisers is low, the lack of feeding-stuffs is making it impossible to maintain the number of livestock. This is particularly serious where pigs are concerned, for they are the most important source of meat and provide roughly one-third of the country's fats. Substantial imports from the Balkan countries or from Denmark and Holland cannot be expected. In short, a dwindling home production caused by poor harvests in 1940 and 1941 is not sufficient to feed Germany's armies as well as the population at home. Walter Darré, who succeeded the old conservative Hugenberg as Minister for Agriculture in June, 1933, provided the Nazi Party with an agricultural policy on the basis of racial principles. "Blood and soil," the "hereditary farm," and the importance of the pig in the history of the Nordic races were some of the subjects on which Darré published confused treatises. The application of the "hereditary farm" principle to Germany's peasant agriculture nearly wrecked it as an industry and the famous *Reichsnährstand* and the compulsory marketing organisations which were thought out by a number of Secretaries of State in the Ministry had to be introduced in 1933-34. Self-sufficiency was never reached. But this system which favoured the big land owners worked so smoothly that it could be carried over into the war without any changes. In Greater Germany 2.8 per cent of the total number of farms comprise 46.2 per cent of the land under cultivation. The peasant farms lack machinery, although they are the main livestock breeders. From 1933 to 1938, 400,000 persons, among them many independent peasants, left the land for work in industries, and the total shortage of farm workers at the beginning of the war was put at 700,000 by Darré. At present, cereal and root crop cultivation can only be maintained by the ruthless concentration of small farms, a process which makes possible the use of large-scale machinery. The great herds of pigs must be drastically reduced because of the loss of potato stocks during the winter and because of the general lack of feeding-stuffs. A "pig-slaughter" similar to that of 1916, which was followed by the winter starvation of 1916-17, seems unavoidable. This would mean tremendous losses for the peasants, and a definite shortage of meat and fats after a few months of fair supplies. Darré, who failed to reorganise Europe's agriculture on German lines, may have opposed this ruthless emergency measure, which would ruin German peasants in return for only temporary relief.

Goering's Appeal

Goering's speech on May 20, 1942, marked the climax of an intensive propaganda campaign for more work. The setting of the ceremony was Hitler's Chancellery, and the audience was composed of armament workers and peasants. A new order, the Knight's Cross of the civilian War Merit

Cross, was conferred for the first time on a foreman in a big armament works. The ceremony, which culminated in the decorated foreman inspecting a guard of honour, is more important than Goering's speech. Goering himself is a poor orator, and is unable to make much impression on an audience. The full text of the speech contains hardly anything that goes beyond the gruesome details given by Hitler himself about the fighting in Russia. The difference is that Hitler addressed the Nazi Party and the German people as a whole, whereas Goering appealed to workers and peasants, the working home front. Goering, the poor orator, did the one thing that was likely to create an impression on the audience as well as on the workers and peasants who happened to listen on the radio. He painted the gruesome details given by Hitler even blacker, glorified Hitler as a superhuman, chosen by providence, and in describing the economic difficulties, used language which is known in Nazi propaganda as "the frank speech of a soldier." The substance of what he said can be summed up in the appeal for extra work in the factories and in the fields, and the apology for the hardships imposed on the German people—the wartime restrictions, the separation of families, rising prices, higher rents and smaller rations. From a political point of view, the most significant parts of the speech were the references to the few who still exclude themselves from the community, to foreign propaganda and to internal whispering campaigns. The apathetic German workers and peasants who have become war-weary were asked by Goering not to believe in foreign propaganda, but to harden themselves like the soldiers on the front. Apparently an inarticulate opposition to the war is growing up among workers and peasants. Slowly the masses are learning to associate the war and its aims with the ambitions of the Nazi Party. The Nazis have managed to keep their armies intact, but the home front has begun to weaken. Hitler's task was to rally the Nazi Party; Goering is called in to explain to workers and peasants must accept any discipline. A new decoration for workers is created. A State ceremony is designed to win their favour. At the same time, the keynote was discipline and sacrifice. These, combined with the appeal to honour, have not proved ineffective in the past.

Help from the Colonies

It is a welcome sign of the wider interest being taken in colonial affairs that two debates on the colonies have taken place in the House of Lords within a fortnight. The second, last week, dealt with the subject from the new viewpoint which the campaigns in Malaya and Burma have opened up. There was less emphasis, that is, on what Britain must do to help the colonies in the war, and ought to do in the way of long-term political and economic development, and more on the best way of directly associating the colonies in the Empire's war effort—in other words, how the colonies can best help Britain. Obviously, these two aspects of colonial policy are closely interrelated. There is not, of course, any suggestion of bargaining on either side. Even in the politically conscious West Indies, where claims for more self-government are being strongly pressed, there is not the slightest hint of an offer to help Britain on condition that self-government is granted. On the contrary, with that self-government is granted, go murmurs that enough advantage is not being taken of the wish to render service. Great Britain cannot afford to be less generous, and, in accepting help from the colonies, will do much towards promoting a feeling of responsibility in them which itself will help their political progress. Specifically, the well-founded suspicion that non-Europeans are barred from commissioned rank in local military units because of their colour must be dispelled. It is no answer to state, as Lord Cranborne did in the debate, that the number of African commissioned officers is extremely small because of the lack of suitable candidates. Suitable candidates do not enlist because they feel that their chances of promotion are negligible. On the wider issue, the problem was well put by Lord Hailey. He emphasised the difficulties of framing a detailed definition of colonial policy for dependencies at such varying stages of development, and also the dissatisfaction which colonial peoples feel with vague generalisations. But he considers it not impossible to frame a declaration giving "a more concrete and more informative statement of our intentions," both political and economic. Here again, there is no question of a *quid pro quo*. In war or peace, the colonies have a right to know what they may expect from British rule.

Rations and Manpower

It is far too often taken for granted that any kind of rationing must involve the employment of an inordinately large staff. Sometimes it is even said that more manpower is wasted by rationing than is saved. This is, of course, complete nonsense, and some figures which were recently given in the Commons make this plain. The staff employed at the Board of Trade in operating the coupon rationing scheme for clothing is about 900. The staff engaged full-time on rationing at the Petroleum Department is 2,250. The headquarters, divisional and local staffs of the Ministry of Food responsible for rationing number just under 30,000. If the number of people saved in the production and distribution of clothes, petrol and food are set against the size of these staffs, the saving, which runs into hundreds of thousands, is so obvious as to need no further comment. A more pertinent criticism is that more still might be saved. For one thing, the rationing of standard necessities should involve the elimination of more middlemen and market agents than have been released. Largely, their functions have gone. Again, the remarkably small staff employed on clothes rationing is due to the fact that the clothes ration is comprehensive and uniform. Relatively more are employed by the Petroleum Department because their main work is the investigation of individual cases. The personnel of the Ministry of Food is swollen because, until the latest developments in the points system, foodstuffs have been rationed one by one and separate rations occupy separate staffs. The more comprehensive rationing is, the smaller the staff needed to work it. The ideal scheme, a points system for all necessities in a single scheme, is impracticable; but it could almost be run by the proverbial man and a boy.

Shorter Notes

In answer to a parliamentary question, there has been printed in Hansard a table giving the size of the staffs engaged on public relations and Press work for the different Government departments and their annual cost. Excluding the National Savings Committee, which has a publicity staff of 89 costing £34,291, the Service Departments, somewhat surprisingly since their attitude is one of withhold rather than tell, head the list. The War Office has a publicity staff of 356, costing £112,370 a year; the Air Ministry's is 199, costing £97,574; and the Admiralty's is 72, costing £39,960. Of the civil departments, the Ministry of Food is quite naturally first, with a publicity staff of 65, costing £23,083, followed by the Ministry of Agriculture with 56, costing £15,813. The Board of Trade, on the other hand, which has a great deal of information to tell the public, has a publicity staff of only 12, costing £5,321. The total for all departments, excluding the publicity department itself—the Ministry of Information—is 1,086, and the annual cost is £437,211.

At the Labour party conference, a resolution in favour of a scheme of social security, including family allowances, was adopted. Opinion, however, was far from unanimous on family allowances, because an amendment of the Locomotive Engineers and Firemen, excluding a scheme of family allowances from the resolution, was only defeated by a majority of 1,718,000 votes to 690,000.

The Government has decided not to accept the suggestion of the Select Committee on Offices or Places of Profit under the Crown that the number of Parliamentary Private Secretaries should be limited, on the grounds that as these members perform valuable services to the House as a whole, as well as to the departments, the step suggested would not serve the best interests of Parliament.

According to an answer given by Major Lloyd George in Parliament, the estimated weekly consumption of chocolate and sugar confectionery in 1938 was 6½ ounces, divided almost equally between the two.

The number of cases notified as tuberculosis in the first four months of this year was 16,718 in England and Wales, compared with 16,364 in the corresponding period of 1939.

AMERICAN SURVEY

The Pressure on Prices

(From Our Washington Correspondent)

May 15th

THE housewife who went to the nearest schoolhouse last week and obtained Ration Book One (for sugar) obtained the first concrete evidence that something is being done on a national scale about the problem of price and supply. That was last week. This week, after a week-end which resembled a Mardi Gras of the highways, car owners in the seventeen states of the eastern seaboard and the District of Columbia are being rationed again for gasoline. Next week, a comprehensive series of price-ceilings will become effective on retail outputs of most categories of goods.

Preliminaries to these moves date back some months. National income payments moved from \$70,000 millions in 1939 to \$76,500 millions in 1940 to \$92,100 millions in 1942. and are currently estimated at \$117,000 millions for 1942. This increase in income becomes graphic in terms of consumer pressures if one considers that the income of America's 6.9 million farm families rose from \$9,100 millions in 1939 to \$11,700 millions in 1941, and an estimated \$14,000 millions in 1942, and that income from wages and salaries rose from \$45,800 millions in 1939 to \$61,800 millions in 1941; at the same time as non-agricultural employment was stepped up from 35 million to 39.4 million, exclusive of recruitment to the armed forces. And much of the new income went to families whose income level had previously put them in the group that the Treasury euphemistically classes as "non-habitual savers."

This income resulted from the first phases of a war programme that currently totals \$164,000 millions—\$64,000 millions authorised in the 18 months before Pearl Harbour, and \$100,000 millions authorised in the five months after Pearl Harbour. Actual expenditures were \$23,000 millions up to May, 1942. Because of industrial and consumer pressures, prices of raw materials went up 66 per cent, wholesale prices 31 per cent, retail prices 25 per cent between September, 1939, and March of this year. The cost of living, based on the average prices of necessities, has gone up about 15 per cent.

Specific Shortages

The rise in prices was compounded of a general broad pressure of increased purchasing power and specific acute pressures caused by sudden shortages. Most graphic among the latter are the shortages occasioned by Japanese conquests, the loss of Philippine sugar, which amounted to 16 per cent of our pre-war consumption, and the loss of Far Eastern rubber, which was formerly 98 per cent of our total supply. (Rubber is, of course, only one among a series of losses from this area, ranging from tin to tea.) In the general field of metals and chemicals, domestic shortages of a comparatively acute nature have occurred as the war programme has expanded beyond existing capacities. (The limitations on capacities, incidentally, have frequently reflected niceties of cartel management.) In some cases the problem is not one of shortage, but of location; the shortage is in means of transportation, not goods. (The East Coast petrol situation is a case in point.)

On the specific shortages, action was begun over a year ago with the establishment of priorities among uses, giving graded preferences to work on the defence programme in order of its urgency. As a temporary measure, this gave results. At present, however, about 60 per cent of the war programme is already in Class A-1-a.

On the consumers' side, rationing of metal-consuming durables, from cars to ice-boxes, has been completely accomplished by halting their production; all heating and plumbing apparatus has been frozen. (Why pick that particular word?) Clothing has been restricted in respect of styles—no patch pockets on women's suits, no full sleeves

or skirts, narrow hems, two-inch width limit on belts, men's trousers to be cuffless (in spite of a pained release by Department of Agriculture experts that trousers with cuffs could be refurbished six times), vests to disappear, and the salesman's ancient standby, the two-pants suit, to be halved in its lower regions. (This debagging process caused a start even among those who had thought that the war was going to take our shirts.)

But the main job is obviously still ahead. The Emergency Price Control Act of 1942, approved on January 30th, empowered the Price Administrator to set ceilings on the prices of commodities and on rents in defence-housing areas. The Act omitted any reference to wages, and included a section on agricultural commodities which prevents the setting of ceilings on those products lower than a level approximating 110 per cent of parity; intergroup bargaining was thereby continued. On April 27th the President, in a message to Congress, followed by a radio address to the nation, emphasised the need to keep the cost of living from spiralling upward, and announced his seven-point programme.

The Limitations of Price Control

Parallel with the President's speech, Price Administrator Leon Henderson issued the General Maximum Price Regulation, putting ceilings (effective on May 11th for wholesalers, May 18th for retailers and July 1st for services) on practically all goods, except the unprocessed foods exempted (at current price levels) by the Act under whose authority the Regulation is issued. Under this order, each firm will have its own ceiling—the highest price charged for a given commodity in March, 1942. Prices may fall below this, but not go above it. Retail stores must display publicly their ceiling prices for selected commodities in the "cost-of-living" group.

Services connected with commodities are included in the order effective July 1st. Other services are not: excepted are services of an employee to his employer, professional services, entertainments, services of a common carrier or public utility, advertising, including radio, insurance and underwriting, press association and feature services, services related to real property. Rents are restricted in 302 areas.

Forecasts of the effect of this Regulation are warily phrased. Will the cost of living go down? OPA administrators anticipate some reductions in what they term the "roll-back"—under ceilings, retailers will have a strong incentive to put pressure on wholesalers and manufacturers to reduce the prices on their replacement orders so as to keep the retailers in business. Costs of distribution will be cut as services are diminished—the rubber situation figures here too. On the other hand, 30-40 per cent of the food budget is without a ceiling, either because the commodities are exempted by the Act or because they are too seasonal for a March price to be fixed, and food accounts for 30 per cent of consumer expenditures. And the enforcement of rent reduction, with housing as scarce as it is in many areas, presents serious difficulties.

If pressure from interest groups on the various elements in costs is continued, the present price pegs cannot be made to stay in place. Even if these highly political situations are adequately handled, the problem of closing the gap between the currently available quantity of goods and the currently available quantity of purchasing power remains.

Closing the Gap

One current set of very conservative estimates shows the size of the problem. Assuming full adoption of the present tax and social security programmes of the Administration, the fiscal year, 1943, will still leave the American people an

May 30, 1942

income of about \$93,000 millions, to be divided between saving and spending. The amount they would set aside for saving might run to \$17,000 millions. (A 1,000 million a month has been set as a voluntary goal for purchases of war bonds.) That would leave \$76,000 millions to be spent on goods, or about \$8,000 millions more than the value of available goods at January 1942 prices. This amount might be absorbed either by taxation or by forced savings. The conservative character of this estimate can be judged from the fact that OPA estimates place the gap not at \$8,000 millions but at \$17,000 millions.

Faced with such a prospect in an election year, it is no wonder that Congressmen are toying with proposals for less showy tax measures. Arguments for the sales tax are advanced to the effect that the usual case against such measures—their disproportionate cut into the incomes of the lower income groups—becomes a merit when the object is to restrict consumption.

The less thorough the job done through taxation or forced and voluntary savings, the sooner we shall turn to further rationing. At present, the number of scarce articles is limited to those containing various critical materials and imports. But as various phases of armament production approach their peaks, our primary shortage is going to be manpower. Then the same type of shift from civilian supply to war industry will take place in labour as has already been effected in raw materials. Plant making non-essentials will shut down for want of workers. The gap between purchasing power and available goods will be widened further. At that point, further specific rationing will be required for equitable distribution of the scarcest articles, and general rationing will be necessary to equate purchasing power and goods.

The Century of the Common Man

Two remarkable addresses, those of Vice-President Wallace and of Mr Milo Perkins, executive director of the Board of Economic Warfare, have directed attention to the unprecedented amount of thought Americans are devoting to the question of the post-war world. These speeches were not unique. Both Mr Hull and Mr Willkie and a host of less well-known figures, including most of America's prominent columnists, have made their contribution to the discussion. Both Mr Wallace and Mr Willkie emphasised the failure of American policy after the last war. Mr Wallace said plainly

We failed in our job after World War I. We did not know how to go about it to build an enduring world-wide peace. We did not have the nerve to follow through and prevent Germany from rearming. . . . We did not strive wholeheartedly to create a world where there could be freedom from want for all the peoples. But by our very errors we learned much . . .

This is a reversal of the long-established American attitude of disclaiming responsibility for the welfare of the rest of the world; and as a prerequisite to any constructive policy, it is an immense gain to the United Nations.

Mr Wallace characterised the present struggle as a continuation of a centuries-old "people's revolution" towards a society based on President Roosevelt's four freedoms—with emphasis on a better standard of living for the common man in the Axis countries as well as in the United Nations. There can be little quarrel with the specific points of Mr Wallace's programme: that military and economic imperialism must go; that international cartels must be controlled, and inventions made to serve all men rather than the few; and that the common man must learn to increase his productivity. Nor is there much that is debatable in Mr Hull's plea for better international economic relations based on fair treatment and mutual benefit, along the lines already indicated by the Lend-Lease Act. Mr Perkins characteristically concentrated upon the necessity of reforming a society "commodity rich, consumption poor," and the need for creating mass consumption capable of absorbing the products of the mass production industrial equipment which the United States will possess at the end of the war, through the "bold and daring use of long-term credits by every enlightened government."

Neither Mr Perkins nor Vice-President Wallace neglected the price of an enduring peace; Mr Perkins spoke of the war as—

toughening us for the greatest conquest men have ever

faced—the conquest of backwardness and unnecessary poverty. Mr Wallace argued that the return of peace would give the citizen the supreme duty of sacrificing a lesser interest for the greater interest of general welfare. There can be no privileged peoples. We ourselves in the United States are no more a master race than the Nazis.

This was well said and will bear repetition, for the Americans, who in many respects have enjoyed more privileges than the other nations, may find the building of a better order both more costly and more controversial than they realise. The question has already been raised whether after the war the United States will really be willing to relax its immigration laws and reduce its tariffs substantially. A recent *Fortune* booklet has argued that, after the war, the centre of economic and military power will rest in the United States, although it lays stress on the necessity of Anglo-American co-operation. It puts forward as a primary peace aim the safeguarding of the system of free enterprise against any assaults of collectivism, in contrast to Mr Perkins' belief in increased Government intervention and the necessity for retaining war-time controls at least for a period. The inevitable profound disagreements on particular programmes are, perhaps, less important at this stage than the welcome news that the American people are moving toward a realisation of their own power and a recognition of the responsibilities which that power must entail.

American Notes

Rose-coloured Spectacles

The optimists had a short-lived spree last week before the deluge of official warnings against undue cheerfulness. The gloom of the stock market lifted slightly; bonds of the occupied countries spurted; and rumours that the war would be over by Christmas enjoyed a brief revival. The wave of "wishful thinking" appears to have been due to a number of unrelated factors: exaggeration of the importance of the announcement that no new construction of war plant will be undertaken which cannot be completed by July, 1943; the reports of gloom and food difficulties from the Axis, which have been given wide publicity; the Russian drive towards Kharkov; continued speculation about the likelihood of a second front; and the vein of optimism in Mr Churchill's speech and the recent Army and Navy reports. The American press has an amiable weakness for headlining good news and tucking away uncomfortable items on inside pages. Official Washington responded quickly; the commentators followed suit; and, if the news over the next few months turns black, the public cannot claim that it has not been warned. Mr Roosevelt, Mr Hull, the Under-Secretary of State for War and Mr Wallace, all expressed uneasiness and cautioned the public that the war is bound to be long and hard; it was even suggested that the wave of optimism was German-inspired, to sap the war effort. Unfounded ups and downs in public opinion in wartime are hard to control, but in view of the vigilance of the Administration there seems to be no ground for thinking the American people will be allowed to stray very far from sober reality. Anxious solicitude over American morale will probably become less and less necessary as the United States becomes more deeply involved in the war.

Priorities for Labour

The War Manpower Commission has taken the first steps toward establishing a system of priorities for skilled labour. The United States Employment Service is directed to draw up a list of critical war occupations—skilled occupations necessary to the war effort, in which a national shortage of labour exists—and the War Production Board is to classify war plants and products in the order of their urgency, as a guide to the distribution of labour. The Employment Service is to refer workers to employers in the order of their priority, and will immediately begin to analyse and classify the occupational questionnaires distributed by the Selective Service System. The Employment Service is evidently to be the central organisation in the distribution of manpower, for all Selective Service local boards must secure the advice of the local employment office before classifying or reclassifying individuals skilled in a critical war occupation. This should end the disturbing loss of skilled workers to the Forces. The need for agricultural labour is reflected in the request to the Farm Security Administration for more mobile labour camps for migrant farm workers, and for adequate transportation facilities for them. In a recent address, Mr McNutt, Chairman of the

Manpower Commission, estimated that, by the end of 1943, an additional 4,500,000 men would be drawn into the armed Forces, and that war industry would have absorbed 18 million additional workers. Some labour is also expected to be drawn from the Latin American countries. This gigantic conversion of manpower will nearly halve the civilian labour force; and to distribute it effectively, much more will be required than the creation of priorities. Labour will have to follow the example of materials, where priorities proved inadequate and specific allocations are being substituted. The Commission hopes to avoid compulsion, but it is difficult to see how voluntary co-operation, or even what Mr McNutt gently referred to as "compulsion from time to time," can take the place of a comprehensive system of controls. Nor is it by any means certain that the Employment Service has sufficient trained staff or the organisation to deal adequately with the transfer and training of 18 million new workers within the next fifteen months.

Growing Pains

The President's April Order recognising and defining the vastly increased powers of the Board of Economic Warfare over imports and exports has had to be followed in quick succession by another clarifying its relations to the State Department. The Board, which was established in the summer of 1941 under the Chairmanship of Vice-President Wallace with Milo Perkins as its executive director, was given broad but vague powers to co-ordinate policies relating to economic defence. Its powers were largely advisory, its members the hard-pressed heads of various agencies. It is reported to have been hampered both by Jesse Jones' "go slow" policy and by the caution of the State Department. In April, the President issued an Executive Order giving the Board the control, under directives from the War Production Board, of imports other than arms necessary to military and civilian production and power to create and finance corporations to obtain supplies from foreign sources, as well as control over the benefits received from other countries under Lend-Lease and their distribution. The Order was interpreted as placing the Board above Jones in the purchase of critical materials and freeing it from the State Department. Mr Hull, however, was on holiday at the time, and since his return, a new Order has been issued pointing out that, while the Board's responsibility is pre-eminent in "matters of business judgment," the Board must recognise that it is the function of the State Department to conduct or authorise all negotiations with foreign governments. Where no clear-cut distinction is possible matters are to be settled by amicable discussion and if necessary, by reference to the President. The Board's place in the President's inner War Cabinet is assured, but it is not to be at the expense of the State Department. It can only be hoped that the necessary centralisation of authority in vigorous hands which seemed to have been accomplished is not, in fact, to be dissipated once more.

Taxes in the Melting Pot

While estimates of war expenditure during the fiscal year 1943 have soared from \$56,000 to 70,000 millions. Congress is making only slow progress toward formulating a new tax programme designed to restrict spending and finance the war. Since the Secretary of the Treasury presented Congress with a programme to secure an additional \$7,600 millions of revenue, including \$3,200 millions of additional income-tax, a number of other proposals and counter-proposals have been made. Mr Morgenthau has requested reductions in the personal exemptions for income-tax purposes, lowering the exemption for a single person to \$600, that for married couples to \$1,200, and that for dependants to \$300. This, it was estimated, would bring in \$1,100 millions, of which only \$100 millions would come from nearly 7 million new taxpayers. This would bring the total income-tax increases suggested by the Treasury to \$4,300 millions. The Joint Congressional Committee rejected the scheme for lower exemptions in a counter-proposal which would have increased income taxes only by \$1,900 millions, and cut the Treasury's plan for corporation taxes by \$500 millions. Recently the shadow of the November elections, which has hung heavily over the tax deliberations, appears to have lightened somewhat. The House Ways and Means Committee has voted to reduce exemptions slightly more drastically than the Treasury had

suggested, and to increase both the normal and the surtax rates. The Treasury has recommended that 10 per cent of taxable income be withheld at the source to hasten collection. The President has announced reduced appropriations for the Works Progress Administration. Despite the Treasury's giving ground on lower exemptions, and their acceptance by the House Ways and Means Committee, feeling for a general sales tax remains strong, both inside and outside Congress, on the grounds that it is the only method of restricting consumption and expenditure in the lower income brackets, where increases in purchasing power have been most striking; the Administration may not be able to head it off. There is a growing understanding of the need for cutting purchasing power, but the measures adopted might well be more drastic, and if Congress succumbs to the temptation to delay until after November, the anti-inflation campaign will be seriously, perhaps fatally, crippled.

The Savings Campaign

The Treasury has announced that it hopes to establish a rate of voluntary saving equal to 10 per cent of income by July. Since May, 1941, when the current Savings Bond programme started, over \$4,000 millions has been received including \$3,000 millions in 1942, although some of this did not represent new savings, but merely the shifting of funds from other investments. Investments in Federal securities, which in the last quarter of 1940 represented only 1 per cent of all individual savings, jumped to 27 per cent in the last quarter of 1941, a much greater increase than could have been financed out of current income. Sales of savings bonds in April amounted to \$530 millions; the quotas for May, June, and July have been set at \$600, \$800, and \$1,000 millions respectively. The recent increases are largely the result of voluntary pay roll deductions, of which even greater results are expected. Over 70,000 firms, including most of the larger ones, have adopted schemes for voluntary deductions, and the Treasury estimates that about 13 million workers participate weekly. These firms employ about 66 per cent of all industrial workers. The Treasury's insistence on saving out of current income is the only line to adopt, although there is some question whether a flat rate of 10 per cent should be applied to all incomes, particularly when it is a question of "shaming" individuals into saving. Reports that some savings banks have sent out letters declaring that "hoarding cash is sabotage" suggest, however, that even informed persons are not entirely clear either about the advantages of different forms of abstinence or about the fundamental point that the real need is to cut spending and consumption. There has been considerable discussion of a system of compulsion, which would relate savings to the amount of income, and if the Treasury is dissatisfied with the results of the voluntary campaign, a scheme on the British model would probably be well received.

Shorter Notes

Secretary Knox has announced that negroes, who, up to the present have only been allowed to serve in the Navy as messmen, will now be admitted to reserve components of the navy, marine corps, and coast guard. Ten manufacturers in the Middle West have been ordered to admit Jews and negroes to work on war contracts.

The War Production Board has announced that it is prepared to set over-all dollar limitations on inventories in the hands of retailers and manufacturers to assure equitable distribution of goods among dealers. Excesses in one line would prevent purchases in others.

Four farm organisations have announced their opposition to the President's request that legislation should be passed providing that ceilings for farm prices can be set at 100 per cent of parity, rather than at 110 per cent as is now the case.

A committee of State Governors is meeting Federal officials in Washington to establish uniform regulations for lorries and remove other interstate trade barriers hampering the war effort.

THE WORLD OVERSEAS

Balkan Agriculture

(By a Correspondent)

May 18th

WHATEVER Germany's ultimate designs on the economy of South-Eastern Europe, the immediate agricultural policy with regard to that part of the *Grossraum* is plain enough. It may be summed up as maximum production with a change-over to the crops most needed by the German war machine. An article published some time ago in one of the Balkan countries, and bearing the unmistakable stamp of Berlin, is highly revealing and perhaps worth quoting at some length.

Published on the occasion of the new cuts in the German civilian food rations, the article begins by setting forth the supply difficulties with which Germany has to contend at present. These difficulties, the article says, are attributable to two main reasons. First, Germany has to cater for an additional 8.5 million consumers inside the Reich; 2.5 million foreign workers, 2.5 million prisoners of war, one million German colonists, a natural population increase of 1.5 million and one million double rations. Secondly, the difficulties are due to German generosity in the feeding of occupied territories and countries affiliated to the New Order, "although Germany is in no way bound to do so under international law." Rather disingenuously, none other than Finland is cited as a recipient of such generosity.

After this stirring introduction, South-Eastern Europe is urged to increase its agricultural production to the utmost. Europe is not yet self-sufficient in foodstuffs, says the article; its present self-sufficiency is calculated at 91 per cent of total consumption. On the other hand, South-Eastern Europe was a surplus region already before the war, producing 107 per cent of requirements. According to German calculations, this could be increased to 177 per cent by raising the present low production yields. But even an all-round increase of 10 per cent, the writer of the article contends, would remove all grain shortages in Europe.

However, mobilisation of this potential is only part of the German plan. The more urgent and less advertised part is to fill some of the specific supply gaps, which are considerably larger than the 9 per cent average. One case in point, with special application to South-Eastern Europe, is the shortage of oilseeds. This is well known to be Europe's main agricultural deficiency; before the war more than 60 per cent of European requirements were covered by overseas imports. The main task assigned to South-Eastern Europe at the moment is to make good the greatest possible part of this shortage.

The different degree of urgency of the two points is borne out also by the difference in the methods used for each. The increase of general productivity is left to the care of the satellite Governments. The Reich contents itself with using pressure through them, although this pressure may go to the extent of having unaccommodating Ministers dismissed, or the whole land tenure system reconsidered for the sake of higher productivity. The agricultural plans, introduced in one after the other of the Balkan countries, also suggest a common source of inspiration.

German Supervision

When it comes, however, to the question of oilseeds, the Germans do not stop at such indirect measures as "agricultural offensives" conducted by the respective Governments. German firms are given monopolies over the heads of the Governments; they supervise the execution of plans from the distribution of seeds to the final stage of loading the railway trucks for Germany. Areas to be sown with the different kinds of oil-bearing seeds are exactly prescribed; this year Roumania is to sow a total area of 600,000 hectares, more than treble the pre-war acreage. Bulgaria has increased its area under soya beans from 30,000 to 70,000 hectares.

Hungary, whose acreage under oilseeds in 1941 was 45,000 hectares, is to treble this area by the compulsory sowing recently decreed for medium and large estates. Serbia and Croatia are to increase their respective acreages, but these are relatively insignificant, as these countries, together with Slovakia, have other rôles to perform. All told, this acreage would provide, in terms of vegetable oil, a total of some 250,000 tons, of which four-fifths should be available for export after satisfying irreducible home requirements. The figure does not include olive oil production, which in Greece alone was 130,000 tons before the war.

Taken at their face value, these plans look formidable. The reality is vastly different. Even the Germans must realise that the low yields per hectare in the agriculture of South Eastern Europe, which they would like to see raised, are not just a whim of the Balkan producer. They have deep-rooted causes, foremost among them the under-capitalisation of Balkan agriculture. Propaganda, organisation and even coercion cannot remove these causes, and certainly not from one day to another. Indeed, such figures as are available show that, apart from isolated instances, agricultural yields since the war have fallen, in some cases by 25 per cent and more. This is due, to a large extent, to the unsuitability of the soil and climate for some of the new crops. Some countries in south-east Europe have been made to grow cotton, which has proved a complete failure. Nor are conditions congenial, apart from certain regions, for the growing of soya beans, and this applies to some extent also to other oilseeds.

Since last summer there have been new difficulties. The military mobilisation of most Balkan countries has resulted in an increasing shortage of farm labour, accentuated by a simultaneous decrease in draught animals. Germany has sent some tractors to relieve the situation, but in very inadequate numbers.

Another factor of growing importance is peasant resistance—a combination of conservatism, hatred of the Germans and sound economic instinct.

The Severe Winter

The most recent and perhaps most serious addition to this array of adverse factors has been the severe winter of 1941-42. Coming on top of one poor and one medium war harvest, it has thrown all the agriculture of south-east Europe out of gear. In the first place, the early arrival of the winter resulted in an extremely poor maize harvest. (South-Eastern Europe is the main consumer and only exporter of maize in Europe.) Wheat sowing, which in normal years go on well into December, had to be stopped at the end of October. To give but one example, in Roumania, out of a planned 2,300,000 hectares, 1,000,000 remained unsown. During the winter the abnormally severe frost must have destroyed a considerable part of the reduced sowings. Of this no figures have been given, but the extent of the damage may be gauged from Denmark's experience, where between 50 and 60 per cent of the wheat-fields have been destroyed by frost. When the thaw set in, after an exceptionally long winter, large areas were completely under water, and further rains and spells of cold weather delayed work in the fields. Even the revised plans went by the board and had to be replaced by haphazard improvisations. It now looks as if little of the coming harvest will be left for consumption, in view of the seed requirements for the autumn sowing. Indeed, a shortage of seeds is already making itself felt, and is openly admitted as one reason for the insufficient spring sowings.

These developments, taking place in Europe's only surplus region, may prove a factor of considerable importance in the months to come. Washington's announcement about the grain stocks held in readiness for liberated Europe could not have been better timed.

Fuel Rationing on the Continent

[BY A CORRESPONDENT]

IN spite of Germany's natural wealth of coal and lignite, the Nazis found it necessary, in the interest of the war industries, to ration solid fuel for domestic use from the very beginning of the war. Details of the methods used were given in *The Economist* of May 16th (page 684), and it is only necessary here to emphasise that in practice there is no national scheme; the "just distribution" to the consumer is left to the coal traders to carry out.

As much fuel as possible is distributed in Germany during the summer months, and in recent years much pressure has been exercised on all consumers to take their coal at an early date; if no better space is available, the coal is to be stored in the living-rooms or in premises belonging to neighbours, while the traders are supposed to keep in their stores a reserve of only 5 per cent of their quotas. Banks, savings banks, welfare institutions, and employers have been urged to give special credit facilities to the poorer population to enable them to pay for the coal on delivery. At the same time, a big propaganda drive has been started to induce the population to a more economical method of heating. Other measures taken in the Reich include a general ban on temperatures above 18 Centigrade in heated rooms, and an order which forbids the provision of hot water in blocks of flats on more than two days a week; rents have, however, to be lowered if a hot water service had been stipulated in the agreement.

All these ration schemes are only concerned with solid fuel, but neither oil nor gas nor electricity is used to any large extent for heating in Germany. Furthermore, oil is practically unobtainable now, and an extension of gas and electric heating has been prevented by the limitations on the manufacture and sale of the necessary appliances. Gas and electricity have now also been curtailed by restricting consumption to the amount used in a given period; in some districts the gas supply has even been restricted to certain hours each day.

The basic ration of coal and briquettes in Italy amounts to 30 per cent of normal pre-war consumption. People in northern Italy were asked last winter not to start heating before December 1st, and in the south the heating period started correspondingly later; central heating was not allowed to operate longer than nine hours every day. In Italy, too, every attempt has been made in the last two years to deliver a large proportion of the coal before the season for heating actually started, but only one-fifth of the ordinary ration had been delivered early in December, 1940, and last year the proportion seems to have been considerably smaller. The use of electricity and gas is also severely restricted in Italy, though no comprehensive rationing scheme has so far been developed. During February, March and April this year, the maximum amount of electric current to be consumed by every customer (except those using 18kwh or less per month) was 80 per cent of what had been used in the corresponding period of 1941. Large gas consumers, of over 2,000 cubic metres per month, have to pay a surtax of 8 lire for every cubic metre in excess of what was used in April, 1940. All public offices in Italy were closed after 3 a.m. during the winter months in order to save fuel and light.

Consumption in France

Some interesting figures have been published concerning fuel consumption in France during 1941. French households were reported to have used during that year a total of 721,000 tons of coal, that is, 43 per cent of their 1938 consumption. It seems likely, however, from the available evidence that during the winter of 1941-42 a still smaller proportion of the necessary household fuel was actually available. The method of rationing is, moreover, exceedingly crude. As in Germany, there is no comprehensive rationing scheme for all sorts of fuel, even though the cuts in the use of gas and electricity are much more severe in France. The coal ration coupons are almost exclusively based on the number of people belonging to each household; extra allowances are provided for small children, and for families which are not supplied with gas, but neither the number of rooms nor the former requirements are taken into consideration. In unoccupied France, an ordinary family of one to three persons usually received

coupons for 8 cwt of coal for the whole of last winter, and a further 4 cwt were provided for every two additional persons; in Paris, a small family only received 4 cwt throughout the winter. The actual deliveries may have been even smaller than the official rations; according to a German newspaper correspondent, heated rooms were practically non-existent in Lyons in the winter of 1941-42. Wood is largely used, as far as it is available, to supplement the rations, and French newspapers have occasionally complained that French forests are being pillaged for firewood. During the current year, ration books have been provided in unoccupied France only for households in districts with a population of over 5,000 inhabitants; even in larger areas the authorities may refrain from issuing ration books provided that there are plenty of local fuel substitutes. The maximum amount of electric current has been cut down by 10 to 30 per cent of normal consumption.

The position in the various smaller European countries is rather obscure, but enough is known to show that the supplies are utterly inadequate. In Belgium, where the position is probably better, in this respect, than in most other occupied territories, the average amount available for a small family was 4 cwt per winter month. The position is particularly severe in the Scandinavian countries, where the population had mainly to rely on wood to protect itself from the severe cold of last winter. The differences in the supply of household fuel between the various countries of the Continent are probably still greater than in the supply of foodstuffs, but even the most fortunate of these countries are inadequately provided with fuel.

The Irish Budget

[FROM OUR DUBLIN CORRESPONDENT]

May 11th

THE Irish Budget was both surprising and unsensational. Indeed, the reason why it was surprising was that it was so completely devoid of anything new or original. The announcement that no increases of taxation were to be imposed was received with a sigh of relief by the public, who had been expecting the worst. The deficit in the year ended March 31, 1942, amounted to £2,679,000, which was substantially less than the estimated deficit of £3,908,000 because of increases over the estimates in the yield of income-tax and customs. The cost of the Army was £8,155,000, compared with £1,766,000 in the last year of peace. The recurrence of annual deficits has resulted in an increase of the deadweight debt by £3,356,000. Savings Certificates increased by £500,000, and deposits in the Post Office Savings Bank by £2,600,000. The State also incurred large contingent liabilities by guaranteeing the capital of bodies concerned with shipping and importation. The year closed with a balance in the Exchequer of £2,394,000.

The estimated tax revenue for the present year is £32,395,000, compared with actual receipts last year of £30,992,000. Customs are estimated to yield £616,000 less than last year because of reduced imports of tobacco, sugar, oils, motors and clothing. Income-tax, which is 7s. 6d. in the £, is estimated to yield £9,226,000, compared with £8,760,000 received last year. The yield of surtax will be reduced because of the departure of a number of rich residents. The biggest increase is in Corporation profits tax, which is estimated to yield £2,570,000, against £910,000 last year. A few minor concessions to the business community are made in this unpopular tax, which are calculated to cost the Exchequer £100,000. Non-tax revenue is estimated at £5,970,000, making the total estimated revenue £38,365,000. Total expenditure is estimated at £44,146,000, of which £1,347,000 is for capital expenditure to be defrayed by borrowing. The net expenditure is therefore £42,923,000. The net deficit, allowing for some minor adjustments, is £4,558,000.

The Minister for Finance stated that he had no hope of reducing this deficit by economies in expenditure. Indeed, he devoted a large part of his Budget statement to a denial of the existence of wasteful practices in the Civil Service. He also stated that additional taxation is out of the question. There has been no expansion of incomes such as has occurred in the belligerent countries. The national income is stagnant or falling, export prices are unsatisfactory, and the cost of living is high. Emigration and unemployment are on the increase. Any addition to the burden of taxation would cause further unemployment, and would neutralise the efforts of the Government to provide employment by its programme of public expenditure. Between normal and emergency employment schemes, capital expenditure and

advances to the Local Loans Fund, over £6,000,000 is provided in the Budget for the relief of unemployment. Much of the unemployment is caused by the suspension of imports of coal, petrol and raw materials, and these difficulties will be relaxed when the gathering of this year's harvest relieves shipping space now required for wheat.

Reasons for Borrowing

The decision to borrow for the deficit appears to have been dictated by the hard necessities of the situation. But even if an increased revenue were attainable, it would not be desirable to increase taxation at the present time. The National Security Loan of £8,000,000, floated last year, was oversubscribed by the general public without any resort to the banks, and there is no doubt that a similar issue can be successfully made this year. The balance of payments has become very favourable, and large sterling balances are accumulating. Bank deposits are growing on account of the impossibility of purchasing stocks. Both the public and the banks are eager to secure a suitable outlet for their idle resources. Any addition to the deadweight public debt is, of course, to be deprecated, and should be kept within the narrowest possible limits. It can be justified this year by two considerations. In the first place, much of the expenditure is in its very nature non-recurrent, and, in the second place, additional debt is a lesser evil than increased taxation which would break the back of the long-suffering taxpayers.

Italy's Foreign Trade

[BY A CORRESPONDENT]

April 28th

ITALY, as a result of the loss of overseas supplies, is now looking beyond the Brenner for its most needed industrial raw materials, has given up struggling for national autarky and is trying instead, according to the present Governor of the Banca d'Italia, to achieve what he calls a European autarky, in community with the German nation. The total volume of trade between the two countries has grown remarkably during the war; the combined totals for their export and import trade with one another have been as follows:—

	(Rm. millions)
1938	547
1939	659
1940	1,232
1941	just over 2,000

This increase was, to a large extent, due to higher commodity prices. The German periodical, *Das Reich*, estimates that Italian import prices rose by about one-third between 1939 and 1940, and a similar rise probably took place in 1941; the price level of Italian export goods, owing to rising prices in Italy herself, may well have increased still more steeply than those of imported goods. Even so, the increase in the physical volume of trade must have produced a severe strain on the trans-Alpine railway system, especially since purely military transport is also taking place on a large scale. The Germans claim that they succeeded in delivering all the goods promised in the agreement for last year; this involved, in particular, a 100 per cent increase in their steel exports and the dispatch of 12 million tons of coal during 1941. In view, however, of the severe shortages in Italian industry, some of these claims may well be exaggerated. For instance, Italy has had to ration all sorts of fuel in the most stringent manner, although the imports of German coal are supposed to make good for the loss of English and other deliveries, and although the manufacture of electricity from water-power has been increased by over 3,500 million units between 1938 and 1941. For the current year, some further increase in coal deliveries, and in German exports in general, have been contemplated.

The Italians provide the German war machine with those few raw materials which are available in their country—namely sulphur and pyrites, mercury, hemp, flax and raw silk for parachute production. Valuable as they are, these products will not suffice to offset German exports to Italy, and the Italians have been compelled to send increasing quantities of agricultural products to the Reich; this situation is partly reflected in the extension of rationing over almost the whole range of foodstuffs in Italy. The main agricultural products which are being sent to Germany are vegetables and fruit, and, to a lesser extent, rice, olive oil

medicinal herbs, wines, etc.; many of these goods are not in themselves vital for feeding the Italian population, but they could be exchanged for Balkan grain and Danish dairy products if the Germans were less persistent in their claims on Italy. All the recent German-Italian agreements provide for an increasing adaptation of Italy's agriculture and horticulture to Germany's special needs, and the agricultural exports to the Reich, which are already stated to comprise more than 50 per cent of Italy's total agricultural exports at the beginning of 1941, are supposed to increase during the next few years.

Italy's trade balance with Germany is still passive, but the export deficit has been considerably narrowed, according to a recent German report. During 1934 to 1938, imports from Germany exceeded exports by about one half; in 1941, this excess is said to have been only between 10 and 15 per cent. (As the total volume of trade was just over Rm.2,000 millions, Germany's imports may have been in the neighbourhood of Rm.950 millions, while German exports were rather more than Rm.1,050 millions). This reduction may be partly due to the particularly steep rise in Italian prices; but, even so, there appears to have been an actual increase in Italian goods going to the Reich under strong German pressure. As for the price factor, the Germans have now made an attempt to introduce the price-stop principle in their trade relations with Italy; special agreements to that effect were made last October, and extended in connection with the new economic agreement of March, 1942.

Nevertheless, Italy's trade balance with Germany will probably remain passive during 1942. However, the remittances of Italian workers in the Reich will enable Italy to make up for any discrepancy; it was stated in the semi-official German announcement of the March agreement that the wages sent home by these workers now exceed the sum of Rm. one million daily, and that these accounts are going to play an important part in the German-Italian clearing system. They may eventually be used to balance Italy's 1941 clearing account, especially as Signor Gayda urges his countrymen to go to the Reich in still larger numbers and to assist "the mighty German industry."

Non-German Trade

Italy's trade with overseas countries has been crippled by the blockade, and the structure of its trade makes it difficult to find new European trading partners outside Germany. Its non-European exports consisted very largely of textile goods and other manufactured products which cannot easily find a market in industrial Europe, especially in wartime and in face of powerful German competition. In most of the countries which are under German occupation to-day, trade agreements have to be made with the Reich itself. It might be easier to find markets for Italy's agricultural products—if these were not so largely reserved for the Reich. Moreover, it has been stipulated in the latest German-Italian agreement that exports to third parties should only be envisaged when the requirements of the two contracting States have been complied with. Furthermore, as the railway system between Italy and the rest of Continental Europe is used to such an extent for German deliveries, the possibility of increasing trade with other countries is obviously limited; no seaborne trade of any consequence is possible except perhaps where it is directed through the narrow waters of the Adriatic Sea.

The list of Italy's non-German Continental trading partners was formerly headed by Switzerland and France. Switzerland's transit trade through Italy has been greatly increased, since most of her remaining overseas trade is done through Italian ports, but otherwise no increase has taken place in the volume of Swiss-Italian trade. Italy's trade with France has suffered greatly during the war, though a "timid revival" of trade with the unoccupied zone has recently been announced; much of the former

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trade with France was in colonial produce, and a great deal of it was carried by sea. As for South-Eastern Europe, only the less fertile countries near the Adriatic coast have been allotted to Italy as protectorates or spheres of interest. These comprise the "States" of Croatia, Montenegro and Albania; Italy, according to Senator Giannini, also bears the burden of supplying Greece with the greater part of its necessities. Trade relations with Hungary and Slovakia have shown a noticeable but not a spectacular improvement, and those with Roumania have also improved, though Germany has monopolised the most valuable products of that country—oil and grain. Italy's trade with Bulgaria is about normal, while the Italian share in Turkey's trade has considerably declined, owing mainly to transport difficulties.

The Financial Front

[BY A CORRESPONDENT]

April 30th

By occupying the Continent, Germany has been able to use some important financial bridgeheads, for instance, the Paris and Amsterdam Bourses, in the infiltration of concerns with world-wide interests. It is impossible, of course, to obtain an up-to-date and complete picture of these activities. Apart from gaps in the information available, the requisitioning and forced sales of concerns in incorporated territories blurred the picture for some time. Already, in their own country, German official institutions had frequently acquired majority, or at least minority, interests in numerous companies by confiscating the property of Jews or enemies of the state. Later, Polish iron and steel concerns, for example, and the textile industry in Lodz, Czech banks and various Yugoslav companies became German property. Collaboration with French industry is frequently strengthened by the acquisition of capital interests.

The legal position would be relatively simple if the confiscated property remained in the ownership of the state. But it becomes complicated when confiscated property is sold by the state either by auction or on the bourses. It might be advisable, therefore, for the Allied Governments to follow the example of inter-Allied conferences on the punishment of crimes and atrocities committed in the occupied territories, and to publish a declaration that all the transactions effected under these conditions are invalid. This would be a useful contribution to reconstruction in the post-war chaos.

At the same time, measures would have to be contemplated for dealing with those changes in ownership which are legal, and affect companies important to Britain or the whole world. Numerous international concerns are domiciled in France, Holland and Belgium, with their capital dispersed over the whole world. Shares of the most important colonial, raw material, and shipping concerns have been bought and sold on the bourses of these countries. It is easy to use political power for business ends in the acquisition of important capital interests. Capital is doubtless available for this purpose, especially as Germany pursues not only profits, but also commanding positions in world markets and international cartels. This process has entered on a more dangerous phase since the beginning of the war in the Far East, for the restoration of the original capital and control will be doubly difficult if Japanese acquisitions of tin, oil, rubber, and shipping companies in the Dutch East Indies are backed by friendly groups of shareholders on the Continent. So far as the Malay companies are concerned, there is an unmistakable hostility between the Japanese conquerors and the British owners.

The problem has assumed different forms. No anxiety need be felt over the group of concerns whose capital is for the most part held in German-occupied countries, but where actual possession of the concern itself is in Allied hands—as, for example, the Suez Canal Company. Yet certain changes were necessary in order to forestall the effects of German buying of shares on the Paris Bourse. It seems that there are intricate movements on foot to enable the Germans to buy Suez Canal shares as cheaply as possible. German papers published reports saying that the company had declared its insolvency, whereas, in fact, only the payment of dividends had been suspended, for the transfer of canal dues to Paris has naturally ceased. At the same time, too, German papers reported that the Paris office of the company, like the Alexandria office, had fulfilled all its obligations. Another example is the Pen-

natoya concern, which owns lead mines in Spain, metal refineries, and chemical works in Marseilles and northern France, and capital interests in numerous companies in Turkey, Italy, Morocco, Indo-China and Paris, as well as interests in other French concerns, for instance, Kuhlmann. Most of the plant, machinery and other real capital of these concerns is, therefore, not in German hands. In February, the shares of these companies began to slump, and German reports explained it by stating that French investors were no longer interested in Spanish properties. It is known, however, that there is no lack of interest on Germany's part, and there have recently been attempts for a greater penetration into Spanish industry.

Unfortunately, the more usual case is that shareholders are British or Allied nationals, whose plants and factories are situated on the Continent under German occupation. This is, of course, no new war problem. There are grave doubts, however, whether Allied interests in the occupied countries are guarded with the same objectivity as the custodians of German properties guard German interests in this country. The difference lies, not only in Nazi methods, but also in the intricacy of the whole problem. British interests in Germany are enemy property. But what is the ruling in France, which is not at war with Great Britain? What is, moreover, the position in Holland or in the Dutch colonies? At present, no doubt, power decides. It will be difficult to prevent the use of force in the opposite direction, in a post-war restoration, if there is not a speedy agreement on general principles—which should be made known to the European public in order to prevent *bona fide* acquisition of foreign property. In several cases, Allied governments in agreement with Britain have found an interim solution, which may be used if the companies in question have shareholders outside the occupied territories. In such cases, a free board of directors has been formed with a separate administration. The most important example is the Unilever concern.

The Real Aim

Though important private interests are at stake, in the foreground of this problem is Germany's attempt to gain positions of economic importance in the world. Long before the war, all shares of foreign-owned companies had to be banned from the German bourses. There was, in Germany, no financial bridge to international concerns; there was only the road of buying and selling commodities. Suddenly, the German financial and economic policy was offered the chance of acquiring interests in numerous foreign concerns; by this, it is hoped, permanent influence in the international economy will be won—however the war may end. The United States of America made such transactions impossible by the freezing of capital assets. If, for example, certificates only of American Bemberg are now quoted on the Amsterdam Bourse a transfer of shares may later be called in question. But German private capital is at present securing interests in the Belgian Congo, North Africa, Indo-China and in the Dutch East Indies, in international electric, shipping and oil concerns. At a time when the decisions of the Rio de Janeiro Conference are being put into practice, South American interests are falling into German hands. If this should be a legal gap in the blockade, it should be closed as soon as possible.

Books Received

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- International Economic Disintegration.* By W. Röpke. (London) Wm. Hodge and Co., 283 pages. 21s. net.
- The Union's Burden of Poverty.* By I. D. Rheinnall Jones and R. F. A. Hoernlé. (Johannesburg) South African Institute of Race Relations. 44 pages. 1s. net.
- Native Labour in South Africa.* By S. T. van der Horst. (London) H. Milford. 340 pages. 18s. net.
- Facing the Future.* By Lord Davies. (London) Staples and Staples. 183 pages. 3s. 6d. net.
- PENGUIN SPECIALS:
- How Russia Prepared.* By M. Edelman. 127 pages.
- Ley Farming.* By Sir George Stapledon and W. Davies. 158 pages.
- Reaching for the Stars.* By N. Waln. 252 pages.
- Health of the Future.* By Aleck Bourne. 192 pages.
- Speed the Plough.* By C. S. Orwin. 124 pages.
- (Harmondsworth) Penguin Books. 6d. each.

Russia at War

Workers' Supplies

THE war has entailed a reorientation of Soviet food policy in industrial centres. The rôle of the street shop in food distribution has been reduced to a minimum; and the supply of provisions to workers has been entrusted to the management of industrial establishments. There have been various reasons for this development. There is the employment of all available female labour, which has rendered private feeding more and more difficult. Housewives who have gone to armament industries have little time left for queuing up at shops or for doing their private cooking. On the other hand, shortages of foodstuffs can more easily be overcome by communal feeding in factories than by individual catering. A decree of May 6, 1942, provides for the setting up of so-called Workers' Supply Departments in all the enterprises in the main industries, with the task of

producing and supplying foodstuffs to the workers and employees of industrial establishments as well as to their families.

The interesting thing is that the Supply Departments have not only to supply, but also to produce, the food. The decree speaks of the establishment of "auxiliary farms" attached to factories, mines, etc., and managed by the Workers' Supply Departments. Nothing has been said about the size of these "auxiliary farms"; but it has been indicated that cattle rearing, besides cultivation of grain and vegetables, should come within the scope of their activities. It is, of course, difficult to say how the scheme will work; but it is certainly intended to make industrial establishments as little dependent on outside supplies as possible. *Pravda* emphasises that the Workers' Supply Departments should in all respects be treated as a normal productive branch of any particular industrial establishment. They have also to see to the timely collection of foodstuffs from the central supply stores, a task which the normal network of distribution seems to have been unable to discharge.

The work of the Supply Departments will come under the double control of the trade unions and the factory committees. The Central Council of Trade Unions has issued an appeal to local branches, stressing the importance of the reform for the improvement of the food position and asking the local organisations to take the most active interest in the work of the Departments. The rôle of the factory committees is to control the correct distribution of food and ration books; they also have a say in employing and dismissing the personnel of the Departments. This double control is meant as a safeguard against abuses and speculation in food.

A situation has been brought about in many respects similar to that which prevailed during the first years of industrialisation, before the abolition of the rationing system in 1935. During that period, too, the distribution of foodstuffs was based on the factory rather than on the retail shop. This had the one important effect that, at a time of food scarcity, the Government was able to direct supplies of food into the channels which suited its industrial policy most. During the first Five-Year Plan the workers in heavy industries were incomparably better supplied and fed than those employed in light industries. The general policy was aimed at the development of heavy industries; and the food policy was adapted to this end. Under such conditions, money wages meant very little. A worker of a Moscow textile factory who earned twice as many roubles as his colleague of the Kharkov Tractor Works, was actually much worse off; the shop and the dining-room of his workshop could offer him much less than was available at a tractor plant. The Workers' Supply Departments now provide channels for directing food supplies into the most vital defence industries; the normal trading network was hardly suitable for that purpose. And money wages have once again lost something of their meaning.

There is one significant point in the instructions given to the managers of the Workers' Supply Departments. They are asked to keep in close touch with the life of the factory, so as to know who are its best workers and Stakhanovites. "Those who work best—it is said—have the right to better supplies"; and the manager of the Supply Department should regularly inform himself about those workers who

exceed their productive quotas, and keep for them additional foodstuffs. Thus, equal money wages may buy unequal quantities of goods, even within one factory.

The Supply Departments may play a great rôle in Soviet war economy. In reducing non-essential consumption and directing food supplies to the workers in defence industries, they can perhaps do a part of what war taxation and savings accomplish in other belligerent countries. Not only can they supply foodstuffs; they can also withhold the supplies.

* * *

Spring Sowing.—Spring sowing is reported to have given good results in most of the Eastern Asiatic territories. Tadzhikistan has completed its cotton sowing in the first days of May. Siberian grain farms, too, have fulfilled their plans in time. The Volga region is lagging behind, perhaps because of the unusually cold spring weather. The main difficulties have been labour and tractors. The shortage of labour still seems to be acute, in spite of the "agricultural mobilisation." This applies particularly to tractor and lorry drivers, who are being asked to work very long hours. A decree of May 10, 1942, has introduced a new system of bonus payments intended to induce the staffs of the Machine Tractor Stations to more intensive work. Under the decree, members of tractor brigades will receive—besides the normal wages paid by the MTS—additional bonuses from the collective farms. These will amount to 13-20 per cent of the value of crops raised in excess of the plan. The trouble seems to consist in a high proportion of breakdowns caused by newly skilled drivers. In the Volga region a large number of tractors have been idle; and the farmers have been urged to use draught animals instead of waiting for tractor repairs.

The following figures illustrate the development of the "Eastern granary" (Siberia and Eastern Kazakhstan). During the second Five-Year Plan, 17.5 million acres of new land were put under cultivation. A further five million acres have been sown in the course of the last three years. Sowing of winter crops in Siberia started for the first time only three years ago; but it is claimed that the area under winter crops is now 3,400,000 acres larger than a year ago.

*

Industrial Competition.—A drive for "Socialist emulation" has been started in the most important defence industries. The initiative was taken by the metal workers of Kuznetsk; and soon the rivalry spread to tank and aircraft factories. Pledges to increase production and to reduce waste—these are the customary forms of "emulation." One of the gun factories, for instance, undertook to produce, beyond the plan, tank cannon in numbers sufficient to equip three tank brigades. Another big metal plant in Stalingrad pledged itself to produce, also above the plan, 2,500 tons of steel and 1,500 tons of rolled steel during May. Other typical "challenges to emulation" envisage the lowering of costs of production by 10 per cent, the economising of fuel and electric power by 3-5 per cent and so on.

Commenting on the drive for higher production *Pravda* stated:—

Spring and summer are seasons of tank and aeroplane activity. It is now that the Red Army needs increased help. One tank built to-day in excess of the plan is worth more to us than many tanks built later on.

M. Joreglyad, the deputy commissar of the tank industry, has published a very optimistic statement:—

The output of Soviet tanks—he said—has been considerably increased, and the present tank industry is several times more powerful than it was in the early days of the war. It can supply the Red Army with as many tanks as it will need to defeat the enemy in 1942.

Yet, in spite of this optimistic account, much emphasis is still being laid on the need to speed up tank production. The Stalingrad Tractor Works decided to shorten the time allotted for the final construction processes of a tank by 15 hours. It is said that the time required for these processes is now 26 hours less than the accepted time standards. It is not clear which "time standards"—foreign or Russian—are meant.

THE BUSINESS WORLD

War Damage

A LITTLE more than a year ago, the Government, after much deliberation and careful drafting, produced the War Damage Bill, which became in due course the War Damage Act, 1941. It was a very long document, running itself to 102 sections, and followed by trailing clouds of schedules, standard policies, rules and orders. These addenda covered more than 40 pages of small type, and provided the Government and the responsible draftsmen with opportunity enough to express their meaning and qualify the liability of the Treasury in any manner that was considered desirable. If there is any ambiguity or misdescription in this law, it is not to be attributed to the shortage of paper.

The draftsman begins by explaining that Part I of the Act provides indemnity for war damage sustained by land. Part II starts with a declaration that the Board of Trade is undertaking liability for war damage to goods, and continues with a statement that it also insures chattels against war damage. The second schedule opens with a *pro forma* policy agreeing that if the insured property sustains war damage, the Board will indemnify the owner. It goes on to indemnities for war damage to farms, war damage to inland craft, war damage to hire-purchase goods, war damage to churches, libraries and museums. A later schedule contains another *pro forma* policy, underwritten by the Board of Trade, and covering private effects—once more against war damage. This dominant *motif* permeates the whole vast document, as insistent as the cry of a huckster in the market place. "War damage. War damage. This way for indemnity against war damage."

But what is meant by the words war damage? On that point the Act is commendably clear, for in Section 80 it provides the following definition:

In this Act the expression war damage means damage occurring (whether accidentally or not) as the direct result of action taken by the enemy or action taken in combating the enemy or repelling an imagined attack by the enemy.

Action taken in combating the enemy. The verb to combat is defined in the Oxford Dictionary as "opposing or striving against," so that when the Board of Trade issues a policy against action taken in combating the enemy, it is clearly contracting to make good damage done to the insured property by steps taken to oppose and to struggle against an invading army. If the Germans were to land in Kent, and British soldiers should blow up a village to prevent the Germans from using it, that would be war damage within the clear and indisputable meaning of the War Damage Act; and as such it would, logically, be covered by the Board of Trade's policies.

But is the matter quite so plain? A question put recently in the House of Commons to Mr Dalton, President of the Board of Trade, and the answer that he gave to it, suggest doubts. This was the question:

Whether in the event of invasion of this country, compensation for loss through the application of the scorched earth policy, or in consequence of seizure by the enemy, is covered by the War Risks Insurance and War Damage Acts, or whether the Government propose to accept liability for losses which may be caused to citizens under these heads?

And this was Mr Dalton's answer:—

The Acts were designed to deal with damage resulting from such risks as air raids or coastal bombardment. In general, these would not cover the risks mentioned. It is not possible to lay down in advance the financial arrangements which might have to be adopted in the circumstances described in the question.

Difficult as it may be to believe in the light of Mr Dalton's reply, it is nevertheless a fact that there is not, from one end to the other of this most elaborate law, a single reference to air raids or coastal bombardment, a single section in which any damage but war damage is mentioned, a single place where the definition "action taken in combating the

enemy," is (except in a reference to the black-out) either qualified or conditioned. After millions of pounds have been extracted by compulsion from house owners and business firms, and other millions have been accepted voluntarily from householders as premiums on their furniture, the Board of Trade denies its liability for the risks that it has insured, and airily informs the public that its policy was designed to cover such risks as air raids or coastal bombardment, and does not in general (whatever that may mean) insure the policy-holder against action taken in combating the enemy. If Mr Dalton's declaration is not a flagrant repudiation of contract, it would be interesting to know what is.

The Board of Trade, if put to it, would probably set up as a defence that, if the country was invaded, and if the authorities destroyed property to prevent its falling into enemy hands, the expense might be so enormous as to strain the assets of the insurance fund. That is a defence that some unsuccessful underwriters and insurance companies would have been glad before now to adopt. They would have liked to be able to tell their policy-holders that, when they gave cover, they had underestimated the risk, and that consequently the bargain was off. It would have been very satisfactory if they could have said, "We're sorry, but we drafted this policy too generously; we ought to have excluded this risk and that risk, and if we had thought of it, we would have excluded them; but as we overlooked them when we gave you cover, you will naturally agree now to our inserting fresh conditions while we retain the old premium. The alternative would be that claims might exceed premiums, and we should lose money. You will kindly read the policy as we would prefer it to be, not as it is." That is not done by private insurers, but it is exactly what the Board of Trade is doing to its clients.

"The socialisation of all services of insurance would make its benefits more available, and at a far lower cost than is the case in the present competitive system." That sentence comes from the Labour Party's manifesto on post-war reconstruction: life, fire, accident and, presumably, marine insurance would be taken from untrustworthy private capitalists. It is not necessary to recall here the successful history of British insurance, its reputation for standing by its bond, and paying more, not less, than its legal liability. The international pre-eminence of British insurance offices for over a hundred years is proof enough. But suppose that things were different, and that the British companies managed their business as the Board of Trade under Mr Dalton proposes to manage the War Damage Act. Suppose, too, that typhus was raging across the Continent, and an English working man who had been paying premiums for years on a clean life policy, wrote to his company and asked whether death from a typhus plague was covered. And suppose the general manager of the life company sent him a letter on these lines:

Dear Sir,

Your policy is designed to deal with such diseases as rheumatoid arthritis or senile decay. In general, it would not cover the disease you mention. It is not possible to lay down in advance the financial arrangements which might have to be adopted in the circumstances described in your question.

Yours faithfully,

That would be a reproduction of Mr Dalton's answer in the House of Commons, and what would the Labour Party have to say about it? One may reasonably guess that they would be critical, and ask questions of the President of the Board of Trade, and stimulate him to deal vigorously with this fraudulent private enterprise, and point out how impossible such a swindle would be if all the services of insurance were socialised, and ask indignantly how long this bare-faced exploitation of the working man by wasteful and unscrupulous insurance companies was to be allowed to continue. There seems to have been no such angry outcry from the Labour Party when Mr Dalton announced the Government's breach of contract in the House last week.

Finance and Banking

Window Dressing

Most of the clearing banks have been busy this week in making up for their May returns. Though this has involved a modest amount of calling in of loans and the temporary cessation of bill purchases by the banks concerned, the net effect of these window dressing operations has hardly been felt on the money market. On each day of the week, there has been some outlet for July and August bills with one or more of the clearing banks, and though cheap money from non-clearing lenders has not been much in evidence, there has always been enough credit to go round. By Thursday, conditions in the short loan market had become exceptionally easy again, despite the fairly large amounts of Treasury bills being taken up by the market. For three consecutive weeks, the market's allotments of bills at the weekly tenders have ranged over 40 per cent, which represents an exceptionally large turnover. Treasury deposit receipt payments this week amounted to £15,000,000, thus equalling the nominal maturities. Prior encashments had probably reduced the nominal maturities to under £10,000,000, but as Treasury bill payments to equalled maturities during the week, it will be seen that the net borrowing from the market on short term account was kept within exceptionally small dimensions. The Bank return reflects the end-month making-up in a rise of £20,834,000 in bankers' deposits, which have thus expanded to the comparatively high level of £146,635,000. This increase in bank cash has occurred despite a further rise of £6,169,000 in the note circulation—a movement which leaves only £41,603,000 of unissued notes in reserve. The main counterpart to these changes is provided by an increase of £19,550,000 in the holding of Government securities and by a fall of £9,957,000 in public deposits.

Silver Output and Consumption

The annual review of Messrs Handy and Harman, the New York firm of bullion dealers, contains its customary wealth of factual information on the silver market—information which is particularly welcome in this country now that the sources of much of the former data on the silver position are so effectively blocked. The feature of the year 1941 in the silver market was the increasing isolation of the three main centres, New York, Bombay and London. As long as shipping, exchange and export restrictions remain what they are to-day, this isolation must continue. In New York, the sole price movement of the year was the increase of the market quotation from 34½ to 35½ cents per ounce. This occurred on November 28th, and followed the agreement between the USA and Mexico providing for the direct purchase of Mexican silver by the US Treasury. As the Treasury bought the whole of the newly mined American silver at 71.11 cents per ounce and has been acquiring a substantial amount of the Canadian production at its official price of 35 cents, less than half the world's 1941 silver production was available to industry in the USA and Canada. As this industry increased its requirements considerably owing to the war, the diversion of the Mexican silver to the US Treasury would have created a serious situation and the natural solution was for the open market to fix its price for silver slightly above the Treasury's buying price of 35 cents. Western hemisphere production of silver in 1941 is estimated at 203,500,000 ounces, or some 10,000,000 ounces short of the 1940 figure. Data for the rest of the world have not been available and the estimate has remained at 64,000,000 ounces, the same figure as for 1940.

Little information is available about other sources of supply, but it is estimated that London received about 5,000,000 ounces of melted coin from Hongkong while some 2,500,000 ounces were exported from China during the first eleven months of the year—the bulk going to British India. It is interesting to note that imports of silver from Japan into the United States from the beginning of

the year until July, when they were stopped, amounted to 7,832,000 ounces, a figure which exceeds current Japanese production by some 1,500,000 ounces, the excess representing metal which must have been filched from China.

Silver in Industry

The main feature of the silver year, however, was the inordinate increase in the industrial demand for the metal. For the United States and Canada this is estimated to have totalled 80,000,000 ounces, an increase of nearly 95 per cent over 1940. One factor in this was the increased sales of silverware resulting from the exceptional crop of marriages in the United States which followed the enlistments and the Selective Service Act. But the main influence at work was the immense increase in the real industrial uses of silver. Some of these are listed by Messrs Handy and Harman. They are: silver alloys replacing brass and nickel alloys; pure silver wire replacing copper wire in certain electrical appliances; silver used as corrosion resisting material for plating; silver used with lead instead of tin-lead solders; silver used in making brazing alloys and in the manufacture of electrical contacts; pure silver used for making aeroplane bearings and in photographic films and surgical materials. The result of this record extension in the industrial uses of silver has been to bring the US Treasury purchases of silver down to 139,000,000 ounces for the year, the smallest annual total since the inauguration of the silver buying programme. Messrs Handy and Harman conclude their report by referring to the possibility of an advance in the market price of silver in view of the increased use of the metal which may raise consumption to a point where a shortage would occur.

Cater, Brightwen's Expansion

After the publication of Cater, Brightwen and Co's balance sheet as at April 30th last, the time has come to talk of the "big four" and no longer of the "big three" of the discount market. In the total of its balance sheet, namely £36,694,000, and more particularly in its net bill holding of £25,304,000, this firm now challenges comparison with the three public companies which have hitherto dominated the market. The latest balance sheet is the first to reflect the changes in the stature of the firm following the absorption of Roger Cunliffe in July, 1941. The effect of this operation and of the subsequent development in the activities of the firm is a 50 per cent expansion in the main balance sheet items, bills having risen from £16,053,000 to £25,304,000 and investments from £7,307,000 to £10,421,000. The ratio between bills and investments is unusually conservative for these times, and the "austerity" of the position is emphasised by the fact that the bill portfolio is not swollen by dubious items which should more properly be included among investments. The longest security to be ranked among bills are short-term notes which have less than twelve months to run to maturity. The investments are given in detail and the longest of them are 2½ per cent National War Bonds of the 1946/48 series. The firms which have merged to constitute this unit in the discount market have brought with them a strong tradition of genuine commercial discount business. Despite the inevitable supremacy of the Treasury bill in this as in every bill portfolio, this tradition still lives. This may be seen from the increase of the contingent liability in respect of bills rediscounted from £1,202,000 to £3,686,000. Such liability is only indicated in the balance sheet in respect of commercial paper and is excluded where Treasury and Corporation bills have been sold. The balance sheet, therefore, not only reveals a business conservatively run, but reveals it with exemplary clarity.

Port of London Bills

Tenders have been invited this week by the Port of London Authority for £2,000,000 of six months bills. The bills are dated June 1st and will mature on December 1st.

In conformity with the official regulations on short term borrowing by public authorities, the Port of London Authority has been clear since March 14th last of any bill indebtedness and has thus slightly exceeded the prescribed two months' abstention from bill borrowing. The last issue was also for £2,000,000 in six months bills and these were placed at an average rate of £1 os. 7d. per cent.

Capital Movements in USA

The US Treasury Department's statistics of capital movements to and from the United States are now complete for the year 1941. In their totals, they show smaller movements than for the two previous years, but the geographical distribution of the changes is of exceptional interest. The net grand total of capital movements shows an efflux of foreign capital to the amount of \$496,900,000. compared with an influx of \$706,400,000 in 1940. Foreign

short term banking funds in the United States were reduced by \$286,600,000, sales of US securities by foreigners exceeded purchases by \$262,000,000, while on the other hand purchases of foreign dollar securities by foreigners exceeded sales of such securities by \$51,700,000. The main contributor to these capital movements was the United Kingdom. During the year Britain sold US securities to the amount of \$227,300,000. On the other hand, its holding of short-term banking funds increased by \$37,300,000. An exceptionally large movement was the reduction of \$169,600,000 in the short-term banking funds held by Switzerland in the USA during the year. This movement may be read in conjunction with the substantial increase in the Swiss gold reserve during the year, and represents the private dollar holdings sold by Swiss nationals to the National Bank of Switzerland in anticipation of the freezing orders applied during the year to all European assets in the US. The National Bank, in pursuit of its traditional policy, has decided to convert the greater part of these dollar assets into gold earmarked for its account in the United States.

Investment

Manpower and the City

The appointment of the Kennet Committee gives form to the statement made by Mr. Bevin rather over a fortnight ago, which was, in part, the occasion of an article in *The Economist* of May 16th. As was then suspected might be the case, the object is to save manpower "by way of some form of concentration or otherwise"; but the scope of action is the whole of the City's financial operations—banking, insurance, investment trusts, and finance and discount houses, as well as stock exchange businesses, presumably including those outside London. The position of the London Stock Exchange was fully discussed a fortnight ago. It only remains to add that the normal process of combing out employees continues, and that some slight saving of manpower might possibly be effected by the more extensive adoption of Saturday working—but not, of course, by opening the exchange on that day. So far, no up-to-date figures are available for either the banks or the insurance companies. The former have been continuously under fire, and it is doubtful whether any very substantial saving is possible. In the absence of figures, it is impossible to venture an opinion about insurance companies, while the position of the other elements is even more uncertain. It is well known that considerable pressure has been put upon the discount houses, for other reasons, to amalgamate, but without the results which were at one time anticipated. But whatever results might be expected from telescoping in this section, it is difficult to believe that they would include the release of any very large labour force. This would seem to apply also to investment trusts and finance companies, subject to the possibility that in these cases the management are not the owners, and may, therefore, hold a rather different view on the expediency of maintaining staff, even under war conditions. There is, of course, no reason at all to object to a thorough investigation, provided that the results warrant the time spent. It is part of a sound and necessary policy of combing-out; and it may even serve to dispel some illusions as to the contribution of financial institutions.

Two further points of some interest must be mentioned. The panel chosen to deal with the banks and stock exchange consists of Mr. E. H. Lever, once of the Prudential and now of Richard Thomas; Sir Robert Witt, solicitor; and Sir William Wood, formerly accountant, *inter alia*, and now president of the LMS. These will sit under Lord Kennet. The choice suggests that the sound principle is being followed of appointing those with least connection with the sections of finance they are called upon to investigate. The City is somewhat concerned about the interpretation to be placed upon the final sentence of the Chancellor's statement. Is his hope that the Committee will remain in being "in case it can continue to be of further assistance—in the same sphere" an indication of similar investigations elsewhere, or—as it seems to read—a portent of repeated investigations into financial institutions?

American Form Certificates

A new set of regulations, drawn up by the Stock Exchange Committee, appears, at first sight, to introduce fresh complications for holders of securities which are in American form. This applies now mainly to Canadian securities such as Canadian Pacific, International Nickel and Brazilian Trac-tion. The distinction between the American form and the normal British practice is that once the share certificate is signed by the person or firm in whose name it is registered it passes by delivery as a bearer security. As a result, the registered holder may be different from the actual owner, and this fact has led to a certain amount of evasion of the regulations designed to prevent the enemy from realising such holdings. It has also meant that, in the past, infinite trouble has been caused, after a sale, by the need to trace out the past ownership. Without going into the complexities of the matter, the effect of the new regulations is that two prices will in future be quoted for all the securities in question. Arrangements have already been made for the double quotation in the case of the three stocks named above. The higher of these will be for certificates registered in the name of a firm which the market recognises as "good." The lower for those registered in the name of the actual owner. The purchaser should, therefore, have stock transferred into one of these market names. Having done so he will have to lodge the stock with his bank for the collection of dividends and other "rights," since the company will have no knowledge of his existence. The difference between the two quoted prices will presumably amount to the cost of effecting the transfer, plus an allowance for insurance, and other charges, in those cases where there is no London register. A further complication arises from the fact that much of the stock in question is already lodged in the United Kingdom Security Deposit in Montreal. In this case, the owner has nothing but a Call Ticket, issued by the Bank of England. Owners of these tickets who wish to sell will, in future, be required to furnish sufficient information to enable the buyer to trace the registered holder. Unfortunately, until this is done it will still be impossible to tell whether the stock in question is a good delivery or not. Further, in order to limit the amount of stock in existence which is not known to be a good delivery, all stock will, after September 1st, be a bad delivery which is not registered either in the name of the actual holder or in that of a recognised firm. Holders of any such securities will, therefore, be well advised to consult their brokers at once as to what action should be taken.

New Dealings and the Treasury

So far as can be seen at present, there is no reason to question the wisdom of the Treasury in deciding to reinforce the control of permission to deal, exercised by the special sub-committee of the Stock Exchange, by requiring that its own permission must also be obtained. There is something anomalous in the fact that, while a company may

not raise money to forward its contribution to the war effort by the issue of shares without obtaining the permission of the Capital Issues Committee and of the Treasury, a group which holds the shares of a company may dispose of them by obtaining permission to deal. In addition, the solicitors of a financier, whose name was some years ago much before the public, have found a perfectly legal way of driving a coach and horses through the regulations. The sub-committee, to whom the application came, considered the issue against the public interest, but could not legitimately object to it. It will not be surprising if, when all is known, it proves that there has been some co-operation between Treasury and Stock Exchange in this matter. This is, however, no more than a possibility. In normal times, it would be a reflection on the efficiency of the new issues sub-committee to suggest that Treasury intervention was needed in the public interest. In war, when the rights of the investor have been so drastically interfered with by the Government in the national interest, it would show a lack of proportion to complain of this further intervention. The new step remains, however, one of potential importance.

Fine Spinners Developments

The results of Fine Cotton Spinners, for the year to March 31st last, show a fall in a total revenue after all management charges from £823,861 to £635,228. Interest, depreciation and directors' fees are virtually unchanged, but War Damage Contribution is halved at £50,000 and tax provision reduced to one-third, at the same figure. As tax on dividends alone amounts to more than three times that figure, it is evident that either there has been over-provision earlier or that the latest profit is after some tax. After these appropriations, and after meeting the preference dividend, the net amount available is £225,676, compared with £272,242 a year before. This year, it is necessary to provide for part redemption of the new funding certificates—but not for interest on them. The provision of £50,000 is rather in excess of the minimum required, in view of the decision to pay a 3 per cent dividend on the ordinary capital. Some 37 per cent of the dividend goes to holders of old preferred ordinary capital, converted under the scheme of January last. This leaves a total of £95,426, of which £80,000 is used to write down cost of replacing basic stock. It should be borne in mind that in this and succeeding years there will be a charge of £15,000 for interest on the funding certificates. Provided this can be found, and the 3 per cent dividend on the equity capital maintained for a further five years, the certificates would be paid off and an annual sum of £65,000 released for the equity capital, either as dividends or as additions to reserves. It is not intended to infer that such earnings are in any way assured.

The question has, however, a particular relevance in view of the offer which has been obtained by Mr Austin Kavanagh, secretary and advisory accountant to the preference shareholders' committee, to purchase the funding certificates for cash. The price offered is 18s. 6d. per £1, free of all costs, for certificates of £50 and over, and three-pence less for those of smaller amounts. For those who want cash now, the offer will have considerable attraction. For those who can afford to wait, it is a matter of assessing how soon the certificates will, in fact, be paid off. If the whole could be redeemed five years from now, acceptance of the offer would entail abandoning a capital profit of rather over 8 per cent over that period—the profit to the undisclosed buyer would appreciably be less, as he pays all costs, which raise the gross price to some 19s. odd. Those who believe that, whether the certificates are paid off or not, the future profits will show an improvement over those of the period after 1933 sufficient to ensure the regular payment of the preference dividend, might accept the offer and secure a slightly larger income by buying the preference shares, which, even after the offer, still stood at some 17s. 6d.

Company Notes

Pease and Partners Setback

The drop in total income of Pease and Partners from £617,446 to £406,338 for the year to March 31, 1942 came as something of a shock. Nor are the accounts sufficiently informative to give any clue to the reason. Totals are before taxation, which required £70,000 last year against

£200,000 in 1940-41. Depreciation receives £70,000 as before, but there is a reduction of £20,000 to £40,000 in the transfer to renewals and contingencies. After prior charges, £144,089 against £176,476 is available for equity earnings representing 8.5 against 10.2 per cent. Thus, the ordinary dividend which is reduced from 10 to 8 per cent is covered by current earnings and the small surplus goes to raise the carry forward from £300,194 to £304,692. The setback may be attributed to rising costs, which have affected all aspects of the business of the group from colliery and quarry to the output of finished iron and steel products. There may also have been some shortage of labour, although the concern is scheduled under the Essential Works Order. The consolidated balance sheet shows a rise in surplus liquid assets only from £2,353,187 to £2,355,069. There is the normal increase in creditors and debtors, but the secured loan is moderately lower at £266,678 against £286,763. The fall in cash from £1,056,823 to £849,375 finances a rise in investments from £240,478 to £377,306 and in consumable stores from £434,145 to £511,158. Despite the rise in the price level, stocks of coal, coke and iron, however, are reduced from £190,540 to £154,253. Total reserves are reduced from £1,371,635 to £1,250,366. The 10s. ordinary shares, at 10s. 3d. ex dividend, yield £7 16s. 1d. per cent.

"Slubbers" and English Sewing Cotton

The full accounts of *British Cotton and Wool Dyers* for the year to March 31st suggest that there was a contraction in turnover last year. No strict comparison is possible between the total disclosed profits of the two latest years, since, before repairs and renewals in both cases, those for 1940-41 amount to £247,113 after EPT, while those for 1941-42 amount to £205,857, including an unspecified transfer from taxation reserve. There is no specific mention of EPT in the latest year. On this basis, the apparent increase in equity earnings from £42,903 to £47,004, representing 7.1 against 6.1 per cent, has little meaning. The ordinary stock receives 5 per cent as before, and, after transferring £10,000 against nil to contingencies, it is necessary to reduce the carry forward from £55,116 to £53,412. The balance sheet suggests a very definite contraction in business. Thus, debtors are reduced from £251,396 to £135,678, net loans to subsidiaries from £27,572 to £13,445, and creditors have dropped sharply from £463,481 to £120,755. There is a fall in cash from £212,563 to £71,943, and stock is some £41,000 lower at £212,611. The full accounts of *English Sewing Cotton* for 1941 show a substantial rise in gross earnings. Total profits are up from £253,421 to £261,243, and after doubling the transfer to staff funds at £10,000, equity earnings amount to £151,071, against £150,812, representing 7.6 per cent as before. The ordinary stock again receives 7½ per cent, leaving the carry forward £1,071 higher at £121,745. The balance sheet shows a fall in stocks of £154,000, of which £100,000 has been placed in Tax Reserve Certificates. The total of cash and debtors is little changed, while creditors are some £87,000 lower. It seems probable that the experience of *English Sewing Cotton* was more satisfactory than that of *British Cotton and Wool Dyers*. If this is the case, the contrast is most probably due to the fact that rationing and restriction of civilian consumption must have interfered less with domestic demand for the products of the former concern. The *English Sewing Cotton* £1 ordinary stock, at 26s. 6d., offer a yield of £5 9s. 1d. per cent; the "Slubbers" 5s. ordinary stock at 4s. 3d. yield £5 17s. 8d. per cent.

Whitbread's Good Year

The full accounts of Whitbread for 1941 show a striking improvement in profits, after fees, tax and depreciation, from £249,605 to £313,046. It is clear that the rise in the gross figure, which is not disclosed, must be much greater. After meeting prior charges, equity earnings are up from £150,708 to £213,291, representing 23.6 against 15.4 per cent. The directors have restored the total payment on ordinary shares from 14 per cent to the 18 per cent, which was distributed for the five years ending in 1938. There is again no transfer to reserve, the whole of the surplus being devoted to raising the carry forward from £287,497 to £316,395. These results may well prove a pointer to the trend of brewery profits as a whole. These results represent a recovery from the sharp fall in the preceding year, when the company appears to have suffered more from the various effects of enemy action than some of its competitors. Increasing purchasing power

The Baltimore and Ohio Railroad Company

SUMMARY OF ANNUAL REPORT FOR THE YEAR 1941
The annual report of the President and Directors of the operations of the Company for the year 1941 is being mailed to its shareholders. The report shows that the gross earnings for the year were the largest for any year since 1929.

RESULTS OF OPERATIONS

The audited income account of the Company in comparison with 1940 is summarised as follows:—

	1941	1940	1941 Increase Over 1940
Railway Operating Revenues	\$227,503,021.56	\$179,173,161.63	\$48,329,859.93
Railway Operating Expenses	160,918,417.51	132,600,798.97	28,317,618.54
Net Rly. Operating Revenue	\$ 66,584,604.05	\$ 46,571,665.66	\$20,009,938.39
Rly. Tax Accruals	15,780,105.71	11,645,694.99	4,134,410.72
Railway Operating Income	\$50,804,498.34	\$ 34,928,970.67	\$15,875,527.67
Equipment and Joint Facility Rents			
Net Debit	4,507,373.81	4,310,439.38	196,934.43
Net Rly. Operating Income	\$ 46,297,124.53	\$ 30,618,531.29	\$15,678,593.24
Other Income	8,306,748.91	8,244,714.20	62,033.81
Total Income	\$54,603,872.51	\$ 38,863,245.49	\$15,740,627.05
Miscellaneous Deductions	2,004,180.92	1,688,203.37	315,977.55
Income Available for Interest and Other Charges	\$ 52,599,691.62	\$ 37,175,042.12	\$15,424,649.50
Fixed Interest and Other Fixed Charges	20,141,033.67	20,265,210.33	124,176.66
Income Available for Other Purposes	\$ 32,458,657.95	\$ 16,909,831.79	\$15,548,826.16
Contingent Interest Charges	11,366,775.00	11,360,335.00	6,440.00
Net Audited Income	\$ 21,091,882.95	\$ 5,549,496.79	\$15,542,386.16

In this statement there are included as deductions before arriving at net audited income, the full amount of fixed and contingent interest on the total interest bearing indebtedness of the Company accruing within the periods shown.

AVAILABLE INCOME AND APPLICATION UNDER MODIFICATION PLAN

The statement shows that for the year 1941 there was \$52,599,691.62 of audited income available for the payment of interest and other charges. Under the Plan for Modification of Interest Charges and Maturities of August 15, 1938, as incorporated in the supplemental indentures of January 1, 1940, and the supplemental indentures, an adjustment is made in this amount for cash transactions pertaining to the income of former years. This increased the amount of income available for the payment of interest and other charges to \$52,644,114.86. From this is first deducted \$1,057,688.32 for rent for leased roads and equipment and \$19,083,345.35 for interest remaining fixed under the Plan, or a total of \$20,141,033.67, leaving remaining available net income of \$32,503,081.19. From this available net income the Board of Directors in the exercise of their delegated discretion appropriated \$5,690,337.39 for capital fund to be applied to or to reimburse the Company's treasury for capital expenditures. They further appropriated \$22,073,407.69 providing for the payment of all accumulated and unpaid contingent interest accrued to December 31, 1941. From the then remaining available net income, 75 per cent, or \$33,554,502.04, was appropriated for sinking fund, leaving available balance of \$1,184,834.03 for other corporate purposes. (The Plan provides that from 1939 to 1943, 75 per cent, and thereafter 50 per cent, of the Available Net income remaining after the payment of all contingent interest charges, is to be set aside in the Sinking Fund until \$100,000,000 par value of secured obligations of the Company is retired.)

The payment of contingent interest authorized by the Board of Directors will be made against the surrender of contingent interest coupons of May 1, 1942, appurtenant to all bond issues affected by the Plan, and the supplemental indentures relating thereto and to facilitate collection the coupons of May 1, 1942, may be presented for payment on or after April 10, 1942.

There was a net increase of \$3,788,010.17 in outstanding interest bearing obligations incurred during the year, due principally to the issue of equipment trust obligations.

The total expenditures during the year for additions and betterments to road property aggregated \$3,773,277.77.

During the year four new and additional Diesel passenger locomotives were acquired and placed in service, and to provide adequately for the transportation of material so vital to National Defense, 4,763 new and additional freight cars were acquired, consisting of 1,563 steel box cars, 2,050 steel gondolas and 1,150 steel hopper cars.

The Company also acquired and placed in service four passenger-train cars, eight baggage and scow, twenty-five units of automotive equipment and four units of work equipment. The Company built in its own shops fifty new caboose cars and rebuilt and modernized five locomotives, two passenger-train cars, thirty-six freight-train cars, one unit of floating equipment, and one unit of work equipment. The total cost of the equipment acquired, together with additions and betterments to existing equipment, aggregated \$17,080,694.55. During the same period there were retired for obsolescence and other causes, eleven steam locomotives, three passenger-train cars, 205 freight-train cars, and thirty-six units of miscellaneous equipment, having a total book value of \$1,085,851.44, which deducted from the total cost of equipment installed during the year makes a net increase in capital account of equipment of \$16,015,347.11.

In addition to the cars delivered and placed in service during the year, 687 additional cars were under contract and have since been delivered. The Company has authorized the acquisition of the following new and additional equipment for 1942 delivery, viz.: two multiple-unit Diesel passenger locomotives, six multiple-unit Diesel freight locomotives, 1,000 steel box cars and 1,000 steel hopper cars at an aggregate cost of approximately \$9,500,000.

Based on 1941 volume of traffic, it is estimated that on an annual basis the increases in rates, fares and charges authorized by the Interstate Commerce Commission will produce \$10,500,000 additional revenues, as compared with the increase recommended by the Modulation Board appointed by the President of the United States, of \$14,250,000 in wages and taxes incidental thereto, and nothing for increases in cost of materials and supplies and other taxes.

Railway tax accruals in 1941 aggregated \$15,780,105.71, to which

(Continued at foot of next column)

has stimulated the demand for beer in recent months. While restricted supplies must continue to present a limiting factor, there is, at present, no prospect of any acute shortage being allowed to develop. The balance sheet shows an increase in stocks from £489,227 to £584,454, for which higher prices are no doubt largely responsible. There is a moderate reduction in debtors from £807,417 to £760,915, while the rise in cash and Government securities from £985,547 to £1,420,516 reflects an expansion in current liabilities from £1,186,397 to £1,543,116. General reserve remains unchanged at £1,000,000. The ordinary shares are privately held; the £100 4½ per cent preferred ordinary shares at £106 yield £4 6s. 9d. per cent.

* * *

Colliery Results

The fortunes of colliery companies are of immediate topical interest, but unfortunately the latest results provide little indication as to the trend of profits in the industry as a whole. *Yorkshire Amalgamated Collieries* show a decline in profits, after tax including tax on dividends, from £168,521 to £112,776. Equity earnings are reduced from £129,636 to £77,046, and there is a further cut in the ordinary dividend from 6½ to 5 per cent. In the absence of a transfer to general reserve, which received £25,000 in the previous year, the carry forward is raised from £124,750 to £129,496 after crediting £581 against £1,090 for refund of income tax. The decline is attributed by the directors to the rising weight of taxation. The incidence of EPT has not yet been agreed, but it is stated that ample provision has been made. The consolidated balance sheet shows a modest rise in coal stocks from £346,969 to £364,568. Government securities of £74,360 have been sold to help finance the purchase of £75,000 tax reserve certificates. Cash holdings are some £100,000 higher at £394,935, so that, excluding investments, there is a rise in surplus liquid assets from £360,038 to £412,297. The preliminary statement of *Carlton Main Colliery* for the year to March 31st last suggests more satisfactory results. Net profits are up from £115,278 to £116,975, and the ordinary dividend is maintained at 10 per cent. It is possible to estimate that equity earnings have risen from £109,278 to £110,975, representing 10.2 against 10.1 per cent. On the other hand, no clue to profits is provided by the announcement that *Horden Collieries* are to resume the payment of interim dividends with the distribution of the customary 2½ per cent for the year to September 30, 1942. Last year, no interim payment was made, but the ordinary stock received a total of 7½ per cent, as in 1939-40. No doubt colliery earnings have been predominantly influenced by local labour and transport conditions. There is as yet no evidence of any substantial recovery in pre-tax earnings.

* * *

"Johnnies" Group

The rich Main Reef Leader has been the chief source of ore supply to *Government Areas* during its prosperity, but owing to the gradual exhaustion of the ore body it was decided some time ago to prospect and develop, where payable, the low-grade Black Reef and Upper Leaders. As a result, and in order to try to maintain dividends on lower-grade ore, the plant was increased and is now running to its new, full capacity. Last year, yield and costs were adversely affected and dividends reduced to 70 per cent, to give a present yield, at 35s., of 10 per cent. Ore reserve tonnage was almost unchanged, but there was a fall in grade. A new shaft is being sunk in the middle of the property to accelerate exploitation of the Black Reef, while borehole prospecting will continue in other less favourable areas. Milling tonnage of *New State Areas* was unchanged, but yield and costs were badly affected, so that dividends showed a fall of 3½ per cent to 23½ per cent, which at 35s. gave a yield of 13½ per cent. Development shows a heavy fall in percentage of payability and in value, owing to in-

Continued from preceding column
should be added miscellaneous tax accruals of \$433,577.45, making total taxes for the year \$16,213,683.16, an increase over 1940 of \$4,432,316.04, or 37.62%. Of railway tax accruals, \$6,471,098 was levied by States and local taxing agencies, and the remainder, \$9,309,008, was taxes due the United States, of which \$6,194,708 were pay-roll taxes for unemployment insurance and retirement, and \$2,809,102 income taxes, the remainder being miscellaneous charges. Railway tax accruals in 1941 absorbed approximately seven cents of each dollar of total operating revenues and approximately twenty-four cents of every dollar of net operating revenue against which these taxes are a first charge.

R. B. WHITE, President.

creased development in blocks previously ignored. Ore reserves are maintained in tonnage, but with a further fall in grade. Drilling to prospect for Black Reef and Kimberley Reefs was unsuccessful, but will be continued. Operating results of *Randfontein* were similar to those of the previous year and dividends were maintained at 22½ per cent, to give at 37s. a present yield of 12.2 per cent. Ore reserves show another heavy fall and a decline in value. The regular fall in ore reserves has been in progress for some years and must cause anxiety. The *Van Ryn Deep* report shows a heavy fall in profits due to reduced yield and increased costs. Dividends are reduced to 11½ per cent, to give a present yield of 23.75 per cent at 10s. In spite of increased development in the newly-acquired Benoni Outcrop Section, the ore reserves show a fall both in tonnage and in grade; and this tendency is likely to continue during

the remaining life of the mine. Despite a reduced yield and substantially smaller profit, *Langlaagte* maintained the 5 per cent dividend. Ore reserves were unchanged, but a large amount of development is required in the small remaining blocks of ore in order to hold the reserves. The margin between yield and costs is now extremely small, and, with its very weak ore reserve position, the mine must be very near the end of its life. Whilst *Witwatersrand (Knights)* almost maintained its profits, despite increased taxation and anticipated capital expenditure on the reduction plant, the dividend was reduced to 23½ per cent, to give a yield of 9.5 per cent at 50s. Development tonnage was reduced, but reserves were almost maintained as only a comparatively small proportion of the tonnage mined was derived from ore reserves. The outlook for this old mine is for a comparatively short life.

JOHANNESBURG INVESTMENT CORPORATION

	Tonnage ('000)		Revenue		Working Costs per ton		Profit ('000)		Dividends		Ore Reserves				Development			
											Tonnage ('000)		Grade (dwts.)		Footage Sampled		Payability	
	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941
Government G.M. Areas	2,845	3,080	35/3	33/1	19/-	20/2	2,508	1,987	75	70	10,300	10,255	4-7	4-3	40,320	43,870	51	45
New State Areas	1,486	1,479	42/9	40/2	19/7	20/3	1,716	1,437	27½	23½	4,500	4,486	4-8	4-5	19,808	23,367	53	35
Randfontein	1,486	1,479	42/9	40/2	19/7	20/3	1,716	1,437	27½	23½	12,740	11,907	3-5	3-3	98,060	91,160	50	46
Van Ryn Deep	4,704	4,699	24/7	24/4	17/5	17/6	1,690	1,618	22½	22½	3,300	2,853	2-9	2-7	16,710	25,405	47	36
Langlaagte	1,254	1,276	24/2	22/9	18/7	19/1	344	233	16½	11½	1,300	1,290	3-0	3-0	35,181	35,370	39	41
Witwatersrand (Knights)	1,361	1,454	23/5	22/7	21/1	21/2	160	103	5	5	1,700	1,600	3-0	3-0	8,770	6,600	52	48
	1,062	1,053	24/1	24/8	20/-	20/10	219	201	30	23½							297	360

Industry and Trade

Levy on Bricks

In its first report, submitted to the Ministry of Works and Buildings last December, the committee on the brick industry envisaged a progressive decline in the demand for bricks during the war period. It therefore recommended an immediate cut in output of 12½ per cent, to bring production into line with estimated requirements, and a further 4 per cent cut to reduce stocks to the equivalent of one month's output, except in the south-eastern area. The latest available output statistics relate to the five months ended May, 1941, when production averaged 380 million bricks a month. In considering how to secure the necessary adjustment in output, the committee decided that of the two possible methods—the spreading of the cut over the existing works, and the closing down of entire plants—the latter was preferable on grounds of expediency. But, expecting a rapid increase in the demand for bricks after the war, the committee felt that the closed works should be capable of resuming production at short notice, and that they should be put on a care and maintenance basis. Since the Government has decided against the use of public funds for this purpose in connection with last year's concentration of industry scheme, the committee suggested that the cost of maintaining the closed works in working order should be met by a levy on the sales of undertakings which continue in production. This recommendation has been accepted, and a levy at the rate of 3s. per 1,000 bricks has been imposed in respect of deliveries since May 18th. The price of bricks varies considerably, according to type and place of delivery; according to *The Builder*, the minimum prices at works for full lorry loads, Sittingbourne district, vary from £2 10s. per 1,000 for "third common stocks" to £4 5s. 6d. per 1,000 for "first hard stocks." It is hardly necessary to add that the levy will be paid by the consumer.

* * *

Milk Production

The hope expressed last April by the Minister of Agriculture that there was a good chance of a larger milk production this year than in the previous war years, has been fulfilled. Production at present is well in excess of the output at this time last year. Output depends on many unpredictable factors, and it is possible that more milk has been produced than was expected. Manufacturers have been working to capacity, but during the peak production period there will be a surplus after providing for the maximum quantity that it is possible to store in the form of butter, cheese, condensed milk and milk powder. The surplus is being distributed to non-priority domestic con-

sumers, without restriction of dairyman, during the five weeks ending June 27th. The Milk Supply Scheme remains in force in all respects, and the prescribed requirements of priority consumers are being met in full before supplies to other consumers are raised above three pints a week. Milk producers are to be congratulated on their achievement in raising production. It is hoped that the increase will be progressive (subject, of course, to the normal seasonal variations), and that reasonably adequate supplies of milk will be available for all consumers.

* * *

Earnings in Coal Mining

The application of the Executive Committee of the Mineworkers' Federation for an immediate substantial advance in wages, and for a national minimum wage of £4 5s. per week, is discussed on page 748. Since the outbreak of war the successive increases accruing from the automatic operation of the war-period cost of living sliding scale wage agreement have amounted to 2s. 8d. per shift. From June 1, 1941, another 1s. per shift was added in the form of an attendance bonus, thus securing for the miners a total advance to date of 3s. 8d. per shift of 7½ working hours. Compared with the average level of cash earnings in the first half of 1939, these war-period additions represent a gain of 36 per cent, which compares with a rise in the cost of living index of just under 30 per cent, and under the Essential Work Order the workmen are guaranteed these advances as well as their pre-war normal wages. The intervention of other factors makes it impossible to estimate accurately how far the higher wage level has influenced attendance and application; on March 19th the Secretary for Mines said in the House of Commons that the rate of absenteeism (presumably unavoidable as well as avoidable) during the year ended March, 1942, was 9.46 per cent, as compared with 6.43 per cent for the corresponding period ended March, 1939; and on May 6th he gave the average output per person as just over 21 cwt. per shift, which compares with 23.5 cwt. in the March quarter of 1939. Under the influence of these higher wages and reduced output per person employed, the labour cost of production has risen from about 3s. per ton where the normal output per person is highest to about 5s. per ton where it is lowest; partly because of the reduced rate of production, other costs have increased by 1s. 6d.-2s. 6d. per ton. The actual amount of the further war addition being asked for is 4s. per shift, which would mean that consumers would be faced with the possibility of an average rise in the cost of coal of something like 5s. per ton.

Wartime Canning

An Order of the Ministry of Supply, issued on May 19th, which restricted the use of tinsplate for the canning of edible oils, appears to have given rise to mistaken reports about an Order limiting the canning of vegetables. While nothing in the nature of a no-canning Order has been issued by the Ministry of Food, it is true that both materials and labour are in short supply, and that some limitation of canning may have to be imposed. Existing resources are said to be adequate for the canning of meat, milk and beans likely to be available for this purpose. But while efforts will be made to prevent food from going bad, and to can substantial quantities of vegetables and part of the crop of plums, loganberries, blackberries and apples, the possibility of some restriction in this field must be envisaged. Statements that lacquered steel is already replacing tinsplate on a large scale as a canning material for perishable food are premature. Lacquering has long been used on tinsplate as a means of conserving certain foods, but the problem of soldering cans of untinned sheet, whether lacquered or not, is still under investigation. Hot rolled sheet, known as blackplate, can, however, be used for certain foods, such as dried biscuits.

Transport and Regional Self-Sufficiency

The Ministry of War Transport has the task constantly before it of seeking means to economise transport. A number of schemes have been worked out under its aegis, affecting other Departments and covering many sections of the community, among which are the Road Haulage Scheme and retailers' pooled deliveries. Last October the Minister of War Transport announced that plans were being made to limit the distance covered by goods in their travels from wholesaler to retailer. Cross hauls were to be eliminated and the nearest sources of supply drawn upon. The announcement was discussed on page 543 of *The Economist* of November 1, 1941. So far as food is concerned, where the machinery of control is of necessity most highly developed, plans have recently been announced. A regional scheme for wholesale distribution of groceries and provisions has been worked out, under which the country has been divided into nine areas, known as sectors. Retailers (and catering establishments and institutions) will be prohibited from obtaining any of the goods to which the scheme applies from premises not situated in the same sector. The saving of transport is the objective of all such schemes, but this stone thrown into the pool will cause ripples reaching and influencing other spheres. Within certain limits, Great Britain may find itself divided into small areas, each relatively self-sufficient economically. Any danger that such division is likely to be more than purely economic is obviated by the fact that, for the most part, the goods concerned are now or about to be standardised.

Labour Problems in Cotton Trade

The pressure for an improvement in labour conditions in the Lancashire cotton textile industry continues. As recorded in *The Economist* of May 16th, the spinning operatives' demand for higher wage rates was rejected early this month by the National Arbitration Tribunal, and the claim of the weavers met a similar fate. But the United Textile Factory Workers' Association, which includes all the trade unions in the industry, has now applied for the payment of wages in respect of the full holidays customary in the cotton trade. At present operatives receive payment for a week's holiday each year; but as the aggregate holidays of operatives average about a fortnight, the claim involves another week's pay without work. At a meeting with the employers at the end of last week, it was agreed to defer consideration of the new claim until September, when it is to be discussed as part of the wider problems facing the industry. Opinion among employers is reported to be against further concessions to the operatives, except in consideration of the assistance of the trade unions in the reorganisation of the industry.

Wool Textiles Exports

Exports of woven wool textiles have been rationed and controlled by licence since last February. Heavy shipments in the first few weeks of the year, however, account for the

substantial total exported during the first quarter of the year. The Board of Trade export figures for the last five quarters are as follows:—

	'000 Square Yards		Total
Three Months	Woolens	Worsted	
January-March, 1941	8,907	6,406	15,313
April-June, 1941	10,472	4,457	14,929
July-September, 1941	15,468	7,407	22,875
October-December, 1941	23,348	9,874	33,222
January-March, 1942	18,393	8,763	27,156

The allocations which have been made to export houses for the various markets from February 1st may be expected to cause a sharp decline in the totals for future quarters. The quarterly worsted yarns ration is understood to be approximately two million lb, and the tops (combed wool) ration is almost three and a half million lb. The total of more than 98 million square yards of woollen and worsted tissues exported during the year ended March 31, 1942, compares with 93 million square yards in 1939, and 90 million square yards in 1938.

Increased Wool Buying Prices

Last Saturday the Dominions Office announced that as a result of discussions between Dr. Evatt, the Australian Foreign Minister, and the Chancellor of the Exchequer, the price paid by the British Government for Australian wool is to be increased by 15 per cent. The increase takes effect with the beginning of the new clip. It was added that corresponding adjustments will be made to the prices paid for New Zealand and South African wool. This decision did not come entirely unexpectedly. Early in April the South African National Wool Growers' Association discussed the necessity for an increase in wool prices "owing to the rise in costs of farming essentials," and towards the end of that month the Australian wool growers' organisations asked the Dominion Minister of Commerce to press in London for an increase in wool prices for the same reason. The actual increase appears to meet the most extreme demands of the Dominion growers. When the British Government in the first weeks of the war agreed to buy the entire Australian and New Zealand wool clips for the duration of the war and one year thereafter, prices were fixed at the pre-war levels of 13.44d. per lb. for Australian wool and 12.25d. per lb. for shorn New Zealand wool. Prices for Cape wool were adjusted to these levels—the average is 10.75d. per lb.—when following the fall of France, the British Government arranged to become also the main buyer in South Africa.

Reports from the three wool Dominions indicate that wool growers there have seldom had a more prosperous time than since the outbreak of this war, for the agreements with the British Government, besides granting a remunerative price, secured a guaranteed market for the whole clips, although shipping shortage forced the buying Government to accumulate huge stocks in the producing territories. In Australia, the wool cheque totalled £A65,246,000 in 1930-40 and £60,937,000 in 1940-41. In New Zealand, it amounted to £NZ15,740,000 and £NZ17,273,000 in the same periods to £NZ15,740,000 and £NZ17,273,000 respectively. For South Africa comparable figures are not available. It is likely, however, that British Government payments to South African wool growers reached £SA10,000,000 per season. A 15 per cent increase may cost the British Government as much as £15,000,000. In the United Kingdom wool issue prices will not be immediately affected by the increase, as the Wool Control has just extended its existing price schedule for raw wool and tops until the end of October next. As the recent reduction in the British raw cotton price despite rising quotations in other countries indicated, the Government is anxious to stabilise prices for textile products. As part of this wider plan the present raw wool issue prices in this country may well be maintained for a longer period than the limit now fixed. On the other hand, the increase in the wool buying prices is likely to lead to higher dollar receipts from exports of Empire wool to the United States. These exports are known to be very large, and according to a recent statement in the House of Lords, they have not been interrupted by military events in the Pacific area. While the British Government retains the dollar equivalent for any Empire wool sold at the price it has itself paid in sterling, any possible profits made from re-sales outside the United Kingdom are to be shared equally between the British and Dominion Governments concerned.

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED

BUSINESS MAINTAINED IN ALL SECTIONS

The sixty-first ordinary general meeting of The Employers' Liability Assurance Corporation, Limited, was held, on the 27th inst., in London, Sir Courtauld Thomson, K.B.E., C.B. (the chairman), presiding.

The following is an extract from the chairman's address which had been circulated with the report and accounts:

The main features of our results in 1941 may be summarised as follows: Our premium income amounted to £6,716,000. The total amount taken to the credit of profit and loss account was £396,000. This includes the underwriting profit, which, at £84,000, is considerably below our average of recent years, and gross interest income of £312,000. After providing for British taxation, totalling £260,000, and for other charges, and after declaring dividends at the same rates as a year ago, we carry forward £523,000, slightly less than the amount we brought in at the beginning of 1941. This £523,000 is additional to our general reserve of £2,500,000; the two combined form a substantial reserve fund of over £3,000,000.

There was a considerable appreciation over book values shown by the market values at December 31, 1941, of our investments in stocks and shares. Their market value at that date at current rates of exchange amounted to £9,203,000.

FIRE AND ACCIDENT ACCOUNTS

The underwriting experience in the fire account for 1941 shows an improvement over 1940, and the profit is £21,000, or 4.9 per cent.

The increase of £435,000 in the premium income of our accident and general account relates both to our home and our overseas business. Although our standards in the selection of business have been maintained throughout the year, there is a considerable reduction in underwriting profit, due to the heavier incidence of claims in the United States. Our Workmen's Compensation experience in the United States was much less favourable than in the previous year, and the results of our motor business in that country were also less satisfactory. Our results in other classes were generally profitable.

The year 1941 was again one of many difficulties, and it is probable that 1942 will prove at least equally trying. Our operations in Canada, Australia, South Africa and India, as well as those at home, were generally profitable in 1941, and to our managers and agents in those territories I should like to express here our appreciation of their care and skill.

EFFECTS OF THE WAR

In the United States, as in Canada and the Dominions, the deepened impact of the war is bound to be reflected in our experience. The consequences are likely to be similar in character to those with which our experience at home here has made us familiar since September, 1939. We shall doubtless be faced with reduction of income in motor business as the result of restrictions on the use of petrol and rubber, and in the United Kingdom that reduction will, of course, be much more pronounced in 1942.

The support given by our associated life office, the Clerical, Medical and General, to new British Government issues from the outbreak of war to date amounts to over £2,000,000. The corporation itself, by its investment policy at home, in the Dominions and in the United States, has contributed to the financial effort of the Empire and its Allies.

In expressing thanks to our managers, staff and agents in all parts of the world for their work during the year 1941, I bear in mind particularly the dislocation and pressure brought about by the war. As you will readily understand, the absence on military service of an increasing number of our staff, including those in the United States, places much additional strain on the remainder.

The report was unanimously adopted.

FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

THE CHAIRMAN'S STATEMENT

The annual general meeting of the Friends' Provident and Century Life Office will be held on June 3rd in London.

The following is an extract from the statement by the chairman, Hugh E. Seebohm, J.P.:—

Since the close of 1941 two of our directors have decided to retire because of advancing years, to whose services it is appropriate that I should make reference.

Robert H. Marsh had been a member of the Friends' Provident board for 37 years, and had taken a leading part in the successful developments of the past 25 years. He had been for many years deputy chairman, and chairman of the general purposes committee. Sir Harold J. Stiles, F.R.C.S., was of valued assistance on the Century board.

SIMPLIFYING CONTROL

During the past year your directors have been considering means of simplifying the control of the many classes of insurance carried on by the Friends' Provident and Century Life Office and its wholly-owned associated undertaking, The Century Insurance Company, Limited. Technically there must continue to be two boards of directors, but by making the membership of the boards identical, or nearly so, a unity of purpose and a greater ease in efficient administration can be established.

Accordingly resolutions will be proposed, which if adopted by the members, will add to the board of the Friends' Provident four members of the board of the Century who are not at present directors of the Friends' Provident. The shareholders' meeting of the Century added to the Century's directorate the members of the Friends' Provident board who were not directors of the Century.

In the presentation of the report and accounts of the Century this year, we have consolidated the accounts in respect of the fire, accident and marine business of the Century with those of the subsidiary undertakings, thus revealing more fully the volume and the fortunes of our operations.

During 1941 we have endeavoured to continue to conduct our business in a manner most conducive to the national interests by the investment of our funds in the new issues of Government bonds, and by issuing policies payable in these bonds.

NEW LIFE ASSURANCES

Life assurance plays its part in the encouragement of thrift, not only for a short space of time but as a continuing effort. We include under new assurances cover for civilian war risks in the United Kingdom, and have found the experience more favourable than we could have ventured to hope. The volume of new life assurances (£1,956,000) is still below the pre-war volume, but the quality is excellent, and we enjoyed a welcome increase of £562,000 over 1940.

In 1941 we invested, in the group, in new issues of the British Government £952,000. Our gross rate of interest recovered from £4 9s. 5d. to £4 13s. per cent. The rise in our net rate of £3 19s. 10d. compared with £3 4s. 1d. per cent. is accounted for mainly by the change adopted in our method of calculation to accord with the practice usually adopted by other offices.

The premiums in each of the fire, accident and marine departments increased moderately, and in the aggregate amounted to £1,633,000. Each department earned a profit.

The total profits of the Century Insurance Company, including interest, after full provision for taxation and all other outgoings, including war damage contribution and staff superannuation fund, amounted to £73,550. The sum of £30,000 net has been utilised for a dividend on Century shares, and the balance of £43,550 has been added to the sum carried forward.

The capital and free reserves of the Century at the close of 1941 exceeded £1,500,000 and were in addition to full provision in all departments for all known liabilities.

I desire to pay a special tribute to the cheerful, skilful and untiring service which we have received from our staff at home and abroad. Now that a large proportion of the male staff has taken up national duties, the women have most efficiently filled the gap with a sense of responsibility and a determination to do their part, of which it would be impossible to speak too highly.

DAILY MIRROR NEWSPAPERS, LIMITED

DIVIDEND OF 10 PER CENT

MR. JOHN COWLEY'S REVIEW

The ordinary general meeting of stockholders of the Daily Mirror Newspapers, Limited, was held, on the 27th instant, at the Memorial Hall, London, E.C.

The following is the statement by the Chairman, Mr John Cowley, circulated with the report and accounts:—

During the year we lost a valued friend in Mr Wallace D. Roome, one of our colleagues. He had been engaged on the paper from its first issue—a period approaching 40 years—and throughout the time had a wholehearted care for the *Daily Mirror* and those who worked for it. He was a wise counsellor, and his passing is regretted far beyond the confines of our own business.

RESULT OF YEAR'S OPERATIONS

A year ago in my statement I remarked, "Our accounts for the year to February 28th last do not make altogether satisfactory reading. The reason can be summed up in the word 'taxation.'" The position to-day is not different, and although we have had a very good trading year and recommend the payment of a final dividend of 5 per cent. on the ordinary stock, again making a total of 10 per cent. for the year, you will notice from the appropriation account that after making the usual provision for pensions and reserve our carry-forward is reduced by the sum of £31,196. However, the balance of profit and loss is the substantial sum of £85,931. It will be seen from the accounts that the main change on the liabilities side of the balance-sheet is an increase of £138,962 in the creditors, &c., item, reflecting chiefly the provision made for taxation.

On the assets side investments are up by roughly £60,000, of which amount £50,000 is covered by our subscription to an issue of Government Savings Bonds. Loans have been reduced by £75,000 through the repayment of this sum by Anglo-Canadian Pulp and Paper Mills, Limited. Debtors and cash together are around last year's figure, and there is a new item, tax reserve certificates, £150,000. We have not received during the year any return by way of dividend on our very large investment in Anglo-Canadian Pulp and Paper Mills, Limited. That company has, since its capital reorganisation, improved its financial position considerably. You will realise that the entry of the United States into the war has brought fresh problems for the Canadian newsprint industry.

An overdue adjustment in the price of newsprint has been temporarily suspended by Government order in spite of increased costs of production.

SUPPLIES OF NEWSPRINT

Over here the supply of paper is still one of our anxieties. The Newsprint Supply Company, which handles the whole of the supplies for the newspaper Press, has again worked to great advantage, but it has been necessary to reduce the quantities available for use for reasons which are obvious, as either paper or the materials to make it have to be imported, and there is a likelihood, or at least the possibility, of a further reduction. We have made the best use of the quantity available for our use. We have reduced the number of pages in our paper, and, in addition, have reduced also the number of copies printed. The price of newsprint, which is controlled, has recently been increased by £2 a ton to consumers.

The *Daily Mirror* is very firmly established in the public favour and enjoys great popularity. The demand for it is such that we could sell every day hundreds of thousands more copies. Of course, in most industries to-day similar conditions prevail—demand is greater than supply.

The newspaper Press in peace-time in a democratic country is of the greatest value and importance. In war-time its importance and value are not in any way lessened. There are many reasons why diverse views and opinions should be freely and widely circulated by our newspapers, and it is to be hoped that sufficient newsprint and other materials will be available so that the service of the Press to the nation will be maintained as nearly as is at present possible.

EXHIBITION OF WAR PICTURES

Last month we held an exhibition of photographs at the Dorland Hall. It was a thrilling and impressive collection of pictures depict-

ing our people and our Allies in every phase of war action and effort. These magnificent pictures, every one having a real news value, will later, with the help of the Ministry, be sent for exhibition in the United States of America. During the short time it was open it was visited by over 50,000 people and service charities have benefited by more than £2,500 (all the admission money being devoted to this purpose).

SUNDAY PICTORIAL NEWSPAPERS (1920), LIMITED

SALES MAINTAINED

The ordinary general meeting of stockholders of Sunday Pictorial Newspapers (1920), Limited, was held, on the 27th inst., at the Memorial Hall, London, E.C.

The following is the statement by the chairman, Mr John Cowley, circulated with the report and accounts:—

The accounts for the year ended February 28th last show a profit of £192,497, which is £16,211 less than the profit of the previous year. This figure is arrived at after providing for taxation, working, office and other expenses, contingencies, etc. The report shows the appropriation of £20,000 to reserve account, £25,000 to taxation reserve and £5,000 for pensions. An interim dividend of 5 per cent. was paid last December, and the final dividend of 7½ per cent. proposed will make a total of 12½ per cent. for the year on the ordinary capital.

Although the total payment of 2½ per cent. more on the ordinary capital for the year entails a reduction of the profit and loss balance, there will remain the substantial sum of £119,496 to be carried forward. The accounts are presented in the usual form. The changes on the liabilities side show the effect of the reserve additions. The item Creditors, Surplus on Sale of Investments and Reserve for Contingencies, higher at £580,341 by some £51,217, reflects the provision made for Excess Profits Tax, etc.

SUBSCRIPTIONS TO GOVERNMENT ISSUES

In our "Investments at Cost or Under" there is a net increase of £69,780. During the year we took an opportunity of increasing our holding in one of our associated companies, and subscribed £50,000 to a Government issue of Savings Bonds. From the outbreak of war to the date of our balance-sheet we subscribed £125,000 to new Government issues, and during the recent Warships Week took up a further £50,000 of Three per Cent. Savings Bonds. I have no doubt you will approve our policy in this direction and our intention, as far as our funds permit, to continue to subscribe to new Government issues which may be made from time to time. The War Savings Groups at our offices and works receive our encouragement, and they have helped to forward the good work of the National Savings Movement, which is such an important factor on the financial side of the war effort. The voluntary work performed by those in our employ who give their time and labour in this direction is very praiseworthy.

This year again you will notice on our balance-sheet the following footnote:—

"The book value of the investments exceeds the total of the market value of the quoted shares and the value of the unquoted shares as estimated by the directors. The difference is covered by the reserve account, surplus on sale of investments and reserve for contingencies."

I indicated last year faith in a recovery in the value of our investments when we reach more settled times, and cannot now usefully make further comment.

TRIBUTE TO EDITORIAL STAFF

I am pleased to be able to tell you that the net sale of the *Sunday Pictorial* was fully maintained, and that the advertisement revenue was very satisfactory. As you know, the quantity of newsprint we are allowed to use each week is strictly limited and is considerably less than at this time last year. We have been compelled to issue papers of smaller size, and it is a real tribute to our editorial people to be able to say that they have continued to turn out an attractive paper each week with such restricted space at their disposal.

It is my duty, and my pleasure, to again commend my fellow-directors and members of the staff for their good work during the year, willingly carried out at all times.

HOME AND COLONIAL STORES LIMITED

GOOD TRADING RESULTS

TAXATION PRECLUDES DIVIDEND PAYMENT

EFFECT OF WAR CONDITIONS ON DISTRIBUTIVE SERVICES

SIR GEORGE SCHUSTER ON BOARD'S POLICY

The annual general meeting of the Home and Colonial Stores, Limited, was held in London on the 29th instant.

The following annual review by the Chairman (Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.) has been circulated with the report and accounts:—

The course of trading results for the company and its subsidiaries over the last four years has been shown very clearly in the summaries given in the directors' report. Perhaps the most striking feature is that, after making provision for taxation, the amount available for distribution was: For 1938 £462,596 out of a trading profit of £558,520; for 1939 £549,457 out of a trading profit of £1,002,506; and for 1941 £274,919 out of a trading profit of £1,259,249.

From the sums thus available for distribution there have to be provided allocations to staff benevolent funds, and about £286,000 for preferential charges (£105,000 to outside holders of securities in subsidiary companies and £181,000 for the Home and Colonial in subsidiary companies) and £181,000 for the Home and Colonial in subsidiary companies. The net result is that, whereas in 1938—a year in which the company was still carrying out its reorganisation programme and working at an unduly low margin of profit—it was possible to pay 3 per cent. on the Home and Colonial Ordinary shares and to increase the total reserves and carry-forward of the group by £76,102 (equivalent to a further 5 per cent. on the Home and Colonial Ordinary shares), in 1941, with a trading profit £700,000 higher, the Ordinary shares get nothing and it has only been possible to meet preferential charges by drawing on reserves to the extent of £38,074.

Before enlarging further on this position I must make it clear that the results for 1941 to which I have just called attention are dependent on the provision for taxation made in the accounts, which itself is based on calculations as to payments that may have to be made if the company is assessed for excess profits tax on a "profit standard" basis. Discussion is still going on with the Revenue authorities, and it is not yet clear what the exact "profit standard" will be, or what the "capital standard" will amount to, if the company succeeds in its application for assessment on a capital standard. We still hope to be able to satisfy the Revenue authorities that a more favourable basis should be allowed; but, in the meanwhile, it is necessary to provide in the accounts for the less favourable alternative.

Shareholders will naturally want to have some explanation of these results. So far as concerns taxation I dealt with the position very fully in my statement of last year; but in view of the importance of the matter I feel it necessary to review the situation again.

COMPUTATION OF E.P.T.

It is, of course, well known that the methods for assessing excess profits tax were so framed as to work out very hardly in the special circumstances of this company. The standard years (1935, 1936 and 1937) for calculating the datum line on which this tax is levied were years of the company's reorganisation and profits were abnormally low. In fact, as I explained last year, the average annual group profits for those years were about £470,000 less than the average for the preceding four years and £500,000 less than the average for the three subsequent years. The Finance Act recognised the situation for giving some relief in such cases, by allowing a justification for giving some relief in such cases, by allowing a company so placed to apply for an alternative standard based on a prescribed rate of interest on its capital. But here again this company may be placed in a specially unfortunate position. In compiling the statement of assets required for establishing the amount of capital employed, a holding company such as the Home and Colonial Stores is not allowed to include its investments in and the shares of its wholly owned subsidiaries (such as Lipton and Meadow Dairy Company), but has, instead, to bring in the actual net trading assets of these subsidiaries. The result of this method in our case may be the exclusion in the capital computation of the whole or a substantial portion of the price paid for the goodwill of these subsidiaries.

The element of goodwill, however, largely affected the price at which the Lipton and Meadow undertakings were acquired. If that acquisition had been carried out by a direct purchase of the undertakings from the shareholders the goodwill would have been valued separately as part of the assets to be acquired, and would have had to be thus shown in the Home and Colonial balance sheet. Actually, however, the acquisition was carried out by the more normal method of purchasing the shares of the two companies, and the goodwill was paid for by paying a premium on the shares. This was done in order to preserve the identity and thereby protect the goodwill of the businesses acquired. We are pressing on the authorities the justice of the view, that our capital assets should include this goodwill which would represent a substantial improvement on the taxation provision that has been made in the accounts, though it would still leave the company with a standard considerably below what can fairly be regarded as the normal earning power which it had established before the beginning of the war.

INCOME TAX PROVISIONS

Apart from excess profits tax, the income tax provisions as at present interpreted seriously affect the immediate financial position. As I explained last year, the main cause for this is that the revenue authorities refuse to treat as expenditure chargeable against profits a number of items for which, in the opinion of the directors, it is necessary to provide before arriving at what can properly be regarded as distributable profits. In the year 1941, for example, apart from income tax levied from debenture holders and share holders in the group on the amounts distributed to them, the company has had to provide a sum of £137,870 for income tax, chiefly in respect of "disallowed items" which the directors consider ought commercially to be treated as deductions from profits but which the revenue authorities still calculate as profits. The effect of these disallowed items, as I explained last year, is much more serious with income tax at its present high rate of 10s. in the £. If, for example, the disallowed items are £150,000 and the rate of income tax is 5s. in the £, then it is necessary to earn profits of £200,000 to provide the net sum of £150,000. But if the tax is raised to 10s., then a gross sum of £300,000 has to be earned in order to provide the same net sum of £150,000. In other words, an additional profit of £100,000 has to be earned, but with excess profits tax at 100 per cent there is no chance of earning any additional profit.

I have again referred fully to these matters because I think it is important that the public should understand what is happening. It would be totally wrong to complain either against the principle of a full tax on extra profits earned from war conditions or against bearing a fair share of any burden necessary to fulfil the double purpose of mobilising the maximum war effort and maintaining a sound system of national finance—which means ruthlessly restricting private expenditure and meeting as much as possible of the war cost from taxation.

INJUSTICE OF PRESENT SYSTEM

The only points that I want to make are, first, that injustice should not be done in distributing the burden as between one class of investor or business and another, and, secondly, that taxes should not be levied in such a way as to undermine the financial structure of the country's business as a whole. The present system of calculating "excess profits" is definitely creating injustice. In our own case we can freely admit that, since the war began, some of our profits have been due to war conditions; but that applies equally to other companies doing the same kind of business, and it is patently unjust for our company to be forced to surrender so much of its profits that not even a small ordinary dividend can be paid, while other companies trading in exactly the same way can pay handsome dividends merely because, for special reasons quite unconnected with the war, they were doing better than

MAYPOLE DAIRY COMPANY, LIMITED

SALES AFFECTED BY RATIONING

DIVIDEND MAINTAINED AT 4 PER CENT.

SIR GEORGE SCHUSTER'S REVIEW

The annual general meeting of the Maypole Dairy Company, Limited, was held, on the 29th instant, in London.

The following annual review by the chairman (Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.) has been circulated with the report and accounts:—

As shown in the report, the trading profits for 1941, after charging depreciation, but before providing for maintenance, repairs and taxation, amounted to £380,431, or approximately £55,000 less than for 1940. In my statement of last year I made it clear that, owing to war conditions, we were likely to experience considerably greater difficulties in 1941 than in 1940. In the event this forecast proved correct, but it is fair to say that, due to special efforts made by the management and staff, the actual result is better than we felt entitled to expect at the beginning of the year.

This company has always been largely dependent on its business in margarine, and the full effect of rationing that article was only felt during the latter half of 1940. Our trade in other specialities has also been seriously affected, partly by rationing and partly by diminution in supplies. This last condition particularly affected canned fruit. Every effort has been made to offset these results by developing the sale of what were formerly subsidiary lines. A good deal has been achieved in this direction, but the restriction of supplies puts a very definite limit on what is possible.

RATIONING AND REGISTRATION

The Maypole Company, which has always been essentially a specialist company, has been particularly liable to suffer from conditions prevailing in the present war. We have not dealt, like many of our competitors, in a full range of general grocery lines, nor in the many articles the sale of which is often associated with groceries. The commodities in which we specialised were among the first to be rationed, and rationing was in their case linked with registration. Simultaneously general grocery goods were increasingly in short supply, and retailers in many instances adopted the practice of refusing to sell these goods except to customers who were registered with them for the rationed articles. This practice was actually encouraged by the Ministry of Food, and, indeed, was not unreasonable, since it helped shopkeepers to control distribution of these unrationed goods.

The effect, however, on our company was that a number of our customers who used to come to us specially for butter, margarine, eggs, &c., found themselves forced to register for these articles with general grocers in order to get other goods. The introduction of the "points" rationing system for a large range of the previously unrationed articles removed to a large extent the difficulties in which our customers were placed and has contributed to the development of our trade in the articles affected. We therefore welcomed this new feature in the rationing methods employed by the Ministry of Food, and we think it is generally agreed that it has done much to ensure a fairer distribution of unrationed goods.

EGG DEPOTS

The company's egg collecting stations at provincial centres have in the past proved of great benefit to ourselves in ensuring supplies of home-produced eggs, as also, we believe, to the producers by providing them with a convenient and favourable market. These stations have now, in common with all other packing stations throughout the country, been linked up with a nationally controlled scheme of distribution, the Government having called on the industry generally to pool its resources so as to effect economy of working as well as to secure an equitable distribution of eggs to the large centres of population. We cannot quarrel with this move, but, in effect, we thereby lose an advantageous position which we had built up for ourselves.

UPKEEP OF PREMISES

In present conditions, all work on repair and maintenance of premises has, of course, to be restricted to a minimum. This, however, cannot be regarded as more than a postponement of expenditure which must be ultimately incurred. Special provision

has accordingly been made for "Deferred repairs and renewals" by setting aside a sum of £60,000 for this purpose out of last year's profits. This sum, with the £25,000 provided in the previous year, will, it is anticipated, be sufficient to cover the eventual cost of such renovation work as would normally by now have fallen due.

A certain number of our branches were damaged by enemy action during the early months of last year, but all cases of minor damage have been repaired and business has been carried on almost without interruption. Where more than minor repairs were required we have, in several instances, been able to secure alternative accommodation, with the result that very little of our trade and goodwill has been forfeited, even temporarily. Apart from the few badly damaged shops, no other branches have had to be closed down during 1941—a tribute to the sustained demand everywhere for Maypole service.

TRIBUTE TO STAFF

The thanks of directors and shareholders are due to head office staff, inspectors, branch managers and assistants who have, throughout the year, been working in difficult and exacting conditions. Despite the extra calls imposed on them the work of our serving staffs at the branches has been carried on with keen enthusiasm and efficiency.

In all, about 2,200 members of the company's head office and branch staffs (not including subsidiaries) are now serving in the armed or auxiliary forces. Many more will probably be called up during the coming months and the problem of securing replacement is now becoming one of extreme difficulty. It is hoped that the Government authorities will recognise that businesses like ours need to retain a certain proportion of their experienced staff if the essential work of food distribution is to be carried on efficiently.

Measures are being taken to introduce every possible economy in labour by cutting down some of our normal peace-time activities, such, for instance, as our van delivery service. The readiness with which customers have accepted these restrictions and the consideration shown by them to some of our less experienced staffs at the branches have been very greatly appreciated.

Our system of bonus payments to the branch staffs has been continued and will, we hope, be maintained so far as future trading conditions and profits permit.

The company continues to give special consideration to the circumstances of men called up for service in H.M. Forces. Grants or allowances to supplement Service pay are being made to dependants in all cases where the families of the men have to be provided for. Employees who, at the time of enlistment, were members of the company's pension fund continue to retain their full rights and benefits of membership.

TAXATION AND FINANCIAL RESULTS

In the statement last year I dealt very fully with the manner in which the war system of taxation was affecting the amount of profits available for distribution and the general financial position of the company. For the current year it is not necessary to go into the matter at such length.

The decrease in the company's trading profits, combined with the concession made by the Revenue Authorities which, as noted in the directors' report, has enabled us to have our liability to excess profits tax suspended in respect of the sum set aside for deferred repairs, has meant in effect that our profits have fallen below the level at which they attract excess profits tax. No reservation is called for in respect of national defence contribution as the provision for excess profits tax already made in 1939 and 1940 more than covers any sum which alternatively would be required for national defence contribution.

The final result is that, as shown in the report, the net profit available for appropriation, is about £12,000 higher than in 1940. As against this it has been necessary to provide £10,000 more (£85,000 instead of £75,000) for income tax. Allowing for this, the amount available for distribution is practically the same as for

the previous year. We have accordingly recommended that the same dividend should be paid—that is, at the rate of 4 per cent. on the deferred ordinary shares, which will, after making the usual allotment to the company's provident fund, leave a balance of £1,281 to be added to the amount carried forward, bringing this to the figure of £302,337 1s. 2d.

I propose, therefore, at the annual general meeting formally to move:

"That the report of the directors, together with the audited accounts for the financial year ended January 3, 1942, be received and adopted; that a dividend for the year of 4 per cent., less income tax, be paid on June 1st to the holders of the deferred ordinary shares on the registers of the company on May 1, 1942; that the sum of £10,000 be allocated to the provident fund, and that the balance of £302,337 1s. 2d. be carried forward."

It is a satisfaction to the directors that, in spite of the great difficulties, it has been possible to recommend the maintenance of the ordinary dividend at 4 per cent. As I said last year, the future may bring greater difficulties, but we feel that the most important point of all is to maintain the organisation and goodwill of the company. So far, thanks largely to our management and branch staff, it has been possible to do this, and in these circumstances, despite the present uncertainty of outlook, we feel that we can ask the shareholders to look forward with confidence to the ultimate future.

CROWN MINES, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

Mr W. H. A. Lawrence presided at the annual meeting of Crown Mines, Limited, held in Johannesburg on the 21st instant.

After reviewing operations, the chairman said the total profit had been £3,507,687. Dividends had absorbed £1,461,747, and provision for taxation had amounted to £1,970,692. Further provision made in respect of miners' phthisis outstanding liability had been £53,374.

The net amount expended on capital account during the year, namely, £42,170 had been lower than would have been the case had not deliveries of plant from overseas been held up as a result of wartime conditions. The principal items of expenditure had been for alterations and additions to the "C" reduction plant.

DEVELOPMENT RESULTS

Development results on the main reef leader had continued to be satisfactory, but disclosures on the south reef, development of which had been mainly confined to the western section of the mine, had been disappointing. The total ore developed during the year had amounted to 3,128,800 tons, of an average value of 4.9 dwt. That had been an increase of 127,600 tons, compared with the total ore developed in 1940, the average value being 0.1 dwt. higher.

The available ore reserve as re-estimated at December 31, 1941, had totalled 19,518,500 tons of an average value of 4.8 dwts. over a stoping width of 44.3 inches. The available ore reserve showed a decrease of 688,400 tons compared with the previous year, value and width being unchanged.

The price received for gold and the rate at which normal income-tax was payable by the company had remained unchanged throughout the year. There had been, however, an increase in special contribution which was based on taxable income before deduction of redemption allowance and any tax loss brought forward from a previous year. As from January 1, 1941, the percentage payable had been raised from 11 per cent. to 16 per cent., while as from the beginning of the current year there had been a further increase to 20 per cent.

The problem of obtaining supplies of materials essential to the maintenance of mining operations had become increasingly difficult throughout the year. Every effort was being made by the mining industry as a whole to reduce consumption of imported materials to the lowest point compatible with the safety and maintenance of operations at the normal level.

CURTAILMENT OF DEVELOPMENT

Since the close of the year under review it had been agreed to conserve existing stocks by curtailment of the development pro-

grammes to such an extent as was feasible and appropriate, and your company had adopted that policy in conjunction with other mines of the Witwatersrand. In order to comply with the general policy of conserving essential materials it had been decided not to circulate to shareholders the usual quarterly reports nor a report of the proceedings at meetings. Copies of these reports could be obtained, however, on application to the head office in Johannesburg or to the London office.

In common with the rest of the industry, the company had continued to undertake the manufacture of munitions and had fulfilled satisfactorily all work of that nature entrusted to it. The number of European employees of the mine who were absent on military service had increased during the year.

The report and accounts were adopted.

CITY DEEP, LIMITED

PROBLEM OF SUPPLIES

Dr Hans Pirow, the chairman, presided at the annual meeting of City Deep, Limited, in Johannesburg, on the 21st instant.

After giving a review of the operations for 1941, the chairman said that the total profit had been £835,117. Dividends had absorbed £408,750 and provision for taxation had amounted to £410,516. Further provision in respect of miners' phthisis outstanding liability had been £15,294.

The capital expenditure on equipment had amounted to £41,683, the principal item being air cooling plant at No. 4 shaft. Preparations for the installation of that plant were well advanced, but its erection had been delayed pending the delivery of equipment from overseas. At the end of the year there had been a balance of working capital in hand of £56,318.

DEVELOPMENT RESULTS

Development accomplished during the year had been 63,274 feet—an increase of 3,334 feet compared with the previous year's figure. 26,600 feet had been on reef and sampled, 11,960 feet being classed as payable with an average value of 23.9 dwt. per ton over the average reef width of 15 inches. Of that payable development 10,130 feet had been on the main reef leader and 1,830 feet had been on the south reef.

The available ore reserve as re-estimated on December 31, 1941, had been 4,113,900 tons, of an average value of 5.2 dwt. over a stoping width of 43.3 inches. The available ore reserve showed an increase of 98,300 tons compared with the previous year's figure, the value being 0.1 dwt. lower and the stoping width 0.1 inch lower.

The price received for gold and the rate at which normal income-tax was payable by the company had remained unchanged throughout the year. There had been, however, an increase in the special contribution which was based on taxable income before deduction of redemption allowance and any tax loss brought forward from a previous year. As from January 1, 1941, the percentage payable had been raised from 11 per cent. to 16 per cent., while as from the beginning of the current year there had been a further increase to 20 per cent.

CONSERVATION OF STOCKS

In view of the difficulties which were experienced in obtaining adequate supplies of essential materials every effort was being made by the gold mining industry as a whole to reduce consumption and to conserve existing stocks.

The development programme generally had been curtailed since the beginning of the current year. In order to conserve essential materials it had been decided not to circulate to shareholders the usual quarterly reports nor a report of the proceedings at meetings. Copies of these reports could be obtained, however, on application to the head office in Johannesburg, or to the London office.

A large number of the company's European employees was absent on military service. The mine had undertaken its share of munitions production and had satisfactorily fulfilled all work of that nature entrusted to it.

The report and accounts were adopted.

RAND MINES, LIMITED

SATISFACTORY POSITION

Mr W. H. A. Lawrence presided at the Annual Meeting of Rand Mines, Limited, in Johannesburg on the 22nd instant.

In moving the adoption of the report and accounts, the Chairman said it would be agreed that the position disclosed was satisfactory. Profit earned had been £965,357, a decrease of £92,359 compared with the figures for 1940; that profit had been derived exclusively from dividends, interest and sundry revenue. Although the Investment Reserve account had been reduced by a net amount of £67,447, nevertheless at the end of the year it had stood at the substantial total of £3,437,033. The balance of the appropriation account had increased by £193,649 to £1,375,908, represented by cash and cash assets after allowing for all liabilities except those of a contingent nature.

The company's contingent and option liabilities to subscribe for shares in and to finance certain undertakings had been further reduced during the year, and ample cash resources were available to meet all such commitments as and when they matured. Investments in shares and debentures had been brought into account at a book value of £3,955,284, which was a decrease of £56,740 compared with the total at the end of 1940. All investments for which share market quotations were available appeared in the books at or under cost, but in no case above the market price at December 31, 1941. Unquoted securities had been entered in accordance with conservative values placed upon them by the Board, and in no instance at a valuation exceeding cost. The market value of the gold mining interests of the company at the end of the year had represented 77.4 per cent. of the market value of all investments, and of those gold mining investments 94.4 per cent. had been dividend producing.

STEADY PROGRESS OF GOLD MINING INDUSTRY

The Gold Mining Industry had maintained steady progress of recent years despite the difficulties of the times, and since the Company's last annual meeting two new mines had been brought to the producing stage, while a third, Blyvooruitzicht, had commenced to mill development rock and to recover gold therefrom. The output of gold by the mines of the Witwatersrand area and extensions together with miscellaneous production had been 14,039,912 ounces fine, an increase of 356,494 ounces, but as a result of the general increase in working costs the working profit earned had fallen by £1,680,144 to £45,845,043. As from January 1, 1941, the special war contribution, which was based on taxable income before reduction of redemption allowance and any tax loss brought forward from a previous year, had been increased from 11 per cent. to 16 per cent. Since January 1, 1942, that contribution had been further increased to 20 per cent. The taxation of the gold mines in the Transvaal, including the share of profits paid to Government by leased mines, had amounted to approximately £27,000,000 in respect of 1941.

The Government has referred repeatedly to the importance of the gold mining industry to the national economy, and has laid stress on the part which the mines are playing in the Union's war effort, both by the maintenance of gold production and the manufacture of munitions. Furthermore, at December 31st last some 6,000 employees were absent on full-time military service, and approximately 6,000 other employees had volunteered for part-time service in the Mines Engineering Brigade, the National Volunteer Brigade and other units.

PROBLEM OF ESSENTIAL SUPPLIES

One of the most difficult problems which has to be faced is that of the supply of essential materials from overseas. Every effort is being made by the industry to effect economies in the use of such materials and to conserve existing stocks to the greatest possible extent. With this object in view development programmes generally have been curtailed since the beginning of the year. Furthermore, a system has been introduced of pooling stocks of materials such as steel, rubber and non-ferrous metals which are held by the mines. These pooling arrangements may be extended from time to time to include other essential supplies.

In order to effect a very necessary economy in the use of paper, it had been decided not to circulate to shareholders the reports of the proceedings at the annual general meetings. Shareholders could, however, obtain copies of the reports of the pro-

ceedings at that meeting on application to the Corner House or to the London Secretaries of the company, Messrs A. Moir and Company.

The tonnage of ore milled by the Witwatersrand Mines of the group during 1941 had been 21,068,500, an increase of 453,200 tons compared with 1940 and a fresh record. The average yield of gold per ton milled at 3.690 dwt. had been a further reduction of 0.132 dwt., or 3.45 per cent. There has been a fall of £122,268 in the total working profit of £11,088,828. The total amount distributed as dividends had been £4,709,713, which had been £572,776 less than in 1940. The amount provided for the payment of direct taxation to the Government had decreased by £212,246 to £5,760,924.

POSITION AT BLYVOORUITZICHT MINE

At the Blyvooruitzicht mine sinking of No. 1 Shaft had been stopped at a depth of 5,042 feet and reef development had commenced, the footage accomplished during the year amounting to 7,970 feet. In the restricted area covered by that development high values had been disclosed, and as a result it had been decided to erect a small crushing plant capable of treating 8,000 tons of development rock per month. It was not intended that the revenue derived from that source should be utilised for dividend purposes, but that it should provide a portion of the finances required to meet the heavy expenditure on development which must be incurred before the mine could go to production on a normal milling scale. The average number of Europeans employed by the eleven Witwatersrand Mines of the group during the year had been 14,695, including those on active service. The average number of Non-European employees had been 114,274, which had been an increase of 3,683 compared with 1940. At April 30th last the total number of Non-Europeans employed by the eleven mines had been 112,967.

The health record of native employees had continued to show very satisfactory results. The mortality rate from phthisis had fallen from 0.07 per thousand to 0.06, while deaths from mining accidents had fallen from 1.75 per thousand to a new low record of 1.67 per thousand. Compared with 1940, the shifts lost per native per annum from disease and accidents had risen slightly from 4.78 to 5.21. The present valuation of the outstanding phthisis liability of the mines of the group was £5,848,830, an increase of £667,172. The eleven mines affected had provided, with accrued interest up to the end of 1941, £3,372,213 towards meeting that liability.

The report and accounts were adopted.

F. FRANCIS AND SONS, LIMITED

DIVIDEND OF 14 PER CENT. MAINTAINED

The forty-first ordinary general meeting of F. Francis and Sons, Limited, was held, on the 28th instant, in London. Mr John Ismay, the chairman, said: "The net profit for 1941 at £63,778 shows a reduction of £7,585. In arriving at this figure, however, I would point out that the whole of the company's liability for War Damage Contribution and War Risks Insurance has been charged against profits."

I draw your attention to this fact because no doubt you will have observed from the various company reports, which have appeared during the past few months, that this procedure is not always adopted.

This year has had to bear the full 10 per cent. E.P.T. against 90 per cent. for the previous year, and whilst we are proposing a final dividend of 10 per cent., making 14 per cent., the same as the previous year, the increase in taxation together with the Government insurance liabilities previously referred to has resulted in our carry forward being only increased from £20,549 to £21,702. If, however, you will refer to our consolidated statement you will see that the balance of current liabilities over current assets is increased by £2,246 to £112,723.

You will see, therefore, from these figures that there is no prospect of any increase in dividend so long as E.P.T. remains at 100 per cent.

You will observe from the balance-sheet there has been a slight increase in freehold properties, and an increase on shareholdings in subsidiary companies. The latter item is, in fact, actually represented by buildings and appears as such in the consolidated state-

ment. Adequate provision has been made for depreciation, and assets remain very conservatively valued.

With regard to the future, whilst it is quite impossible to forecast under existing conditions, I can only say that your board views the future with confidence.

The chairman concluded by moving the adoption of the report and accounts, which was seconded by Mr S. W. Francis (managing director), and carried unanimously.

JAMES W. COOK AND COMPANY, LIMITED

DIVIDEND AND BONUS MAINTAINED

The forty-fifth annual general meeting of James W. Cook and Co., Limited, was held, on the 22nd instant, in London, Mr W. J. Clarke (chairman and managing director) presiding.

The chairman said: "Our subsidiary companies have once again helped very greatly to secure the results that we now present to

you; they have been very active during the year, and are continuing so now.

In the profit and loss account the repairs item stands at £21,344. The high cost of repairs is altogether due to money expended as a result of war damage, and whatever benefit we are to receive will relieve future accounts. Our ordinary overhaul has suffered, and for that reason we require to transfer to "deferred repairs" a further sum of £10,000.

The item in the balance-sheet "Due to subsidiary companies," £32,625, is a new item and requires a little explanation. We lost property at sea and the amount received in compensation has been used to purchase haulage concerns. That accounts for the increased amount invested in subsidiary companies on the credit side. Our debtors are all good, and the item of £76,149 creditors and credit balances includes that of taxation reserve, to which we are adding another £10,000. The contingent liability figure, £61,172, is a reduction on last year. We are able to recommend the same dividend and bonus as last year, and carry forward a substantial sum to next year's account.

The report and accounts, together with the dividend of 10 per cent. and bonus of 2½ per cent., were unanimously adopted.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE upward trend of prices engendered by the initial Russian successes on the Kharkov front on the eve of the Whitsun holiday was not resumed when the markets reopened on Tuesday. Earlier optimism was replaced by a marked disposition to await events, and a turnover remained low, although prices throughout most sections were steady to firm. Turnover in the gilt-edged market was light, prices in consequence showing little movement. Some demand for the dated 3 per cent stocks was reflected in gains of ¼ before the holiday, although irredeemable and long-dated issues were generally unchanged. At the reopening, however, both Local Loans and Old Consols eased ¼, but other changes were few. Some speculative activity in the foreign bond market at the end of last week occasioned a firm tone, with Brazilian and Chilean issues prominent, advances of 2 points being registered by the 5 per cent issues of 1896 and 1911 among the latter. Among European issues, both Greek and German Potash bonds advanced on some enquiry. Continued support for Brazilian issues occasioned further improvements in mid-week. In common with other sections, the earlier activity of the home rail market, in which gains of ¼ for LMS 4 per cent preference, and ¼ for both the 4 per cent Guaranteed and First preference Berwick issues were registered, was replaced by more subdued conditions in the early part of the current week, when LNE preferred lost ¼ at the reopening. The firmness of Brazilian stocks provided the feature of the foreign rail market, San Paulo advancing 1½ points on Tuesday among smaller gains for Leopoldina issues. Quiet dealing in mid-week left the Funds largely unchanged, while among home rail equities G.W. ordinary rose ½.

The numerous small improvements in the industrial market prior to the holiday were a reflection of the continued shortage of stock rather than any real expansion in turnover, but in the current week movements were both fewer and smaller. Quiet demand for some leading brewery issues occasioned several small gains, Guinness rising 6d. at the week-end, while South African Breweries advanced 2s. 6d. on Tuesday. After jumping ½ the previous day, BAT lost ½ on Friday, as did Imps, but among other tobacco shares Gallaher improved slightly at the reopening. Numerous advances in the motor and aircraft group

reflected the general firmness of leading issues, Triplex, Leyland and AEC all advancing after the holiday. The heavy industrial section, however, was rather irregular, but changes either way were restricted to a few pence. Shipping shares were quiet although several small improvements were registered. Steady buying of textile shares occasioned a small but general advance, Patons & Baldwins being prominent with a gain of ½ last Friday. Among many small rises in the miscellaneous section Boots rose 1s. and United Molasses 6d. at the reopening, but International Nickel fell ½. Reduced activity in midweek was sufficient to maintain prices in most sections.

Some demand from the Cape at the end of last week occasioned a fairly general improvement in the kaffir market, in which Central Mining rose ¼ and Rand Mines ½, but at the reopening conditions were quieter, West Wit Areas falling ¼. Both the tea and rubber markets improved on the news from the fronts, Malayalam and Grand Central in the former rising 9d. and 1s. respectively, while in the latter market, Eastern Produce was outstanding with an advance of 1s. 10½d. Later, however, conditions in the rubber market became quieter, although tea issues continued firm. Turnover in the oil market was light, but gains were rather widespread, Burmah, Shell and Anglo-Iranian all rising ¼ on Friday. Later, light selling occasioned falls of ¼ for Shell and Anglo-Iranian, but other sections were generally steady.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
May 21.....	2,494	2,467	78.0	134.6
" 22.....	2,804	2,466	78.4	134.8
" 25.....	Closed	...	...	...
" 26.....	3,380	3,045	78.5	134.8
" 27.....	2,802	2,448	78.7	134.7

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942; highest, 135.6 (Apr. 29) lowest, 132.2 (Jan. 5).

New York

PENDING the outcome of the struggle in the Ukraine, Wall Street has witnessed no resumption of the previous Thursday's activity, when optimistic rumours occasioned widespread gains of 2 points. Meanwhile buyers are holding off, and with very little selling in progress prices have generally been maintained.

New York Prices

STANDARD STATISTICS INDICES

(1935=36=100)

WEEKLY AVERAGES

	1942		May 6, 1942	May 13, 1942	May 20, 1942
	Low April 29	High Jan. 14			
347 Industrials	62.4	75.0	63.8	64.0	64.4
32 Rails	59.4	71.0	61.1	60.0	59.4
40 Utilities	53.1	67.4	56.4	56.2	57.6
419 Stocks	60.8	73.3	62.5	62.5	63.0
Av. yield*	8.40%	7.65%	8.23%	8.18%	7.77%

*50 Common Stocks. (a) Jan. 7. (b) Feb. 4. (c) May 20.

DAILY AVERAGE OF 50 COMMON STOCKS

May 14	May 15	May 16	May 18	May 19	May 20
78.4	79.4	80.1	79.9	79.6	79.6

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Total share dealings: May 21, 560,000; May 22, 329,000; May 23, 132,000; May 25, 233,000; May 26, 285,000; May 27, 434,000.

* Two-hour session.

Capital Issues

Week ending May 30, 1942	Nominal Capital	Conversions	New Money
By Permission to Deal..	368,000	...	1,424,975
Particulars of Government	issues appear on page 777.	Including Conversions	Excluding Conversions
Year†			
1942.....	731,329,141		727,327,082
1941.....	595,379,102		576,555,806

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp.	Foreign ex. U.K. Countries
1942.....	727,090,286	199,308	37,488
1941.....	573,933,467	2,622,339	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942.....	721,490,741	478,788	5,357,553
1941.....	573,771,056	84,460	2,700,390

† Includes Government issues to May 19, 1942, only. Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

Baltimore and Ohio Railroad Co. (\$000s).—Gross earnings from operations in the year ended Dec. 31st at \$227,503 were the

best since 1929, and \$48,328 higher than 1940. Net railway income is \$15,679 higher at \$46,297, which with other receipts gives a total income of \$54,604, a rise of \$15,741. Interest charges are little changed at \$31,508, giving a net income of \$21,092 which compares with \$5,549 earned last year. The average train load at 984.02 tons was 41.86 higher, and transportation costs 32.87 cts per dollar earned, a reduction of 1.78 cts per dollar. The advance in rates and charges yielded \$10,500 against the

\$14,250 required to meet increased wage and tax schedules.

Brazilian Traction, Light and Power Ltd. (Shares).—Gross operating income in April \$3,768 (\$3,429), net earnings before depn. \$2,006 (\$1,861). Agg. gross earnings Jan. 1st-April 30th \$14,754 (\$13,240), agg. net earnings \$7,774 (\$7,017).

Society of Incorporated Accountants and Auditors.—During 1941, 122 (249) new members were admitted, while 34 (57)

Associates were advanced to Fellows. The total membership on December 31st was 7,881 (7,879), of which number 6,324 (6,323) were Associates and 1,555 (1,553) Fellows.

Cities Service (Shares).—Cons. gross operating revenue year ended Decem-ber 31st \$260,947 (\$238,690), net income \$14,284 (\$9,928). Company's gross income \$16,769 (\$18,222), net income \$4,900 (\$6,780), surplus \$20,956 (\$19,631).

COMMODITY AND INDUSTRY NEWS

Sir Cecil Weir.—The Board of Trade has released Sir Cecil Weir from his appointment as Controller-General of Factory and Storage Premises, to take up the Director-Generalship of Equipment and Stores in the Ministry of Supply, in succession to the late Sir William T. Wilson. Mr A. P. Watter, deputy Controller-General, succeeds Sir Cecil Weir as Controller-General of Factory and Storage Premises.

Producer-Gas Vehicles.—The Minister of War Transport has appointed Lord Ridley to be Director of Producer-Gas Vehicles. Lord Ridley will take up his appointment when certain work he is doing for the Air Ministry has been completed.

Tyre Requisitioning.—The Ministry of Supply is considering plans for the requisitioning of tyres on cars which have been laid up. The approximate number of tyres is known, and they will be called for as they are required. The Ministry announces that the fact that requisitioning is not immediately undertaken does not mean that the utmost stringency in the use of rubber is not to be exercised.

Export Control.—Under the Export of Goods (Control) (No. 24) Order (SR and O No. 929) which comes into force on June 9th, export control is extended to cover certain kinds of furniture, mainly beds (including parts and fittings); manufactures wholly or partly of kapok; cotton stockin-

ette sacks, bags, or wrappers; upholsterers' skewers and pins, and parts of office machinery.

Cobalt Control.—The Control of Non-Ferrous Metals (No. 10) (Cobalt) Order made by the Ministry of Supply came into force on May 26th. Licences are now required by importers or manufacturers to dispose of cobalt and certain specified materials containing cobalt imported into or produced in the United Kingdom. The material cannot be acquired from the importer or manufacturer unless he has a licence or unless the acquirer is authorised by licence.

Utility Clothing Alterations.—Provisions have been made by the Board of Trade in an Order (SR and O No. 886) governing the maximum charges which may be made for alterations to utility garments carried out, or contracted for, within a month of purchase. These charges are limited to the actual cost, whether the alterations are done by the retailer or contracted out, and in no case may they exceed 10 per cent of the selling price before the alterations were made. The Order came into force on May 28th.

Quilts Maximum Prices.—The Board of Trade has made an Order (SR and O No. 887), which came into force on May 28th, controlling the maximum prices to be charged by manufacturers, wholesalers and retailers of quilts and quilt covers manu-

factured under licences issued under the Consumer Rationing (No. 8) Order. All such quilts and covers must bear a special mark. Manufacturers' prices for quilts and covers of their own manufacture are determined by conditions attached to the licences. Margins have been fixed whereby the total mark-up between manufacturer's selling price and the retail buying price may not exceed 17.65 per cent (equivalent to 15 per cent on returns) of the former. Retailers may add a margin of 42.86 per cent to the price, exclusive of purchase tax (equivalent to 30 per cent on returns). Overriding maxima are laid down in the Order.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	May 21, 1942	May 22, 1942	May 25, 1942	May 26, 1942	May 27, 1942
Crops	115.7	115.7	Bank Holiday	115.7	115.7
Raw materials	172.7	172.7		141.3	141.3
Complete Index	141.3	141.3			
	Mar. 31, 1937	Aug. 31, 1939	May 27, 1941	April 27, 1942	May 20, 1942
Crops	147.9	92.2	108.5	115.6	115.7
Raw materials	207.3	122.9	170.5	172.7	172.7
Complete Index	175.1	106.4	138.0	141.3	141.3

* Highest level reached during 1932-37 recovery.

Finance

GOVERNMENT RETURNS

For the week ended May 23, 1942, total ordinary revenue was £40,119,000, against ordinary expenditure of £93,020,000, and issues to sinking funds of £150,000. Thus, including sinking fund allocations of £983,155, the deficit accrued since April 1st is £411,588,000 against £430,996,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 24, 1941	April 1 to May 23, 1942	Week ended May 24, 1941	Week ended May 23, 1942
ORDINARY REVENUE				
Income Tax	50,136	85,348	6,112	9,414
Sur-tax	5,745	5,900	240	320
Estate, etc., Duties	15,615	15,886	890	1,615
Stamps	1,640	1,750	700	860
N.D.C.	2,291	3,593	265	430
E.P.T.	21,692	30,860	2,070	4,490
Other Inland Rev.	95	150	45	20
Total Inland Rev.	97,214	143,467	10,322	17,150
Customs	49,685	65,048	5,458	9,369
Excise	24,600	51,700	2,600	2,900
Total Customs and Excise	74,285	116,748	8,058	12,269
Motor Duties	4,222	2,928	...	...
Canadian Govt. Contribution	...	40,449	...	8,989
Post Office (Net Receipts)	3,750	7,250	150	600
Wireless Licences	...	270	...	...
Crown Lands	170	160	...	...
Receipts from Sundry Loans	711	488	...	1,111
Miscel. Receipts	1,188	11,230	25	1,111
Total Ordinary Rev.	181,540	322,990	18,555	40,119
SELF-BALANCING (O. and Broad-casting)	11,750	11,950	1,900	1,750
Total	193,290	334,940	20,455	41,869

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	April 1 to May 24, 1941			
	April 1 to May 24, 1941	April 1 to May 23, 1942	Week ended May 24, 1941	Week ended May 23, 1942
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	49,430	56,221	784	1,291
Payments to N. Ireland	929	653	331	...
Other Cons. Fund Services	350	347	65	69
Total	50,709	57,221	1,180	1,360
Supply Services	561,066	676,375	72,700	91,660
Total Ordinary Expenditure	611,775	733,596	73,880	93,020
SELF-BALANCING (P.O. and Broad-casting)	11,750	11,950	1,900	1,750
Total	623,525	745,546	75,780	94,770

After decreasing Exchequer balances by £276,259 to £2,581,286, the other operations for the week (no longer shown separately) raised the gross National Debt by £53,032,450 to about £14,484 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 23rd and May 29th. (Figures in brackets are par of exchange.)

United States \$ (4-80) 4-02-03; mail transfers 4-02-03. Canada \$ (4-80) 4-43-47; mail transfers 4-43-47. Switzerland Francs (25-22) 17-30-40. Sweden Krona (18-150) 16-85-95. Argentina. Peso (11-40) 16-95-17-13; mail transfers 16-95-17-15. Dutch West Indies Florin (12-11) 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$ 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 520. Italy. 71-25 lire.

NET ISSUES (£ thousands)	
P.O. and Telegraph	250
Overseas Trade Guarantees	8
	258

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1941						
May 24	905-0		Not available			
Feb. 21	905-0	1612-7	215-4	21-7	677-5	3432-3
Mar. 7	905-0		Not available			
" 14	905-0		"	"	"	
" 21	905-0		"	"	"	
Apr. 4	905-0	2620-6	195-1	"	496-5	3312-2
" 11	905-0		"	"	"	
" 18	910-0		"	"	"	
" 25	920-0	1757-3	251-7	17-0	487-0	3432-9
May 2	935-0		Not available			
" 9	950-0		"	"	"	
" 16	965-0		"	"	"	
" 23	975-0		"	"	"	

TREASURY BILLS

Date of Tender	Amount		Average Rate of Allotment		Per Cent Allotted at Min. Rate
	Offered	Applied for	s.	d.	
1941					
May 23	75-0	141-8	65-0	20 0-59	44
1942					
Feb. 27	75-0	142-6	75-0	20 0-18	35
Mar. 6	75-0	139-4	75-0	20 0-31	38
" 13	75-0	128-0	75-0	20 0-34	44
" 20	75-0	121-4	75-0	20 0-65	50
" 27	75-0	131-6	75-0	19 11-68	60
April 3	75-0	147-2	75-0	20 2-72	34
" 10	75-0	155-0	75-0	20 3-02	35
" 17	75-0	147-5	75-0	20 2-89	36
" 24	75-0	133-0	75-0	20 3-15	44
May 1	75-0	148-0	75-0	20 0-30	37
" 8	75-0	143-8	75-0	20 0-73	44
" 15	75-0	135-4	75-0	20 0-65	41
" 22	75-0	143-9	75-0	20 0-78	42

On May 22nd applications at £99 14s. 11d. per cent for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 42 per cent of the amount applied for, and applications at higher prices in full. No applications for bills to be paid for on Saturday were accepted. £75 millions of Treasury Bills are being offered on May 29th. For the week ending May 30th the banks will be asked for Treasury deposits to a maximum amount of £15 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.				3% War Bonds 1949-51	
	N.S.C.	Defence Bonds	Savings Bonds	War Bonds	1949-51	1949-51
Apr. 14	4,810	3,203	7,372	4,566	4,001	4,001
" 21	6,203	2,843	6,755	8,937	2,970	2,970
" 28	5,472	2,665	8,937	3,608	5,656	5,656
May 5	4,900	2,676	12,118	6,380	6,183	6,183
" 12	4,288	2,400	4,082	6,380	6,183	6,183
" 19	4,147	2,096	6,380	6,225	3,350	3,350
" 26	...	...	...	...	...	...
Totals to date	543,788	459,338	729,581	413,421	413,421	413,421

* 130 weeks. † 73 weeks. ‡ 33 weeks. § Including series "A." Interest free loans received by the Treasury up to May 26th amounted to a total value of £48,137,352. Up to Apr. 26th, principal of Savings Certificates to the amount of £64,472,000 has been repaid.

Market Rates.—The following rates remained unchanged between May 23rd and May 29th.

Egypt. Piastres (97½) 97½-£. **India.** Rupee (18d. per rupee) 17½-18½d. **Belgian Congo.** Francs 176½-£. **China.** National \$ 2½-3½d.

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 2 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 cent pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between May 23rd and May 29th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days 1½%; 3 months,

BANK OF ENGLAND RETURNS

MAY 27, 1942

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	788,639,000	Other Govt. Securities	817,113,485
In Bankg. Department	41,602,718	Other Secs.	1,857,042
		Silver Coin	14,373
		Amt. of Fid. Issue	830,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,718
			830,241,718

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs.	149,997,838
Rest.	3,220,295	Other Secs.	...
Public Depts.	7,605,915	Discounts & Advances	6,593,663
		Securities	27,081,657
Other Depts.	146,634,878	Notes	41,602,718
Bankers	47,835,625	Gold & Silver Coin	1,167,500
Other Accts.	194,470,503		219,849,713
			219,849,713

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

COMPARATIVE ANALYSIS

	(£ millions)			
	1941	May 28	May 13	May 27
Issue Dept.				
Notes in circulation	629-5	780-2	782-5	788-6
Notes in banking department	50-7	50-1	47-8	41-6
Government debt and securities	677-5	828-0	828-0	828-1
Other securities	2-5	2-0	2-0	1-9
Silver Coin	0-1	0-0	0-0	0-0
Gold, valued at 8s. per fine oz.	168-00	168-00	168-00	168-00
Deposits:				
Public	32-3	12-6	17-6	7-6
Bankers	110-9	126-6	125-8	146-6
Others	52-1	50-5	47-3	47-8
Total	195-3	189-7	190-7	202-0
Banking Dept. Secs.:				
Government	125-2	127-8	130-4	150-0
Discounts, etc.	11-4	7-0	6-7	6-6
Other	24-2	21-4	22-4	20-5
Total	160-8	156-2	159-5	177-1
Banking depart. res.	52-3	51-1	48-8	42-8
" Proportion "	26-7	26-9	25-6	21-1

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £780 millions to £830 millions on April 22, 1942.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months
May 21	23½	23½
" 22	23½	23½
" 25	23½	23½
" 26	23½	23½
" 27	23½	23½

The New York price of fine silver remained at 35½ cents per fine ounce throughout the week.

1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates 1%. Discount deposit at call ½%; at notice ½%.

NEW YORK EXCHANGE RATES

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended	Aggregate from Jan. 1 to
	May 1941	May 1942
Working days	24	24
Birmingham	1,574	1,696
Bradford	2,960	2,813
Bristol	554	545
Hull	687	765
Leeds	798	728
Liverpool	4,722	4,986
Manchester	10,790	11,342
Newcastle	1,157	1,213
Nottingham	469	426
Sheffield	532	712
Southampton	131	85
12 Banks	25,043	26,711
Dublin*	5,850	5,722
• May 17, 1941, and May 16, 1942		

OVERSEAS BANK RETURNS

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

	May 1941	May 1942
12 U.S. Fed. Banks	22,565	22,705
Gold certificates on hand	2,257	2,044
Gold certificates in circulation	20,308	20,661
Total gold certificates	22,565	22,705
Total reserves	22,565	22,705
Total U.S. Govt. securities	2,164	2,436
Total bills and securities	2,191	2,453
Total liabilities	23,886	24,580
U.S. notes in circulation	6,964	8,877
U.S. bank notes in circulation	5,960	5,960
U.S. bank deposits	1,732	1,244
U.S. deposits	577	376
Total deposits	16,181	14,255
Total liabilities	23,886	24,580
Reserve ratio	91.2%	90.0%
BANKS AND TRUSTS		
Monetary gold stock	22,565	22,705
Treasury & bank currency	3,131	3,291
Liabilities		
Money in circulation	9,186	11,845
Treasury cash and dep.	2,757	2,569

BANK OF CANADA Million Can. \$

	April 1941	April 1942
Assets		
Reserve Gold	116.1	229.6
Other	497.4	601.6
Liabilities		
Notes in circulation	370.7	517.4
Deposits: Dom. Govt.	19.4	79.3
Chartered banks	224.8	235.8

RESERVE BANK OF INDIA Million rupees

	May 1941	May 1942
Assets		
Gold coin & bullion	444	444
Rupee coin	369	296
Gold notes issued	319	416
Striking securities	1,138	2,419
Ind. Govt. securities	915	1,382
Investments	75	84
Liabilities		
Notes in circulation	2,561	4,139
Deposits: Govt.	126	131
Other	289	438
Reserve ratio	95.4%	85.5%

CENTRAL BANK OF ARGENTINA Million paper pesos

	April 1941	April 1942
Assets		
Gold and foreign currencies	1,071	1,075
Other gold and foreign currencies	362	517
Non-int. Govt. bonds	119	119
Treasury bonds	394	394
Liabilities		
Notes in circulation	1,231	1,440
Deposits: Government	152	57
Other	497	580
Reserve ratio	72.8%	75.6%

RESERVE BANK OF NEW ZEALAND Million N.Z. \$'s

	Mar. 1941	Mar. 1942
Assets		
Gold and stg. exch.	20.34	21.43
Advances to State	16.43	31.37
Investments	3.77	4.15
Liabilities		
Bank Notes	21.44	23.35
Deposits: State	6.27	19.26
Other	13.78	13.11
Reserve to sight liab.	49.0%	38.8%

BANK OF PORTUGAL Million escudos

	Dec. 1941	Dec. 1942
Assets		
Gold	12,339	13,377
Gold abroad	386.1	317.2
Discounts	329.6	329.4
Liabilities		
Notes in circulation	2,903.4	4,130.2
Deposits: Government	247.2	199.8
Other	851.7	257.7
Reserve ratio	235.7%	256.0%

REICHSBANK Million reichsmarks

	Jan. 1941	Jan. 1942
Assets		
Gold and foreign currencies	13,841	21,656
Gold and foreign currencies	288	17
Other	24	32
Liabilities		
Notes in circulation	13,147	19,335
Deposits: Government	1,910	3,649
Other	595	672
Reserve ratio	72.8%	75.6%

BRITISH WHOLESALE PRICES

	May 19, 1942	May 26, 1942
CEREALS AND MEAT		
Wheat		
No. 1 N.M. 49 lb. fob St. J.	54 5	54 5
Eng. Gaz. av. per cwt. (c)	15 11	15 11
Flour per 280 lb.		
Straights d.d. London	33 3	33 3
Barley Eng. Gaz. av. per cwt. (c)	6 5	6 5
Oats (c)	14 9	14 9
Maize, La Plata, 480 lb., fob.	13 9	13 9
MEAT —Beef, per 8 lb.		
English long sides	4 11	4 11
Imported hinds	6 5	6 5
Mutton, per 8 lb.—English	4 7	4 7
Imported	8 6	8 6
Pork, English, per 8 lb.	4 7	4 7
Bacon—(per cwt.)—Wilt., cut side	126 0	126 0
HAMS—(per cwt.)—Green	132 0	132 0
OTHER FOODS		
Butter (per cwt.) All Grades	142 0	142 0
Onions (per cwt.)	99 2	99 2
Household	99 2	99 2
Imported	99 2	99 2
Onions (per cwt.)	45 0	45 0
Acra, g.f.	81 0	81 0
Grenada fine	81 0	81 0
COFFEE (per cwt.)		
Santos, sup. c. & f.	190 0	190 0
Costa Rica, medium to good	200 0	200 0
ESSES (per 120)—English	15 0	15 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)		
English	8 3	8 3
SUGAR (per cwt.)		
Centrifugals, 96%, ppt. shipm.	49 10	49 10
c.f.f. U.K./Cont.	21 7	21 7
Refined London	47 6	47 6
Granulated, 2 cwt. bags, domestic consumption	50 10	50 10
Granulated, 2 cwt. bags, domestic consumption	21 7	21 7
West India Crystallised	47 6	47 6
TORRADO (per lb.)		
Indian, stemmed and unstemmed	0 8	0 8
Rhodanian, stemmed and unstemmed	0 8	0 8
Aluminum (per lb.)		
Raw, Mid-American	8 90	8 90
Ciba, F.G.F.	11 55	11 55
Yarns, 36's Ring Bruns	18 74	18 74
42's Cop. Welf	18 52	18 52
60's Twist (Egyptian)	26 50	26 50
Cloth, per 100 yards		
31 in. Printer, 64 x 64	35 0	35 0
36's & 42's	47 4	47 4
Camble Shirting, 32's in.	47 4	47 4
72 x 60, 24's & 24's	47 4	47 4
TEXTILES		
Cotton (per lb.)		
Raw, Mid-American	8 90	8 90
Ciba, F.G.F.	11 55	11 55
Yarns, 36's Ring Bruns	18 74	18 74
42's Cop. Welf	18 52	18 52
60's Twist (Egyptian)	26 50	26 50
Cloth, per 100 yards		
31 in. Printer, 64 x 64	35 0	35 0
36's & 42's	47 4	47 4
Camble Shirting, 32's in.	47 4	47 4
72 x 60, 24's & 24's	47 4	47 4
MINERALS		
Coal (per ton)		
Welsh, best Admiralty	31 7	31 7
Durham, best gas, fob. Tyne	27 10	27 10
IRON AND STEEL (per ton)		
Pig, Cleveland No. 3, d.f.	128 0	128 0
Bars, Mildsheet	312 6	312 6
Steel, rails, heavy	290 6	290 6
Templates (hose, i.e. 14 x 20)	29 9	29 9
NON-FERROUS METALS (per ton)		
Copper (c)—Electrolytic	62/0/0	62/0/0
Tin—Standard cash	275/0/0	275/0/0
Lead (d)—Soft, foreign, cash	25/0/0	25/0/0
Spelter (d)—G.O. H. spot	25/15/0	25/15/0
Aluminum, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0	190/0/0
Antimony, English, 99%	120/0/0	120/0/0
Wolfram, Empire	215/0/0	215/0/0
Platinum, refined	9/0/0	9/0/0
Quicksilver	48/15/0	48/15/0
GOLD (per fine ounce)	168 0	168 0
SILVER (per ounce)		
Cash	1 11 1/2	1 11 1/2

MISCELLANEOUS

	May 19, 1942	May 26, 1942
CEMENT , best Eng. Portland, d/d site, London area		
in paper bags or jute sacks 20 to ton—(a)	49 6	49 6
6-ton loads and upwards per ton	60/0/0	60/0/0
CHEMICALS		
Acid, Oxalic, net	60/0/0	60/0/0
Tartaric, English, less 5% lb.	10/5/0	10/5/0
Ammonia, Sulphate	10/5/0	10/5/0
Nitrate of Soda	18/15/0	18/15/0
Potash, Sulphate	11/0/0	11/0/0
Soda Bicarb.	5/7/6	5/7/6
Soda Crystals	5/7/6	5/7/6
COPRA (per ton)—S.D. Straits		
c.f.f.	20 0	20 0
HIDES (per lb.)		
Wet salted Australian, 40/50 lb.	0 7 1/2	0 7 1/2
Queensland	0 7 1/2	0 7 1/2
Cape, J'burg Ord	0 6 1/2	0 6 1/2
Dry Cape, 18/20 lb.	0 6 1/2	0 6 1/2
English & Welsh Market Hides	0 6 1/2	0 6 1/2
Best heavy ox and heifer	1 9	1 9
LEATHER (per lb.)		
Sole Belts, 8 1/4 lb.	1 3	1 3
Shoulders	2 0 1/2	2 0 1/2
Insole Belts	1 2 1/2	1 2 1/2
Dressing Hides	1 10	1 10
PETROLEUM PRODUCTS (per gal.)		
Motor Spirit, England & Wales	0 11 1/2	0 11 1/2
Kerosene, Burning Oil	1 1	1 1
(b) Automotive gas oil, in bulk, ex road tank waggons	1 7 1/2	1 7 1/2
Fuel oil, in bulk, England and Wales	0 10 1/2	0 10 1/2
Furnace	0 11 1/2	0 11 1/2
Diesel	29 0	29 0
ROBIN (per ton)—American	1 11	1 11
RUBBER (per lb.)		
St. ribbed smoked sheet	200/0/0	200/0/0
SHELLAC (per ton)—TN Orange	25/0/0	25/0/0
TALLOW (per ton)—London Town	41/10/0	41/10/0
Linseed, raw	31/2/6	31/2/6
Kape, crude	28/2/6	28/2/6
Cotton-seed, crude	20/15/0	20/15/0
Coconut, crude	11/15/0	11/15/0
Oil Cakes, Linseed, Indian, ex-mill	20/15/0	20/15/0
La Plata (new)	Nom.	Nom.
Calcutta	Nom.	Nom.

COMPANY RESULTS (May 14 to May 27, 1942)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year				
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.		
Breweries, &c.															
Chesters Brewery Co.	Mar. 31	97,881	£	94,881	165,219	11,347	56,340	24	22,000	+ 5,194	102,852	97,310	24	24	24
Rowell (John) & Son	Mar. 31	77,208	...	17,916	47,085	2,500	13,500	13½	...	+ 1,916	52,290	15,987	13½	13½	13½
Whitbread & Co.	Dec. 31	313,046	...	256,697	544,194	43,407	184,392	18	...	+ 28,898	249,605	194,115	14	14	14
Coal, Iron and Steel															
Babcock & Wilcox	Dec. 31	777,790	...	251,021	356,303	7,664	242,930	11	...	+ 427	885,029	266,289	11	11	11
Pease & Partners	Mar. 31	406,338	70,000	246,589	546,783	62,500	139,591	8	...	+ 4,498	617,446	298,976	7	7	7
Ransomes, Sims & Jefferies	Dec. 31	108,151	...	77,401	133,124	11,000	37,500	7½	40,000	+ 1,099	132,892	85,142	10	10	10
Summers (John) & Sons	Dec. 31	380,366	...	297,304	453,581	...	140,000	(a)	140,000	+ 17,304	558,388	264,856	7	7	7
Union Steel (of South Africa)	Dec. 31	381,683	43,981	141,056	162,711	20,000	48,000	8	75,000	+ 1,944	356,724	142,666	6	6	6
Wilsons & Clyde Coal	Feb. 28	69,660	25,000	10,161	47,580	1,750	13,500	4	...	+ 5,089	70,948	21,936	6	6	6
Yorkshire Amalgamated Collieries	Mar. 31	113,357	...	85,126	209,876	7,500	72,880	5	...	+ 4,746	158,521	139,352	6½	6½	6½
Electric Lighting, &c.															
Southern Areas Electric	Dec. 31	35,658	123	29,943	57,719	...	19,587	5	8,118	+ 2,238	28,684	22,582	5	5	5
Financial, Land, &c.															
Associated Gas & Water	Mar. 31	166,369	...	61,820	102,982	28,782	24,150	5	...	+ 8,888	157,367	63,758	5	5	5
Howard & Bullough (Securities)	Mar. 31	31,494	...	30,994	33,183	7,500	25,000	4	...	+ 1,506	36,463	31,965	4	4	4
Mid-European Corporation	Mar. 31	22,452	...	13,090	14,747	7,125	11	...	...	+ 580	30,019	24,072	14	14	14
Scottish Agricultural Securities	Mar. 31	37,124	...	5,191	8,041	...	...	...	5,892	+ 701	36,545	5,512	Nil	Nil	Nil
Seymour Valley Gas	Mar. 31	87,796	...	37,091	51,299	13,454	21,838	(g)	...	+ 1,799	84,647	42,018	(g)	(g)	(g)
Hotels, Restaurants, &c.															
Criterion Restaurants	Mar. 31	49,395	666	30,938	45,312	...	28,125	12½	3,500	+ 687	18,084	552	Nil	Nil	Nil
Motor, Aviation, &c.															
Sears Limited	Jan. 31	92,739	...	49,900	69,718	15,000	35,000	10	...	+ 100	86,338	53,284	10	10	10
S.S. Cars Limited	July 31	75,000	22,272	27,912	13,384	...	...	...	5,000	+ 22,912	341	Dr. 22,660	Nil	Nil	Nil
Oil															
British-Borneo Petroleum	Mar. 31	47,885	...	34,111	56,688	...	26,250	10	5,000	+ 2,861	61,774	49,774	15	15	15
Rubber															
Central Travancore	Dec. 31	23,020	3,000	5,335	5,898	2,750	1,650	5½	...	+ 935	32,949	5,712	54	54	54
Ceylon (Para)	Dec. 31	32,057	...	13,146	16,341	...	11,250	12½	...	+ 1,896	26,991	10,741	12½	12½	12½
Langkat (Java)	Aug. 31	11,405	3,529	316	3,555	...	...	...	...	+ 316	9,810	5,758	5	5	5
Sendayan (F.M.S.)	Sept. 30	50,897	19,000	10,913	22,522	...	...	...	...	+ 10,193	46,039	27,158	6	6	6
Yataderia	Dec. 31	23,488	1,647	4,906	7,521	...	4,725	5	...	+ 181	18,616	7,018	5	5	5
Shipping															
General Steam Navigation	Dec. 31	26,975	...	26,975	52,922	9,189	18,996	5½	...	+ 1,210	31,206	31,206	5½	5½	5½
Holder Brothers & Co.	Dec. 31	74,329	...	52,669	82,257	5,500	40,000	5½	...	+ 7,169	76,039	44,193	5½	5½	5½
Shops and Stores															
Army & Navy Stores	Aug. 31	547,307	11,221	62,791	165,875	...	61,600	7½	...	+ 1,291	527,784	52,739	7½	7½	7½
Blundell (John) Limited	Jan. 31	78,994	3,324	32,144	37,414	21,562	5,250	3	...	+ 5,332	14,091	Dr. 7,883	Nil	Nil	Nil
Home & Colonial Stores	Jan. 3	232,157	59,091	131,067	300,875	143,752	37,500	(h)	...	+ 50,185	257,010	142,137	(h)	(h)	(h)
Lipton Limited	Jan. 3	362,898	64,435	4,923	13,784	...	...	...	...	+ 4,823	252,293	Dr. 20,417	Nil	Nil	Nil
Maypole Dairy Co.	Jan. 3	323,632	21,517	205,115	506,170	105,569	86,333	4	10,000	+ 1,282	321,432	203,532	4	4	4
Meadow Dairy Co.	Jan. 3	138,877	17,022	91,260	160,588	82,537	9,394	2½	...	+ 671	139,699	101,544	5	5	5
Simburban & Provincial Stores	Jan. 31	117,314	...	22,892	74,430	741	...	...	...	+ 22,151	126,476	24,064	Nil	Nil	Nil
Williamsons Limited	Feb. 28	87,624	9,928	18,111	55,499	6,000	9,375	12½	...	+ 2,736	52,596	21,954	12½	12½	12½
Tea															
Battalgalla	Dec. 31	10,098	...	3,238	6,012	...	3,375	7½	...	+ 137	8,942	3,053	7½	7½	7½
Textiles															
British Cotton & Wool Dyers'	Mar. 31	127,130	45,627	50,004	102,120	...	38,708	5	10,000	+ 1,296	122,453	45,903	5	5	5
Hubbard (S.) Limited	Nov. 30	111,788	16,376	10,780	25,991	8,000	...	10	...	+ 2,880	71,775	13,123	10	10	10
Vantona Textiles	Mar. 31	34,950	12,000	21,673	61,664	10,540	9,653	7	...	+ 1,480	61,440	48,280	7	7	7
Trusts															
African City Properties Trust	Dec. 31	148,679	1,684	51,592	89,690	7,500	44,000	16	...	+ 92	151,614	57,196	17	17	17
Bankers' Investment Trust	April 30	69,454	...	46,937	99,304	20,756	20,766	4½	5,000	+ 415	77,312	52,725	5	5	5
British Combined Investors	Mar. 1	82,036	...	21,029	55,694	15,687	4,233	2	...	+ 1,109	70,364	24,898	3	3	3
Canadian & Foreign Investment	Mar. 31	26,658	...	10,194	40,280	2,888	5,250	5	...	+ 2,056	30,003	13,328	5	5	5
City & Commercial Investment	Jan. 31	47,008	...	35,580	54,659	...	35,060	2½	...	+ 920	50,758	35,386	2½	2½	2½
First Conversion Investment	April 15	52,407	...	26,098	53,621	...	...	...	...	+ 4,555	53,184	30,086	4	4	4
Home & Foreign Investment	Mar. 31	71,430	...	19,460	50,599	11,719	6,300	4	...	+ 1,441	69,948	23,695	4	4	4
Independent Investment Co.	Mar. 31	21,469	...	7,857	41,238	892	1	...	...	+ 297	21,203	8,698	1	1	1
Industrial & General Trust	Mar. 31	275,637	...	195,264	332,659	42,163	112,292	12	20,000	+ 20,809	300,777	216,478	12	12	12
Lake View Investment	Mar. 31	75,984	...	42,757	116,356	8,000	28,800	9	...	+ 5,957	85,008	49,198	9	9	9
London & Holyrood	Mar. 31	118,112	...	33,880	70,135	23,625	6,300	2	...	+ 3,995	118,014	38,712	2	2	2
London & Provincial	Mar. 31	78,553	...	21,849	73,399	8,269	8,269	24	...	+ 5,311	75,009	22,502	24	24	24
London Trust Co.	Mar. 31	73,258	...	20,606	36,544	12,812	7,688	3	...	+ 3,074	84,221	52,301	14	14	14
Second Guardian	May 5	43,621	...	30,213	90,330	12,708	15,200	6	...	+ 106	49,972	21,755	3	3	3
Second Mercantile Trust	May 5	49,914	...	30,213	90,330	12,708	15,200	6	...	+ 2,255	56,408	35,131	6½	6½	6½
Third Scottish National	Mar. 31	64,619	...	15,486	46,891	11,766	5,137	2	...	+ 583	65,779	19,137	2	2	2
Other Companies															
Asquith (William)	Dec. 14	122,846	...	11,018	40,298	8,052	2,039	5	...	+ 927	106,156	20,156	5	5	5
Beaton (G.) & Son	Aug. 31	67,338	...	10,610	13,640	...	5,500	15	5,000	+ 1,890	56,519	14,014	15	15	15
Cooper, McDougall & Robertson	Sept. 30	204,286	...	99,670	152,439	53,223	41,220	5	10,000	+ 3,673	154,847	112,299	5	5	5
Cox & Gate	Sept. 30	101,504	10,000	50,800	111,118	24,138	15,000	7	10,000	+ 1,109	117,254	57,690	10	10	10
Daily Mirror Newspapers	Dec. 28	302,307	...	192,505	309,332	64,000	140,000	18	20,000	+ 31,196	288,835	153,045	10	10	10
Francis (F.) & Sons	Feb. 31	73,440	9,261	19,279	39,828	4,125	14,000	14	...	+ 1,574	83,268	23,364	14	14	14
Gerard Engineering	Jan. 31	22,514	...	13,649	28,908	3,750	8,125	25	...	+ 779	23,686	19,703	25	25	25
Glenfield & Kennedy	Mar. 31	70,191	...	53,296	90,901	8,250	40,625	20	...	+ 1,774	68,887	52,117	20	20	20
Goewitch Limited	Aug. 31	15,558	...	3,678	3,255	4,500	...	...	...	+ 862	20,882	11,024	Nil	Nil	Nil
Hillier Bros. Limited	Aug. 31	187,103	...	153,419	170,597	20,000	75,000	12½	...	+ 58,419	161,998	125,187	10	10	10
Hillier Bros. Limited	Mar. 31	26,911	...	17,702	18,721	...	13,200	10	5,000	+ 498	19,726	12,204	6	6	6
Imperial Chemical Industries	Dec. 31	6,162,212	...	5,982,106	6,864,460	1,666,104	4,032,149	8	300,720	+ 16,867	6,418,533	6,238,441	8	8	8
Inglis & Co.	May 1	38,395	...	19,925	47,885	1,350	18,418	13½	...	+ 157	31,160	14,022	258½	258½	258½
Knight (John)	Dec. 31	183,108	30,715	29,103	24,463	4,444	25,062	12½	...	+ 3,108	141,022	14,022	12½	12½	12½
Laurence, Scott & Electromotors	Dec. 31	13,182	...	11,068	17,704	2,250	5,600	7½	3,000	+ 218	21,649	10,114	7½	7½	7½
Leith & Hart & Co.	Jan. 31	72,239	8,402	10,555	19,344	3,017	3,905	5	...	+ 3,633	39,552	4,323	5	5	5
Reidy & Co.	Dec. 31	211,386	...	66,815	124,601	...	61,137	32½	...	+ 5,678	248,058	63,519	32½	32½	32½
Smith's Potato Crisps	Feb. 28	192,497	...	162,498	310,746	40,000	131,250	12½	20,000	+ 28,752	208,708	178,705	12½	12½	12½
Sunday Pictorial Newspapers	Feb. 28	475,257	11,000	340,855	407,437	38,906	195,450	20 (a)	100,000	+ 6,499	1,070,310	401,314	20 (a)	20 (a)	20 (a)
Sunday Pictorial Newspapers	Dec. 31	57,81													

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ESTABLISHED 1843

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Restraint of Trade

THREE reports by business bodies on reconstruction have just appeared. Together they represent the views and interests of a deep cross-section of trade and industry. The Association of British Chambers of Commerce represents over a hundred chambers; the London Chamber of Commerce has a direct membership of 9,000 firms and companies; the Federation of British Industries includes 182 trade associations covering most of the main industries. The reports are at once encouraging and depressing, encouraging because their writers show a longing to look forward, depressing because in fact they show a standing inability to look any way but backward. When they call for new methods and positive policies, for international co-operation between Britain and the United States and between primary and industrial producers, for a fuller flow of international lending to develop the backward regions of Asia, Africa and America, and for the payment of world debts in goods, they show a courage and a faith which, unhappily, their actual proposals belie. When they plead that "the theories and practices of the past can no longer be taken for granted," when they recognise the rôle of monetary policy and of state investment in securing full employment in the future, and surrender entirely the old idea that retrenchment is the only remedy for idle factories and idle men, they suggest an enlightenment which the programme they lay down unfortunately

does not bear out. If these are really their convictions, then they have not the courage of them.

In both trade policy and industrial policy, it is precisely the theories and practices of the past that these business men tend to go back to, not the best theories and practices of an enterprising past, but the worst theories and practices of a restrictive past. The only solution the Federation of British Industries seriously entertain for the solution of Britain's overseas trade problems is a system of bilateral barter. At home, the Federation, after proclaiming that individual effort and private enterprise are the keystones of business, goes on to ask for authorised trade associations to regulate trading, to control sales, to demark territory, to control materials, to coerce interlopers and, no doubt, to fix prices. The Association of British Chambers of Commerce, too, having announced that a system of private enterprise provides the greatest of all motive powers to progress and prosperity, lays down that every industry, organised on trade association lines, should be its own planner; that Government policy should be inspired and directed by a Council of Industry; and that overseas trade should be regulated and made orderly by an Import and Export Council of traders and industrialists.

There is the paradox. On the one hand, these documents make a notable plea for freedom and expansion.

On the other hand, they paint a picture of control, restraint and restriction, both at home and abroad, a picture of national and industrial autarky and of self-rule by vested interests. They ask for a brave new world, and they advise the retention of a corporative and monopolistic system. This is economic defeatism of the same kind as the political defeatism which is prepared, in too many quarters, to abandon the parliamentary system because of the shortcomings of particular parliaments. They are part and parcel of the same tired, disillusioned, frustrated attitude which has ushered in Fascism in other countries. People of good faith and ill faith alike, slogan-sated planners and self-regarding industrial barons, are combining with loud cries to throw out the baby with the dirty bath water.

It is necessary, of course, to face facts. Neither in principle nor in practice is any return to the uncontrolled trade of past generations possible. Counsels of perfection are no answer to counsels of despair. Neither nationally nor internationally is the community ready any longer to allow demand and supply to work without control in the distribution of the necessities of life. The Atlantic Charter itself lays down that every people in every country is entitled to minimum standards of living, and it must be the responsibility of governments to secure these standards on principles other than those of the free market. Moreover, as the Federation of British Industries make plain in their report, there will be one major practical obstacle after the war to the free operation of British trade. The sterling area will be short of dollars. Some form of exchange control, some retention of imperial preference, some bilateral correlation between imports and exports—in the last resort all these may be needed to balance accounts in the new conditions. The trouble is that these expedients are not to be accepted, as they should be, one by one, as necessary evils, with the closest scrutiny of each and the most earnest search for freer alternatives. They are apparently to be hailed as a system of trade. The fact that there are alternatives to controlled barter, better for Britain and for the world, is brushed aside. The fact that collaboration with the United States can provide a better way out is looked at only with apprehension. Indeed, one main conclusion which emerges from these proposals is that British industry is afraid of the United States. Collaboration is called for; but, in the report of the FBI, the principles of the Atlantic Charter and of the freer trade movement which has found its spokesmen in the United States are flatly repudiated. There is no real attention to the fact that the crucial factor in the field of world trade is the future willingness of the United States to buy goods and the future readiness of the United States to invest abroad without demanding that its debtors shall buy only American goods. These are the real alternatives to be striven for. It is American tariffs, not American free traders, that are in the way.

The point is that these business men seem to have lost hope. They have thrown up the sponge. They see the world economy, as the physicists see the world, running down. The background of the FBI's proposals is a tragic picture of Britain in decline—a debtor country ousted by overseas industrialists, with dwindling assets, a declining, ageing population and war-damaged equipment.

The best system would be one which gave us the best trading facilities all over the world, says the FBI.

The true function of international trade is nothing more nor less than the exchange of goods and services of a mutually advantageous character,

says the London Chamber of Commerce. These are brave words. But, at bottom, they believe that the time for all this has gone. They wish to save from the wreckage the controls and restraints by which particular groups of producers enjoy particular advantages.

It would be a pity if this despair went on record as the voice of Britain. The consequences of the war, for instance, are vastly exaggerated. To take only one example, there will admittedly be a reduction, compared

with before the war, of something like £250 million in British income from "invisibles"; but a successful policy of full employment after the war, by employing a million people who formerly were out of work, would, at any rate, restore the lost real income. There is no evidence in the past that wars cast nations, victors or vanquished, back into destitution. Indeed, the reverse is the case. Every index of economic growth shows a steady and predictable rate of advance which, up to now, has been only slightly and temporarily disturbed even by the greatest of wars and depressions. Britain is not ripe to be pensioned off, now or after the war. There is, and will be, no nation in the world whose interest in the maximum growth and freeing of international commerce is so great as this country's. It may indeed be necessary to adopt *ad hoc* this restriction or that. But the aim should remain always plain—to secure

as large a volume of international commerce under conditions as free of restrictions and by methods as free of discrimination as possible.

Britain's greatest asset is still her buying power. These reports speak a lot about lack of purchasing power, at home and in the world at large. Usually, what they seem to mean, when they are not simply paraphrasing Major Douglas, is the lack of willingness on the part of one nation to buy from others or the low productivity of countries like China, which have only to be developed by world investment to become buyers and consumers on a great scale to the benefit of every country. Hardly once do these reports from British industry mention the need for greater technical efficiency, either in Britain or abroad, the need for more output per head, or the development of new techniques and industries. They assume the worst. They forecast a Britain brooding like an aged miser in the twilight over a dwindling treasure.

This is surely false. Very few economists will be ready to accept all the characteristic calculations of Mr Colin Clark. But, by contrast with these jeremiads, Mr Clark's new book, "The Economics of 1960" (published by Macmillan), has at least the merit of being based, ostensibly, upon facts and figures. It tells a very different story. From the world's statistical trends of population, industrial development, primary production, prices, capital movements and interest rates, Mr Clark forecasts a new turn in world economy, a steady upward movement in world trade, in world investment and in world employment. Within two decades, he suggests, the industrialisation of Japan and China can bring about a new industrial revolution in all the producing countries of the world. Output will grow, he calculates, in Asia, in Africa, in Latin America and in the Balkans. The United States and Russia will become substantial importers. A new period of expansion and opportunity is round the corner.

It is perhaps not hard to pick holes in Mr Clark's neat statistical structure. But it is impossible to argue with thesis away. The world has a future as pregnant with economic possibilities as its past. The point is that there are certain conditions without which the general implications of Mr Clark's figures, even if they are well founded, cannot become fact. They assume that world trade is as free as possible, that the problem of the freest possible transfer of goods and capital will be solved by international collaboration, that the goods produced by the developing countries of Asia will be bought. To strive for these conditions is surely the plain interest of this country. The need now is not to work out the weapons of economic defence in a frustrated world, but to find rather the technique of economic progress. After the last war, the high tariffs of the United States (to use Mr Sumner Welles' phrase) brought poverty and despair to many communities; it would be a crime if, after this war, the quotas and preferences of Britain brought similar distress to many more. And it would be fatal for Britain. The answer to each and every question, if the high opportunity of this and the next generation is to be seized, is collaboration with the United States, not to restrict trade but to free it, not to stake out vested claims, but to raise the world's stock of goods and services in every place and by every means.

Technique of Subjection

IN recent months, the German Government has made a determined attempt to reverse its policy of extermination in Poland. This development is a remarkable commentary on the lack of success which has attended the rule of the General Government. It also throws light on the pre-conditions of any peace settlement in eastern Europe.

The change of policy must be assessed against the background of rather more than two years' deliberate and avowed effort to exterminate the Polish nation. Since the end of the Polish campaign, the methods of the German occupation authorities have consisted in an experiment in the large scale application of terror which has become notorious, even in the setting of Nazi-occupied Europe. It would be untrue to suggest that throughout this period until the close of 1941 there was no attempt to find and make use of a Polish quisling. But none of the earlier attempts appears to have been supported by a pledge that co-operation would be rewarded by an improvement in Polish conditions.

Some months ago, the German authorities offered to confer a quasi-autonomous constitution on the part of Poland under the authority of the General Government. A draft agreement suggested, in return for the pledge that was sought from the Polish nation, certain very considerable advantages: the provision of an "independent Polish political organism," with defined political liberties; economic autonomy, with the right to retain Polish crops for domestic consumption and an amnesty for all inmates of concentration camps. Taken at its face value, the German offer amounted to a pledge to re-create Poland as a puppet state with a standing not far inferior to that of Vichy France. Apparently, it was not intended to apply the proposals to the whole territory of pre-war Poland. The western districts which, in the form of the *Warthegau*, have been incorporated as an integral part of the Reich were not to be returned. In compensation, it would not be surprising if Poland had been offered some extension of her territories to the east at the expense of the Soviet Union.

The most interesting aspect of these proposals is the reasoning which induced the German authorities to think, quite erroneously, that they would be acceptable. Long policy of extermination was not difficult to explain. Long knowledge of the Polish national temper provided good reason for believing that no compromise would be possible between aggressor and victim. The hundred and fifty years during which Poland, divided between Russia, Prussia and Austria, possessed no national entity served to breed a tradition of fighting resistance throughout the nation. The national consciousness of the Poles is acutely, fiercely alive. The Germans were faced, and still are, not only with resistance à l'outrance, but with virtually

complete solidarity. In these circumstances, mass executions, torture, imprisonment, deportation and the stifling of all intellectual leadership, with the avowed aim of extermination, were the reply of Teutonic logic. The reversal of this policy is much harder to explain. But it is most likely that it was the outbreak of the war with the Soviet Union which made inevitable the search for some more effective form of pacification. Lying immediately behind the eastern front, a Poland seething with patriot disturbances, which two years of terror had not been able to quell, became an acute danger to the German transport system, as well as an important drain upon police and bureaucracy.

Thus the outbreak of the Soviet campaign exposed the failure of the extermination policy and drew attention to its dangers. It also seemed to provide a potential starting point for negotiating with Polish leaders. Situated between two larger nations, Polish nationalism has historically had to contend with a dual danger of aggression. When the Soviet Union entered into an alliance with Great Britain, there arose automatically among some Poles the fear that an Allied victory might mean for Poland neither full territorial restitution on the eastern front nor a secure outlet to the Baltic. There can be little doubt that the renewed German search for Polish quislings, supported by the novel bait of quasi-independence, was rendered plausible, just as it was rendered necessary, by the outbreak of war between Germany and Russia. Since that date, German propaganda has dwelt at extravagant lengths on the danger to Poland of a Russian, that is of an Allied, victory. It has busily spread rumours of secret negotiations and conclusion of secret agreements, the contents of which were alleged to be highly detrimental to Polish independence.

The whole aim of this latest campaign to break the Polish spirit has been to confuse the issue. Events have proved that downright disloyalty purchased by a pledge of personal safety and promotion has no attraction for Poles. But to arouse a conflict of loyalties is more subtle. To present a superficially reasonable case for believing that adherence to the Allied cause may leave Poland less well off in the event of an Allied victory than she would be as an accepted member of Nazi Europe is to place a great strain on good faith and good sense. And it was possible to complicate the issue still further by pointing to the contrast between the treatment which has hitherto been meted out to Czechs and Poles. If Germany is defeated, the argument of the tempter runs, both Poland and Czecho-Slovakia enjoy the prospect of a return to national independence, but the Czechs will have "suffered less"; more of their national leaders will be alive to re-create the state; fewer irretrievable disasters will have occurred; Poland could have little to

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were able to prevent the Russians from pressing home their attack decisively, but equally the Germans do not seem to have completed their much-advertised encircling movement and to have trapped the main Russian armies on the right bank of the river Donetz. The fighting has ended in stalemate, with the Russians at Krasnograd and Lozovo still hanging perilously on von Bock's left flank—and until this position is cleared up, the Germans cannot hope to advance successfully on Rostov. The rest of the front is quiet, and it looks as though the Germans were anxious to concentrate their forces on securing their position in the south. Meanwhile the days are passing, the weather is improving, the summer has come—and each hour lost brings the German armies nearer to a second winter war.

Food Distribution

Competition can work in curious ways. The retail trade (said Lord Woolton in the Lords on Wednesday) is one of the most expensive and luxurious factors in the national life because, he added—oddly at first hearing—"in no trade does the force of competition work so keenly." The competitors bid up prices by providing a wide variety of goods to choose from and extra delivery and other services. Well-to-do buyers are willing to stand the racket, and poorer people have no option. Even in peacetime this position is very far indeed from satisfactory. In wartime it is not tolerable; transport and manpower are needed for more essential purposes, and the public, rich and poor, must be provided with an adequate ration of necessities at reasonable prices. Thus the war has seen a rationalisation of distribution. The selection of goods has been narrowed. The distributive methods of food industries have been remodelled. Wholesale buyers of margarine must buy at the nearest factory. Bakers must take flour from the nearest mill. Twelve million ton-miles annually have been saved by these means in the cake and biscuit trades, and ten million ton-miles each in the sugar and sweet trades. The latest important step is in the milk trade. After September 30th the Milk Marketing Board will become the sole buyer. Milk will be bought, sold and delivered at the places decided by the Ministry of Food. In urban areas, with populations over 10,000, retail sales will be rationalised; dairymen will be required to form associations to cut out overlapping in deliveries; each dairyman will either take his proportionate share of the trade, or be recompensed by the association. All this is to save transport and manpower. It should also at least hold prices down—the compensation must not be levied from consumers. In the compensation scheme there is a lesson for the whole problem of retailing in wartime. In the trend towards rationalisation there is a lesson for peacetime, when competition must either bid prices down instead of up or be replaced by the direct state distribution of necessities.

Fighting France

As opposition in France grows, "Gaullisme" is becoming more and more the symbol of total resistance. It is essential that it should mean the same in London, and some observers have felt in recent months that the Free French movement had become too personalised in General de Gaulle. This is the substance of a number of suggestions: that the movement should be purely military or that its basis ought to be widened; that it must not prejudice the political future of France. General de Gaulle did well to bring these issues into the open at a recent press conference. The General laid it down that

the Fighting French belong to no party; they are made up of men of every party and shade of opinion who are united on one single question: the liberation of France.

This is an absolutely unequivocal contradiction of the basic criticism that narrower loyalties have been substituted for the general issue of resistance. The General also dealt with the particular points raised by critics. The movement cannot be purely military; the Free French are responsible for the administration of Equatorial Africa and the Syrian Mandate. The suggestion, however, is not really that the movement should be non-political, but that it should not represent any single order of political ideas. Here there is some confusion of thought, for the more purely military the movement is, the more it cannot fail to have a personalist and authoritarian stamp. It is by making the movement more political in a broad sense, by developing the civilian side of its affairs and administration, that all hint of "personalism" can be removed.

In the first hours of collapse, the movement was inevitably "personalised" in one man, the man who was ready to carry on resistance. The growth of resistance and the acquisition of more territory makes this element of personalisation less necessary. The setting up last September of a National Council, containing such distinguished civilians as M. Pleven and Professeur Cassin, was a step towards the development of the purely political side. That the process should go further the General himself recognised when, at the press conference, he expressed his wish to broaden the basis of the movement. Some names were mentioned, for example, M. Pierre Cot and General Odic. There are other names which seem obvious to the outside observer—M. Maritain, M. Monnet and M. Leger in the United States; M. Cambon or M. Commère in this country; or, if it were possible, men of the stature of a Mandel or a Herriot in France. Many Free French difficulties have not been of their choosing or creation. From the first, the decision of the United States Government to maintain relations with Vichy has complicated the problem of Free French representation in Washington. It is also true that British policy with regard to the status of the Free French has not always been very clear. Any reorganisation of the movement on the lines forecast by General de Gaulle must be accompanied by a strengthening of its position in the counsels of the United Nations and by closer collaboration in the work of preparing for a new and ordered Europe, in which a restored and reinvigorated France will take its honoured place.

Mr Lyttelton Goes to Washington

The effective development and allocation of Anglo-American striking power requires the closest collaboration between the two countries. President Roosevelt and Mr Churchill laid down the broad principles of collaboration five months ago. The allocation of raw materials was entrusted to the Raw Materials Board; the distribution of equipment was vested in the Munitions Assignment Board; and the task of pooling the shipping of the two countries was given to the Shipping Adjustment Board. These Boards have been in operation for some time and there have been frequent consultations between their British and American sections. The task of dove-tailing the supply of raw materials and the manufacturing facilities of the two countries is immense, and Mr Lyttelton's visit to Washington will mark a further step towards its accomplishment. The Minister of Production, who is also chairman of the London Committees of the Raw Materials Board and of the Munitions Assignment Board, will confer with Mr Donald Nelson, who, as chairman of the United States War Production Board, holds a position in some respects analogous to Mr Lyttelton's in this country. Although collaboration in the production of munitions of war has already reached an advanced stage, there is much that remains to be done. During the short time Mr Lyttelton has held his present position, he has worked to bring Britain's production plans into closer line with strategic requirements; Mr Donald Nelson and his colleagues have no doubt pursued the same objective in the United States. But the time has now come when the British and American production facilities, as well as their products, must be regarded as a single equipment, and when detailed arrangements must be made for the allocation of this equipment in order to secure the best possible distribution of work and the maximum output of finished war material in the proportions dictated by Allied strategy. It is this need which has given rise to reports of the formation of a Joint Production Board. The resources of the two countries are in many respects complementary. There are many items whose production has reached a more advanced stage here than in the United States and which this country can supply to the United States. That Britain is already furnishing the United States forces with British products under Lend-Lease—that is, that Lend-Lease works both ways—was recently acknowledged by Mr Stettinius, United States Lend-Lease administrator.

Food and Strategy

Allied strategy has undergone changes, Mr Hudson announces, and food and farming policy must accordingly be somewhat revised. Plainly the key to the change is

shipping, now needed more than ever to carry war supplies and expeditions. An alteration, for this reason, in food and farming policy is overdue. But the actual alteration announced by Mr Hudson is not really, by itself, a change in policy at all. More land is to be ploughed up and, it is hoped, more food produced at home. There are reasons for supposing that, in many areas, there is not the labour, the fertilisers or the equipment to do more than maintain present output, even with the chance of fresh acres. But, even if the effort can be made with some success, by co-operative or similar means, which should be encouraged, something more ingenious and more immediate in its effects is due from the Ministers of Agriculture and Food. Lord Woolton is at present content to proclaim—to the Master Bakers, it should be noticed—that

we shall have plenty of bread all through this year. Your supplies of raw materials are assured.

He should rather be in conclave with Mr Hudson to cut down food imports at once—to switch every possible crop from animal to human use; to concentrate still more in production on food rather than on feeding stuffs; to give dairy cattle an absolute priority in all forms of feed; and to cause beef cattle to give way, not only to dairy cattle, but also to human consumption by surrendering their pastures. Certainly every crop produced on any newly ploughed-up acres should be for direct human consumption; and every pasture possible should be used for milk. Lord Woolton, on his own side, will be best engaged, meanwhile, in saving every ship possible either by reducing rations, wherever practicable (the scope is not wide), or by eating into stocks.

A Welcome Ally

Mexico is now formally at war with all the Axis Powers. While promising that troops will not be sent outside the continent, President Camacho has pledged full co-operation in hemisphere defence. This latest addition to the company of the United Nations has been warmly acclaimed in London and Washington. So, too, has the news that a zone 62 miles wide along the Mexican coasts and frontiers has already been cleared of Axis nationals. This is an important security measure, and the ability of the Mexican Government to take it so promptly emphasises the immediate practical advantages of the declaration of war (the implications are further discussed in a special survey of Latin America on page 789). Perhaps the most satisfactory aspect of the Mexican decision is the proof that the declaration rests on wide popular support. Pro-Axis sentiment in Mexico was always essentially foreign inspired. The attempt of the Spanish Falange to confuse Roman Catholic opinion and to foment ill-will between Church and State has been effectively countered by the important pronouncement of the Archbishop of Mexico, Mgr. Luis M. Martinez. This dignitary has made a forthright statement that it is the duty of all Roman Catholics to support the civil authority "even against their consciences." In the secular sphere, there is a general understanding that the fruits of the Mexican Revolution, and of the agrarian and social reforms carried out by President Cardenas, could not survive in a world dominated by the Axis. Satisfaction with the recent land reform and with the policy of eliminating foreign exploitation of Mexican resources is widespread, and there is solid determination to see that the clock is not put back. That Mexico is able to regard the United Nations as the champions of national independence and the supporters of the Mexican programme of social reform is due in no small measure to the wisdom with which Washington handled the oil dispute.

Priorities for Manpower

Yet another stage has been reached in manpower policy. Broadly, the task now is to make the best possible use of the men and women already mobilised. This is not completely so, of course. The effort to find and release extra workers for war employment cannot be relaxed for an instant. It remains true that this country's greatest shortage is of labour. Combing out and the standardisation of civilian production must go on unchecked. Nevertheless, the broad fact remains that the vast majority of war workers are already at their stations. The aim now is to see that they are at the right stations, that there is no shortage of workers for the kinds of war production that count most at the moment. Accordingly, a redistribution

is planned within the war industries to meet changed demands. There is a sharp need for extra workers in the production of tanks, aircraft and ships, in cotton and coal-mining. The Ministry of Labour plans to move workers from jobs in which stocks have piled up or from jobs, the products of which are not so immediately important, to do this more urgent work. No details are given of how the individuals will be chosen for transfer, at what stage they will be moved, how they will be transported and what plans are made for their housing. No doubt these difficulties will be kept at a minimum. It has been stated that the amount of disturbance and actual migration will be as small as possible. It is altogether good news that this redistribution is contemplated. The composition of war output is as important as its total size; and only by flexibility is it possible to move workers from jobs which have been urgent to work which is now more urgent still.

Arms for China

The fighting in Chekiang is still proceeding on a considerable scale. Forced out of Kihwa, the Chinese have left the town a heap of ruins and have already started guerrilla operations in the rear of the successful Japanese force. The news from the Yunnan front is good. The Chinese appear to retain the initiative and to have isolated Tengyeh and Lungling. The centre of interest remains, however, the question of supplies rather than the course of the actual fighting. China's need for heavy equipment of all sorts and particularly of bombers and fighters was restated in broadcasts to America by the Generalissimo and by Madame Chiang Kai-shek. These appeals serve to convey a sense of extreme urgency. The Chinese needs must be met. They also carry a pledge that equipment sent to China will be used to the utmost against the enemy. Madame Chiang Kai-shek pointed out that enemy propaganda is attempting to spread the wishful and malicious rumour that China, whose supply line is cut by the loss of Burma, might be forced to abandon the struggle and that consequently to deliver equipment would be a bad investment. The motive of such a tale is too transparent for it to carry any conviction. The Chinese are determined to fight to the end, but they must be given the arms. The news that the Lend Lease negotiations in Washington have been concluded by an interview between Mr T. V. Soong and President Roosevelt provides evidence that the economic and political future of China and the United Nations is being further integrated.

Australia Waits

Bombing and counter-bombing go on round the coasts of Australia. No doubt there is ceaseless activity at sea. But in the eyes of the world there is a lull. Australia waits for the attack; and there are probably many people in this and other countries who, simply because there is a lull, have decided that Australia's concern for its safety has been overstated. It is for this reason that the visit of Dr Evatt

INSURE WITH



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first to the United States and then to this country has been so opportune. He has backed his views about the importance of the Pacific Front and about the dangers concerning Australia by hard facts—and frank speech. He has persuaded many people in this country of the baselessness of the idea that Australians, in pressing for help from the United States, were anti-British. He may even have convinced a small stubborn and unintelligent section of British opinion that it is not a disadvantage for Australia to have a Labour Government at this crisis. Obviously, Dr Evatt has done good work. Precisely how good the layman cannot say. Plainly, Dr Evatt came both to the United States and to Britain to state strong Australian views about Allied strategy and about the allocation, distribution and deployment of Allied war material. What he asked for is, of course, a secret. Whether he got it is a secret too. It can only be said that this bid to balance one end of the Allied war front against the other is a striking illustration of the complex strategic requirements which the output and the transport of the United Nations have to meet. And it must be added that Australia must be defended to the limits imposed by distance. The loss of Australia would be a shattering blow to the Americas and to Britain, whatever the course of the fighting elsewhere.

The Right Place

The announcement that plans have been made for the more efficient use of labour by transferring it where it is currently most needed coincides with the publication of details of the scheme for making the most efficient use of Army recruits. It is further evidence of the slowness with which the army machine works that the scheme is apparently only now coming into force, although it is nine months since the Beveridge Committee handed to the War Office its interim report on the use, or rather misuse, of skilled men in the Forces and since the Select Committee on National Expenditure recommended much the same sort of scheme as has now been adopted. All recruits will henceforward serve first with a General Service Corps for six weeks, during which time they will be subjected to interviews and the various tests for finding special aptitudes that have been worked out by psychologists. The aim is to find out, not only into what categories—skilled or unskilled, sedentary or manual, combatant or administrative, and so on—the recruits best fit, and into which branch of the Army they should accordingly be posted, but also which of them are potential officers. Obviously, a great deal will depend on the interviewing officer, because the mechanical and intelligence tests are by no means infallible. It is also to be hoped that, during his term with the General Service Corps, a recruit will not be subject to full military discipline, for an overdose of this, immediately after he has been called up, would not be conducive to success in the tests—it is for this reason that it might have been better to place these primary training centres under the Ministry of Labour. But provided that a good deal of latitude and discretion is allowed to those in charge at the centres, they should secure more efficient posting in future. It is a pity that they have only been generally established at a time when most of the Army has already been mobilised. But men now being called up include, besides the 19's who are more readily adaptable to any service, those who have hitherto been reserved under the Schedule of Reserved Occupations and who, consequently, may be expected to possess special skill and qualifications. For these the new training centre will provide a much needed sifting machine.

Minister of Production ?

While Mr Lyttelton is in the United States the new regional production boards will be in abeyance. This is a pity. It is true that the Minister of Production did not succeed in winning effective powers of direction over regional production for his new local representatives, still unappointed. It is true, too, that there is no magic in regional machinery to revolutionise output. The most important need on the Government side of production is effective central control over programmes and progress. But this is precisely the importance of the question of the regional boards at the present stage. It is a test case, not so much locally as centrally. It is a test of Mr Lyttelton's own authority. Is he Minister of Production in the sense that was hoped when he was appointed? The compromise reached with the Supply Departments over the Citrine Committee's report on

regional organisation gave no assurance, to say the least, that he is. If he is not, if he lacks the final voice in production matters which the Citrine Committee proposed he should vest locally in his regional directors, then the work of his office becomes mainly co-ordination and planning, rather than direction and, if necessary, interference to secure high, steady and efficient output. The course of events, in Whitehall and in the regions, will tell.

Strikes

The bulk of public opinion is disposed to look kindly upon the claim of the coal miners for higher wages, which is excluded from the Government's new coal plan. There are special disadvantages about their work, special dangers and special unpleasantnesses, which entitle them to a hearing in the front line of war workers. It is for this very reason that the many thousands of miners who have lately gone on strike have probably acted most unwisely—as well as, in most cases, illegally. Coinciding as the strikes do with the hard bargaining which has been going on in the last few weeks between the different sections of the coal industry and the Government about the industry's future, these strikes, taken together, give an unfortunate appearance of intimidation. Obviously, they were not intended in this way. Most of them were not sanctioned by the Mineworkers' Federation. The majority were about matters of purely local dispute. Nevertheless, they were blunders, from both the national and local standpoint. Public opinion in wartime is as disposed to react harshly against strikers as it is to support genuine claims of war workers who are not well used.

The Daily Worker

By 1,244,000 to 1,231,000, the Labour Party decided at last week's Conference in favour of lifting the ban on the *Daily Worker*. The decision was a commonsense one. There is no reason at all why the *Daily Worker* should not be given a chance to show its loyalty and willingness to abide by the laws of the land. The refusal to lift the ban has not been backed by any good reasons. On the other hand, as the vote at the Labour Conference showed, there is quite strong opposition to its removal. Probably the chief reason for this is the extraordinary claims made by the *Daily Worker* spokesmen for their organ. Obviously, the paper it has a right to that much freedom. But the spokesmen go very much further. They give the *Daily Worker* a special quality. They say that one of the main reasons why output is not so high as it might be is the absence of the *Daily Worker* from the working man's breakfast table. In fact, in their arguments, the *Daily Worker* ceases to be a newspaper and becomes something much more mystic. This is presumably what the large minority at the Labour Conference could not stomach. "What are they really after?" they ask. They are made suspicious; and they cast their votes accordingly—a point which ought to be borne in mind by the extravagant publicists who claim that every worker and every trade union in the country is pining for self-expression in the form of the *Daily Worker*.

Shorter Notes

Much satisfaction will be felt at the statement in the report of London University for the past year that, in view of the new era in colonial development which will open after the war, the senate has set up a special advisory board in colonial studies. To the British people's lamentable ignorance of colonial affairs can be attributed many of the present failures in British colonial rule, and any attempt to inform the public on colonial problems is welcome. The board has already prepared a survey of the University's resources relative to colonial affairs, which is to be presented to the Colonial Office with a request for official guidance on how these resources can best be applied.

During March, detention orders were made under Regulation 18B against three persons, all of them British subjects. In the same month, 16 persons were released and 3 ceased to be detained under the regulation and are detained instead under the Prerogative as enemy aliens. At the end of March, the total number of persons detained under the regulation was 583.

AMERICAN SURVEY

War and Latin America

THE American Survey is usually devoted, week by week, to the affairs of the United States. But there can be no hard division between the Americas, North, Central and South. The defence of the Western Hemisphere is a single problem. The American spotlight this week is on Mexico, which has declared war on the Axis, and on Argentina, which has still to take its final decision. The following three articles have been written in London, to paint the Latin American background, and to bring the main issues into relief, by the Buenos Aires Correspondent of THE ECONOMIST, who has come home to join the RAF.

1. Defence and Politics

ONE HUNDRED AND FIFTEEN years ago, Simon Bolivar convened at Havana the first Pan-American Congress. Last January, the twenty-one American republics agreed at Rio de Janeiro on the cardinal points of a hemisphere policy. In the interim, the Latin American states have consolidated their independence. For all of them the present conflict has made Pan-Americanism practical politics. Addressing the Cuban Chamber of Commerce in New York recently, Mr Sumner Welles said:

There has now commenced a new period of world history, in which inter-American solidarity has become a real, living and vital truth.

In September, 1939, the geographical isolation of the Americas, and the freedom of inter-American trade, made Latin American neutrality tenable. But in 1940 a potential Axis threat from Dakar, less than half as far as New York from the bulge of Brazil, emphasised that country's strategic importance in the defence of the United States. After Pearl Harbour, the isolation of 20 independent states, militarily weak, but rich in raw materials, was no longer real. In the face of an Axis drive towards America, the realisation grew that unarmed neutrality could no longer be considered a sufficient bulwark. The fate of Europe's neutrals, the growing attacks on Latin American shipping and the accumulating evidence of Axis intrigues in Latin America were significant portents.

With the wartime strangulation of overseas trade, inter-American trade assumed a new importance. The Pan-American ideal of Bolivar, invigorated by President Roosevelt's "Good Neighbour" policy and its practical developments in the form of inter-American trade treaties, became an economic panacea south of the Rio Grande. With North America at war in two oceans, the time had come to implement the 1940 Havana pledge of continental solidarity in defence. At Rio de Janeiro, the Americas faced the task of mobilising their joint resources to this end. The first step was a unanimous resolution recommending the rupture of diplomatic relations with the Axis. Ten of the Central American and Caribbean republics were by then at war. Colombia, Mexico and Venezuela had already severed Axis relations. During the conference, Bolivia, Brazil, Ecuador, Paraguay and Peru did likewise. Each of the 20 states has taken measures to repress Axis activities, commercial as well as subversive, within its frontiers. Only the Argentine and Chilean legislatures have so far failed to ratify the recommended rupture.

The Non-Belligerents

These two states are the southernmost neighbours of the continent. But the reasons for their aloofness from the continental plan are very different. In Argentina, they reflect the long domestic struggle between the isolationist Conservative oligarchy and the Radical opposition, which today represents the country's vastly preponderant anti-Axis sentiment. The opposition's resentment against electoral malpractice has entrenched the oligarchy's political power by provoking a legislative stalemate, giving the Government the opportunity to govern by decree, a procedure of which it has taken full advantage to throttle public opinion on the issue of hemisphere defence. After a recess since October, Congress reopened last week. Events during the recess did nothing to allay popular unrest about subversive Axis activities in Argentina.

But acting-President Castillo has pursued his policy of cautious neutrality with no concessions to the popular demand for a break with the Axis. After Japan's entry into the war, he suspended constitutional guarantees in the face of a growing agitation for the convocation of Congress. This step enabled him to suppress the agitation by prohibiting press comment. *Acción Argentina*, a virile non-party movement embracing anti-totalitarian opinion of all shades, fell under the ban. A public outcry against the electoral abuses which had just won for the Government the important province of Buenos Aires was smothered in its early stages. Re-opening Congress, Dr Castillo began by saying: "Argentina maintains friendly relations with all countries," and added:

The Government considers that Argentina's attitude in recognising the United States as a non-belligerent is more useful and opportune than any other measure. This does not mean that Argentina holds herself aloof from that country, which is fighting for the defence of principles that are also Argentina's principles. But foreign policy is not the whole problem of a country, and each country must carefully take account of its own internal situation.

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His speech gives no hint of the positive measures for which the authoritative Argentine press has been campaigning. *La Prensa*, which had previously accused the Government of "sibylline phrases and enigmatic attitudes," attacked his policy on the eve of Pearl Harbour as "the negation of Pan-Americanism," and *La Nación* claimed it had "failed to satisfy the country in its transcendental aspects."

The feud between Right and Left is as bitter in Chile as in Argentina, and even more complex in its aspects. But while Argentina's Government is isolationist and Conservative, Chile's is Popular Front, representing a Leftish anti-Nazi bloc whose leader, President Rios, was elected last January after the death of President Aguirre Cerda, also a Popular Front candidate. Chile has promised full collaboration in continental defence, and was, in fact, the first country to press for a Rio de Janeiro conference. Her concern is the vulnerability of her 3,000-mile coastline to Axis attack. This concern offers a key to her postponement of a break with the Axis. She has called up her reserves, mobilised her fleet, and drawn up ARP plans. Immediately after his election, President Rios said to the press:

Regarding continental defence, it should not be forgotten that the greater aid of the great nations to the small, the more efficient will be the collaboration of the small with the great.



His statement summarises Chile's hopes and fears. Her capital, Santiago, is as far distant as Tokyo from San Francisco.

Pan-American Defence

There are abundant signs that the United States appreciates the nature of Chilean defence problems. The suggestion that the United States had refused to supply Argentina's defence requirements in retaliation for her attitude was denied by a Washington spokesman, who said that the needs of the eighteen republics which had broken with the Axis were more urgent, but that there was a basis of equality for all. President Roosevelt intimated that, in considering Argentine and Chilean wants, special attention was being paid to those of Chile in view of her exposed position. The exchange of military missions is now a regular feature of United States-Latin American relations.

Under the stimulus of Lend-Lease a continental defence system is rapidly taking shape. Caribbean outposts shielding the vitally important Panama Canal have long been secured. The Caribbean republics at war, who have formed a defence bloc, and Venezuela, strategically important because of her oil as well as her accessibility to the Canal, fall beneath their protection. So does the east coast of Mexico. The construction and use by the United States of bases on Mexico's more vulnerable west coast are expected to follow from the joint defence policy established

by the two countries before their military alliance took place. Besides providing useful striking points for Pacific operations and reinforcing a gap of some 1,500 miles between North and South America, these Mexican bases would protect the inter-oceanic bridge (only less important than the Canal) formed by the Isthmus of Tehuantepec.

Mexico at War

Mexico is the largest as well as the latest of the Latin American countries to declare war on the Axis. Her decision will hearten the smaller militant states co-operating in the Caribbean and Central American defence scheme, of which she now becomes the backbone. Germany recently claimed to have sunk over 125,000 tons of "enemy" shipping in the Gulf of Mexico, the Caribbean and to the east of the Antilles. This claim indicates the nature of the war likely to be waged on Mexico's Atlantic doorstep—and its problems. They are acute problems, not only to Mexico but to all the hemisphere powers engaged in a great and growing inter-American traffic with limited and at present unco-ordinated shipping resources. Unrestricted submarine warfare has struck at the hemisphere's lifelines in the domestic waters where they converge. And there is no Burma Road from North to South America except by sea. The United States has just announced the appointment of Rear-Admiral Kauffman to the command of the Gulf Sea Frontier.

In Colombia, geographically dominating both ends of the Canal, the last remaining German-operated air service has disappeared. In their vast expansion since 1939, the United States-owned Pan-American Airways have acquired the States-owned Pan-American Airways have acquired the States-owned lines in Colombia and Brazil, where the Axis had gone to great pains to develop and control "commercial" services. United States-Brazilian plans for strong naval bases near the mouths of the Amazon are completed. In Ecuador, the United States have acquired a naval base from which patrols can cover the Colombian and Ecuadorean Pacific coasts as well as the Canal approaches from the south. Uruguay, strategically more important than Argentina in the defence of the River Plate, is an outstanding exponent of collaboration. She recently received the first instalment of material under a \$17 millions Lend-Lease plan, which will provide aircraft, coastal guns and several destroyers; and two naval bases are being completed on her coast. Argentine-Chilean co-operation involves the protection of the Magellan Straits. The British base at the Falkland Islands controls the Atlantic approaches to this southernmost channel of the continent.

Much remains to be done to co-ordinate hemisphere defence against dangers from without. But an impressive experiment in continental unity is under way, based on mutual respect for the sovereign rights of each participating nation, whose territory and resources are at the service of the others in the interests of all.

2. Axis Influence

In his recent speech to the Free World Association, Mr Wallace, Vice-President of the United States, said:

We may be sure that Hitler and Japan will co-operate to do the unexpected—perhaps an attack by Japan against Alaska and our north-west coast at a time when German transport planes will be shuttled across from Dakar to furnish leadership and stiffening to a German uprising in Latin America. . . . We must expect the offensive against us on the military, propaganda and sabotage fronts, both in the United States and Latin America, to reach its apex some time during the next few months.

Germany has long sought Latin America's support for the New Order. In the days when Hitler was assuring the United States that he had no designs on the New World, pro-Axis newspapers were being assiduously established throughout Latin America by elements controlled from Berlin. They varied in tone from the scurrilous to the pedantic. Common to them all was the use of the German *Transocean* news service, which had established a vast Latin American network supplying material, usually free, to the press. They all exploited domestic political schisms in support of a benevolent neutrality towards the Axis. Two instances of their efforts to embarrass relations between South American Republics were an ostensibly "Nationalist" Argentine journal, which had to be banned, in Uruguay, and a campaign in pro-German newspapers calculated to arouse mutual distrust between neighbouring states, which

was denounced by the Bolivian Government to the representatives of Argentina, Brazil, Chile, Paraguay and Peru. The methods of the German propaganda machine have brought it into conflict with authority in each of the Latin American countries at various times since the beginning of the war. But although its subversive activities have been subjected to checks, it has not lacked active co-operation from social and political factors within the continent.

The Trojan Horse

The spiritual and racial bonds between Latin America and Spain have had a profound influence on the social development of most of the Republics. Although the political power of the Roman Catholic Church has receded since colonial days, it is still influential, and in some States politically prominent. Where clerical politics are in evidence, they are sometimes Rightist and favour the Franco regime. The connection between Church and Falange in Latin America is occasionally close. In using the Falangist propaganda organisation (which insists on "the motherhood of Spain" and denounces Pan-Americanism) Germany has found the connection between Church and Falange profitable to the extent that the clergy contain some apostles of the New Order. In fact, the influence of the Falange has been almost entirely as an instrument of German propaganda. Mexican clerical reactionaries, through their *Sinarquista* movement, have supported Mexican irredentists. In the words of a recent manifesto, they hold that collaboration with the Axis would provide

a magnificent opportunity to reclaim the territory lost in 1847 to the United States.

Professional admiration of Germany's military ability among Latin American—and particularly South American—army castes, whose tutorship has been largely German, has provided more Axis propagandists.

Germany has used these separate currents without fusing them. But the rising tide of Pan-Americanism has carried with it, not only organised labour, for whom the issues have been clarified since Russia joined the democracies, but also active political groups formerly antagonistic to the United States, such as the Peruvian *Aprista* movement. In recent months the many arrests and deportations of Axis propaganda agents and the magnitude of the operations disclosed have revealed the store which Germany set on her propaganda system in Latin America.

Axis Immigrants

In the fields of sabotage and espionage the potentialities of Axis communities in Latin America have been recognised by the American Governments as a common danger. Of the German, Italian and Japanese nationals and their descendants living in Latin America, the last are by far the fewest. A broad and virile stream of Italian immigrants has influenced the social development of, principally, Argentina, Brazil and Peru. More than a fifth of Argentina's population has Italian blood, and in the three countries Italian strain is much more prevalent than the German. The allegiance of Italian "colonists" to the Axis pattern in general, and Fascist Italy in particular, is, however, conspicuously less than that of the closely-knit German and Japanese communities. Italians have been assimilated quickly; their voice is substantially that of the man in the street, that is, anti-totalitarian.

There are probably 1,200,000 first and second generation Germans in South America, and two-thirds of these are in Brazil. Investigations by the South American Governments have revealed the sinister ramifications among them of the Nazi *Auslanddeutsch* organisation. The possibility of an armed uprising in the German-speaking districts of southern Brazil and north-eastern Argentina was popularly envisaged early in the war; a remark then prevalent in both Argentina and Uruguay was that the Axis could take these countries "by telephone."

In recent years, Japan's closest economic bonds have been with Peru, of whose exports she took 16.6 per cent in 1941. There are 240,000 Japanese, mostly first generation, in Brazil (with its total population of 44 millions against Peru's 6½ millions). But the impact of the unassimilable Japanese community has been most felt in Peru, where, although the last official census gave the Japanese population as about 25,000, it is actually estimated to number 50,000. In 1931 the help of 30,000 armed Japanese was promised to the Peruvian Government to suppress a revolt. The infiltration of Japanese settlers in the Peruvian headwaters of the Amazon, in north-eastern Brazil and in Sao Paulo, and the concen-

tration of Japanese interests in these areas, have, in the past been held to indicate Japan's aim to develop transcontinental trade routes which would eventually avoid the need to use either the Panama Canal or the Magellan Straits.

In March, the Brazilian Government published the text of a letter it had received from a Brazilian of Japanese extraction denouncing the complicity of the Japanese community in Axis plans. Briefly, he stated that Japanese naval officers, working as fishermen, had made plans to obstruct the arrival of sea reinforcements on the Sao Paulo coast; that the railways from Brazil to Bolivia and Paraguay had been mined; that Japanese plotters owned key properties, through which passed water and electricity supplies to the army barracks in Sao Paulo; that they had tunnelled national munitions factories; and that an army of 25,000 Japanese, armed with machine guns, grenades and anti-tank weapons imported as agricultural machinery, was ready to rise in the State of Sao Paulo, as soon as it had been cut off from outside help. The Japanese Consulate in Sao Paulo, where Axis communities are perhaps more concentrated than in any other district in the continent, was indicated as the headquarters of the movement. According to the informer, it was planned to use as aerodromes lands appropriately "cultivated" by Japanese settlers. The Government has not revealed its reaction except to arrest several Japanese found to hold Japanese military ranks up to that of general. (A single illustration of Axis espionage is the fact that, some time ago, less than an hour after the *Queen Mary* had entered a Brazilian bay, and when port officials were ignorant of her arrival, Berlin radio announced the news to the world. The Brazilian police recently confiscated 30 short-wave transmitters belonging to Axis nationals: Rio de Janeiro.)

Defence Measures

Attention to these internal fronts is now playing a large part in the collaboration of the Latin American States in hemisphere defence. Brazil has cancelled Japanese land concessions, intensified army recruitment, undertaken a census of civil aviators and reserve officers, removed military recruits of Axis descent to regions free from Axis influence, and appointed technical directors to Axis-controlled industries valuable to national defence. Peru has repressed pro-Axis newspapers controlled by Italian, Japanese and Spanish interests, and prohibited home and foreign travel by Axis nationals, as well as their use of wireless or long-distance telephones and their occupation of coastal properties. Among those recently arrested under Peruvian security measures are Spaniards and Germans with German Jewish passports found to have been acting as agents for the Reich, although they entered the country as refugees.

Thanks to the efforts of a Parliamentary Commission, whose reports are among the most thorough indictments of Axis intrigues in Latin America published to date, the Argentine Government is now actively collaborating in suppressing Axis influences. It has decreed the deportation of Enrique Volberg, Germany's financial agent in Argentina for propaganda activities. A Pan-American Committee is now sitting in Buenos Aires to discuss and co-ordinate security measures. The experience of the Dies Committee and the Federal Investigation Bureau of the United States has been largely drawn on by most of the Republics.

3. Economic Portents

PRESIDENT ROOSEVELT'S "Good Neighbour" policy, with its insistence on mutual respect of sovereign rights, has been a powerful unifying influence on the political relations of Latin American countries, not only with the United States, but also between themselves. Their growing appreciation of its sincerity has been a mainspring of their progress through successive Pan-American conferences to the reality of a hemisphere defence programme. Applied to the needs of this programme, Lend-Lease is the logical culmination of the "Good Neighbour" policy.

The pre-war trend towards industrialisation was well forward in several Latin American republics, notably Argentina, Brazil, Chile and Mexico. Hemisphere defence is speeding this development by stimulating the interchange of raw materials between productive centres. Since the beginning of the war, and parallel with the curtailment of extra-continental markets, the United States has concluded "Reciprocal Trade Treaties" with most of her neighbours,

who have in turn signed bilateral trade agreements among themselves. Monetary problems arising from trade dislocation and the adjustment of Latin American economies to an intensification of inter-American trade were among the first to be solved by the aid of Lend-Lease, either directly between Government and Government, or through Washington's Import-Export Bank, which is playing an increasing part in financing public works projects in more backward states. In the economic sphere, as distinct from that of military expediency, it is, however, through the development of Latin America's potentially vast extractive industries that Lend-Lease is likely to make its biggest contribution to the sub-continent's welfare. Backing the work of 75 United States technical experts now in Latin America, and financing the schemes of numerous inter-governmental committees, its potentialities are remarkable; and in the urgency of war needs they are being rapidly exploited.

Rediscovery of the Amazon

An outstanding example is Brazilian-United States collaboration in developing the Amazon basin. Extending over 3½ million square miles, with a population of only two millions, it is one of the least-known regions of the world. But it is the original home of rubber, and contains the world's largest hardwood reserves. President Vargas brought nearer his dream of its rediscovery by inaugurating, at Manaus in October, 1940, a vast sanitation scheme financed by Federal and State taxation, in the development of which he envisaged the co-operation of neighbouring republics.

Collaboration with the United States has broadened and accelerated the project. The Import-Export Bank is lending 100 million dollars in exchange for the whole Brazilian rubber output for the next five years. The rubber industry, which in its peak year, 1912, produced 45,000 tons, collapsed under the competition of the East Indies and Malaya, and in recent years has yielded only 1 per cent of world output. Experts predict that, with its present intensive reorganisation, it should be yielding 100,000 tons annually in ten years' time. With the assistance of United States

research chemists, who are exploring substitutes for Asian oils, and have already proved the value of *carnauba* wax as a substitute for beeswax, Dr. Souza Costa, the Brazilian Finance Minister, has organised the Amazon Development Company. The Amazon is navigable throughout its length, and an important feature of the scheme, which Lend-Lease is financing, is the construction of a railway from its headwaters to Bolivia, offering Bolivia access to the Atlantic. There is no transcontinental road; but Pan-American Airways connect Bolivia's capital with Belem, at the mouth of the Amazon, which it is estimated will become one of South America's principal ports. The scheme is expected to be self-financing before it is finished. Manaus, the inland centre of Amazonas, and once the rubber capital, will be the focal point for agricultural development. From Peru, which has no pipe lines to the Pacific, Brazil will eventually obtain, under a recent treaty, sufficient refined oil to meet the needs of the whole Amazon region.

United States Collaboration

Brazil is larger than Europe, and United States collaboration is not confined to the Amazon basin. A year ago, the United States obtained by agreement the exclusive right for two years to purchase Brazil's strategic materials, including manganese, bauxite, nickel, diamonds, and rubber. The rich Itabirito iron ore deposits in the state of Minas Geraes, formerly owned by British interests, have been acquired by Brazil, which has been loaned \$14 millions for their development, repayable from ore purchases by the British Government and the United States Metals Reserve Company. The deposits are calculated to contain 111 million tons of high-grade hematite, the largest known. In the colonisation necessary for the post-war development of these vast projects, Brazil has indicated that she will welcome immigrants, but intends to avoid the formation of "Sudetenlands."

Neighbouring republics are undertaking similar schemes. The development of Peru's vast iron ore deposits is being planned; and the United States is absorbing her cotton surplus, formerly exported to Japan, as well as her rubber output, which, though small, is being developed by the newly-formed Peruvian Amazon Corporation, backed by the United States Rubber Reserve Company. The latter has lent Peru \$1,125,000 to encourage rubber production. Bolivia has obtained from the United States a loan of \$25 millions, and the Metals Reserve Company will acquire her whole copper output, expected to reach 6,500 tons yearly. She has also been lent \$5½ millions for petroleum works. Under Lend-Lease plans, the United States is to obtain Chile's total output of copper, gold and mercury, and Argentina's production of tungsten.

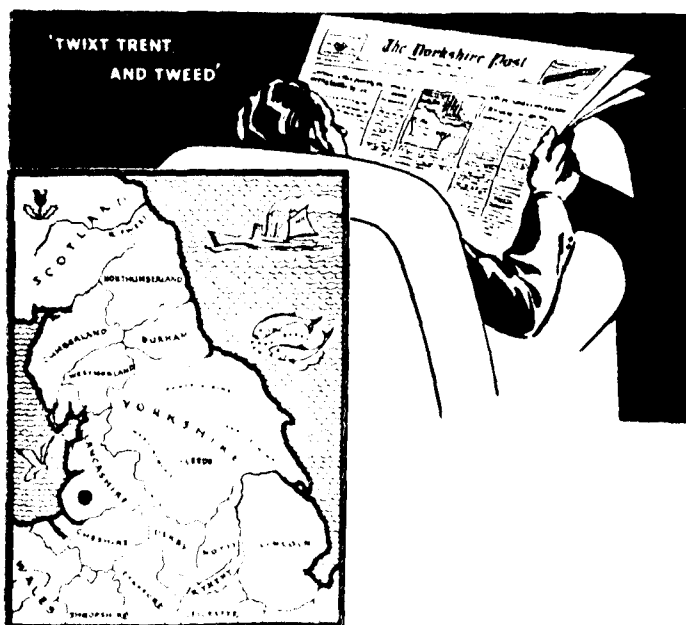
Argentina's Paraná river system and the northward development of her railways have in the past given Argentina a virtual monopoly of Paraguayan trade, and an increasing share of Bolivia's exports, notably of petroleum. Argentine press criticisms of the Government's isolationist policy have not failed to point out the benefits that Brazil derives from her development of communications with these inland republics and Peru, by offering them new outlets. In this and other instances, it seems likely that domestic politics will eventually attune themselves to the new economic interdependence which is spreading throughout the sub-continent.

A "New Constellation"

Spurred by present exigencies, the natural growth of manufacturing, as well as extractive, industries will give the Latin American states a greatly increased capacity to turn their swords of defence into plough-shares. When that time comes, politics outside, as well as inside, the continent will be forced to recognise the realities of what a Washington observer has called "a new post-war economic constellation." Before the eyes of Latin American statesmen and industrialists, many of them men of acute vision, it is emerging now, as a positive sign of Latin America's readiness and ability to take her place in what Mr Wallace has called "the century of the common man." In the post-war world, to quote Mr Wallace—

perhaps it will be America's opportunity to suggest the freedoms and duties by which the common man must live... older nations will have the privilege to help younger nations get started on the path to industrialisation, but there must be neither military nor economic imperialism.

His words are for Latin America a significant endorsement of the Atlantic Charter.



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American Notes

Work or Fight

The famous "work or fight" order of the last war has reappeared in the United States as the first sanction against recalcitrant workers. The War Manpower Commission has announced that, if workers refuse to accept suitable employment in war industries without reasonable cause, they will be reported to the Selective Service System, which makes decisions on occupational deferment. Presumably this is a stop-gap measure until other penalties are established; it would not be applicable in all cases, and in some would defeat its own purpose. Further controls over the hiring of skilled workers are expected shortly. All employers and employees in war industries will soon be directed that, in future, changes in employment must be handled exclusively through the United States Employment Service. This clause will be embodied in future war contracts, but voluntary compliance is expected to begin at once. Employers who already have contracts will probably be asked not to hire any new workers except through the public employment exchanges. A more drastic step which is expected is an order designed to prevent employers from retaining a skilled worker who could be used to better advantage elsewhere. The speed with which the Commission is moving is a reflection of the chaotic conditions in the market for skilled labour, particularly in the aircraft industry, where "pirating" has become increasingly common.

Housing War Workers

President Roosevelt has sent a message to Congress requesting an increase of \$600 millions in the appropriation for housing under the Lanham Act. In his message, the President underlined the need for more housing for war workers. The Government hopes to keep down the volume of workers migrating to war production centres to 1,600,000 between June, 1942-June, 1943. But in spite of reliance on private industry and more use of existing buildings, there remains a considerable demand for accommodation which can only be satisfied by public construction. So far, the funds appropriated by Congress total \$1,020 millions. In view of the large-scale migration which has already taken place—estimated at about two million people—these sums appear far from adequate. The cautious phrasing of the President's message suggests that he anticipates a hostile reception by Congress. He was at great pains to make it clear that much of the housing would be temporary in nature, and that a large portion of the funds would be returned to the Government in the form of rents and later through sales. It is unfortunate that the housing shortage, which has been becoming increasingly acute, is only being taken in hand at a time when both materials and labour are growing shorter every day. It now seems unavoidable that there will be a repetition of the shoddy building which disfigured American cities during the last war and which added to the problem of slum-clearance. The immediate need, however, is the provision of minimum accommodation for war workers; and even on the minimum estimate of 1.6 million migrants, which is likely to be exceeded, the measure seems to fall far short of what is required, particularly if the strain on public services in defence centres is taken into account.

Bridges and Browder

The order for the deportation of Harry Bridges, Australian leader of the Pacific Coast dock workers, is nothing new; his case has been banded backwards and forwards between Congress, the Department of Labour, the Supreme Court, and the Attorney-General's Office for years. What is remarkable is the renewal of the pressure to deport him a week after President Roosevelt's release of Earl Browder, secretary of the Communist Party, and at a time when aid to Russia is one of America's chief aims. The explanation lies in the split between the policy and powers of the Executive, and those of Congress. Attorney-General Biddle was forced to take action against Bridges under a law which orders the deportation of any alien who has been a member of a group planning the overthrow of the United States Government by force. Originally the law was directed only against present members, but when it was proved that Bridges was no longer a member of the Communist Party,

the law was amended specifically to include him. Because of radical leadership of dockers' strikes in the thirties, Bridges has aroused the implacable enmity of West Coast employers. But, since the entry of the United States into the war, he has made an active and valuable contribution to industrial peace, and the Administration is not likely, voluntarily, to have taken action calculated to cancel the good effect of Browder's release. The reputation and earlier activities of the American Communist Party are admittedly an obstacle to all-out aid to Russia in the minds of many Americans. But, in this case, the driving force derives from Bridges' union record, rather than his political affiliations. An appeal is to be made to the Supreme Court, which may find unconstitutional a law that might easily be used as a threat to a number of aliens now solidly behind the war effort. The criterion which the Attorney-General has followed in cases involving the abrogation of civil liberties has been whether, in the words of Chief Justice Holmes, there was a "clear and imminent danger" to the Government. It might well be applied to Bridges.

Fourth Estate

The liveliness of current press feuds probably overstates the divisions in American public opinion. But the way in which the liberal and internationally minded newspapers are going into battle against the America Firsters and the obstinate isolationism of the Patterson-Hearst-McCormick press chains is heart-warming. *PM*, the experimental New York evening tabloid, backed by Marshall Field, has made an instructive feature of its daily comparison of the German propaganda line and quotations from the Hearst press and Patterson's *New York News*. It is the *News* which called the rationing of bicycles "totalitarian stuff" on a par with such "unnecessary" hardships as tyre-rationing and petrol cards. It is the *News*, too, which sees the coming dictatorship in every Washington directive or order, and which has been ominously suggesting for months that "that man" would cancel the November elections because he was afraid of a Republican landslide. The *News*, which favours the tag "Wanna Bet?" at the end of its more polemical leaders, was smartly taken up by the *New York Post*, which offered \$10,000 to \$5,000 that the elections would take place. "Put up or shut up" the *Post* advised rudely. The *News* appears to have done neither, though the suspicion that the elections might after all be held as usual has been creeping into its columns, along with the prophecy that it would be fought over such "petty tyrannies" as bicycle-freezing. The two *Tribunes*—Chicago and New York, no relation—are waging long-distance hostilities. McCormick's Chicago paper, which was only temporarily submerged by Pearl Harbour, continues its anti-British, anti-Roosevelt campaign under a blur of patriotism, sneering at the *Herald-Tribune* as a "hyphenated anglophile journal," with no interest in the Far East because there are no titled people out there. More stir has been made recently by an advertisement published by the "Friends of Democracy," which charges Hearst, Patterson, and McCormick with "aiding the enemy" by their constant attacks on America's allies, the Administration and the direction of the war. A number of papers considered the advertisement too hot to handle, but it was finally printed by the *San Francisco Chronicle* and reprinted by *PM*. The belated offer of the *News* to print the advertisement—at advertising rates—has been accepted with alacrity by the authors, on condition that they can find the cash. The venom of the Isolationist press is all the greater because it must realise it is fighting a losing battle; but this does not diminish the public service of the journals which are helping to arrange the funeral.

Testimony on Rubber

A joint statement by Mr Nelson, Mr Henderson and Mr Eastman has made it clear that there will be no rubber for civilian use in the United States for at least two years. This should help to end the confusion which has been caused by conflicting statements by representatives of the seven agencies concerned with the rubber shortage, and has led to a certain slackening in public enthusiasm for conserving rubber. The Truman Committee of the Senate has meanwhile been conducting a post-mortem into the reasons for the failure to accumulate stocks of natural rubber and to build up a synthetic rubber industry. Its foremost witness has been Jesse Jones, who controlled the

Rubber Reserves Corporation and supervised the financing of new plant under the Defence Plant Corporation. The most sensational parts of his testimony related to the responsibility of Dutch and British interests, who, he alleged, were unwilling to sell the Government adequate supplies of raw rubber because of fear of price declines after the war if production were expanded. There was no opportunity for the British or Dutch to present their own side of the case, and the Truman Committee appears to have accepted Jones's interpretation. According to the witness, he was also frustrated in attempts to produce synthetic rubber by the President's veto, based on the high cost of synthetic as opposed to natural rubber. Lack of foresight in this essential matter was evidently not restricted to Jones alone; but it is difficult to acquit him of the major responsibility. The formation of Jesse Jones Walking Clubs will probably continue.

* * *

Soldiers' Dependants

Bills before Congress increasing pay for men in the Forces, and establishing a system of allowances for dependants, are expected to remove the main cause for deferment of service—the support of dependants. The Bill providing increased pay is being held up in the House, which insists on a minimum of \$50 a month, as opposed to the \$42 a month incorporated in the Bill, but it should be passed shortly. The Johnson-Edmiston Bill embodies War Department policy on allowances, which has the backing of the Administration—as well as a more controversial section which would direct the Federal Security Agency to make additional allowances to cases providing hardship. The scale of allowances established is, as might be expected, more generous than that in existence in other countries; out of a private soldier's pay \$20 is allotted for his family, and the Government will contribute \$20 for a dependent wife, and \$10 a month for each child. A quick passage is expected for this part of the Bill, and the Army and Navy will administer its provisions in an attempt to avoid the delays and scandals of the last war. The cases of men deferred on account of their dependants are already being reviewed by Selective Service, and it is expected that by the end of the year dependency will be discarded as a reason for deferment, and essential war work will constitute the main bar to Service.

* * *

Bauxite Supplies and Requirements

The United States aluminium expansion programme is making rapid headway, and it seems now more than likely that before the end of this year production will approach the scheduled rate of 450,000 tons per annum, that is to say, about three times the 1939 output. Naturally such a huge rate of production requires extensive preparations in the field of raw material supplies for the aluminium industry. Supplies of cryolite, needed as flux in the electrolytic process of splitting alumina into aluminium metal and oxygen, have been fully assured since the occupation of Greenland, the world's only source of natural cryolite. The problem of securing adequate supplies of bauxite has been more difficult, and has required extensive development both in the United States and the Guianas. The latest information, however, shows that these programmes have not only been kept in line with the rate of expansion of the United States aluminium industry, but even pushed ahead of it. In order to produce 450,000 tons of aluminium metal about 1,800,000 tons of raw bauxite are required. In addition to these quantities the United States is likely this year to absorb 600,000 tons of bauxite for abrasive, refractory and chemical purposes. By producing the record quantity of 899,500 long tons of bauxite last year, United States mines in Arkansas, Alabama, Georgia and Virginia supplied more than one-half of the country's total requirements in 1941. This year domestic supplies, despite further extensive development work in recent months, are unlikely to retain this high share, although they are expected to rise to 1,100,000 tons in 1942. The quantity to be covered by imports can thus be taken at roughly 1,300,000 tons, or about one-third more than estimated imports in 1941. For some years Dutch Guiana, where the Aluminum Company of America owns extensive bauxite deposits, has supplied well over 80 per cent of United States imports. In order to cope with the growing demand, the Surinaamsche Bauxite Maatschappij, a subsidiary of the Aluminum Company of America, started a new bauxite

crushing plant near Paramaribo, in February, 1941, which, according to an official Dutch source, has an annual capacity of 900,000 tons. The company's former plant at Moengo, on the de Cottica River, which supplied 615,000 tons of bauxite in 1940, remained in full operation, so that the annual capacity of the Surinaamsche Bauxite Maatschappij alone is now about 1,500,000 tons per annum. In addition, the independent Dutch Billiton concern commenced the construction of a modern bauxite crushing plant near the Surinam River last year, which will start operations this year. Dutch Guiana alone, which supplies the United States exclusively, could, therefore, meet the huge import requirements of the United States aluminium industry. At the same time, however, British Guiana has developed its bauxite production well beyond the limits set by Canada's import requirements, and could, if necessary, maintain its share in United States bauxite imports, which reached 10 per cent of the country's total imports in 1941.

* * *

Labour's House

The growing estrangement and enmity between John L. Lewis and the rest of the American labour movement is partly responsible for new efforts to end the division between the CIO and the AFL. The unity which Lewis failed to achieve in January is being spurred on by his continuous sniping at both the co-operating organisations, which are coming closer in self-defence. Hostilities between Lewis and Philip Murray were carried one step further when Lewis removed the president of the CIO from the vice-presidency of the United Mine Workers last week, ostensibly because Mr Murray had accepted the leadership of the Steelworkers' Union. Lewis's quickness to exploit any sacrifices agreed to by the other unions has been noticeable in the automobile workers' union, where an attempt is being made to stir up resentment against the abandonment of premium pay for Saturday and Sunday work. Organisation of dairy farmers is continuing, and the United Construction Workers, under Lewis's control, is recruiting florists, laundrymen, and restaurant workers. Lewis sticks to the Isolationist line on war strategy, arguing that every ship should be withdrawn from the Atlantic to concentrate on a descent on the Japanese mainland. Even within his own union, opposition is not lacking; at its convention in Trenton, 200,000 miners voted to secede because of his "anti-war policy," for "running counter to labour in general in his opposition to President Roosevelt's foreign policy" and for his "flagrantly undemocratic procedure."

* * *

Shorter Notes

A new shipyard to be constructed on the East Coast will be supervised and staffed entirely by negroes. It is estimated that 9,000 workers will be employed.

Hard liquor production will be reduced by 90 per cent by the end of the year to meet demands for alcohol, to be used in the manufacture of synthetic rubber and other vital war products. Already 50 per cent of the industry's capacity has been converted. No liquor shortage is anticipated as there is at least 550 million gallons of whisky in storage, sufficient for four years.

President Roosevelt has expressed surprise at the large number of men rejected by the U.S. Army on account of illiteracy. Education is a function of the 48 states, and there are wide differences in standards, mainly related to the wealth of each state. The southern states in particular have been characterised by very low appropriations for schools.

War bond sales for May totalled \$634 millions, passing the Treasury's quota of \$600 millions by a substantial margin.

The result of the negotiations on shipbuilding wages has been to increase the wages of 550,000 workers by 8 cents an hour, which is less than the 13 per cent increase due to the workers under their cost-of-living wage stabilisation contract. A new feature is the provision that all wage increases will be invested in war bonds, to be cashed only in cases of "extreme emergency."

THE WORLD OVERSEAS

The Conscription Plebiscite

(From Our Ottawa Correspondent)

May 8th
A WIDER cleavage than most Canadians thought existed in their country was disclosed by the results of the national plebiscite on manpower policy. It had few ameliorating features and it promised and produced an immediate political crisis. To repair it became the immediate task of Canadian leadership, a task to be taken up under the most unfavourable circumstances. The cleavage exists between English-speaking citizens and those of French stock who voted "No" to the Government's request for a free hand in conscribing manpower if and as the need arises. It also exists in provinces, especially in the west, where the population is of mixed ancestry.

Since Quebec voted 72 per cent negative, its position attracted the most attention when the plebiscite results were being analysed. But figures for the prairie provinces showed a substantial negative sentiment in communities predominantly German, Ukrainian, Polish and of other origin. The plebiscite laid bare dramatically the sources of tension in a population in which many racial strains mingle. It provided clues to the potential dangers that lurk in a sprawling federation of provinces in which the process of assimilation has not yet been completed. It delivered a shattering blow to Canadian complacency, which has taken national unity for granted, offering a clear and definite turning point from which to measure the progress of cohesive forces that are undoubtedly strong though largely latent, or from which to reckon the advance of dividing factors if they are not to be halted short of destruction.

Nearly complete figures, in advance of official returns, showed a two-to-one vote for the affirmative. By provinces the vote was:—

	Yes	No
Prince Edward Island	23,568	4,860
Nova Scotia	120,763	35,840
New Brunswick	105,629	45,743
Quebec	375,650	971,925
Ontario	1,201,953	229,947
Manitoba	218,093	53,651
Saskatchewan	183,617	67,654
Alberta	186,624	75,880
British Columbia	253,344	62,033
Yukon	847	291
Civilian Total	2,670,088	1,547,724
Armed Services	251,118	60,885
Total	2,921,206	1,608,609

The figures exercised a sobering influence—on one side of the conscriptionist controversy that has raged in Canada for several months, as well as on the other. The plebiscite result led logically to the repeal of Section 3 of the National Resources Mobilisation Act, which prohibited the despatch of troops called up under the Act to service outside Canada. But the gap between the easy enactment of an amending measure and the effective introduction of conscription could not be bridged at once.

On the debit side, the extent of minority opinion regarding conscription was greater than most Canadians believed. The vote reflected the popular conviction on that issue, though the Government refrained from making any commitments one way or the other in the campaign preceding the vote. Mr Mackenzie King has become the target of the criticism that the plebiscite produced the cleavage. It merely uncovered the basic fact that 1,600,000 Canadians at this late date possess a mental reservation on the necessity of devoting the entire resources of the nation to winning the war. But the Government and its leader cannot escape criticism on the ground that such a mental reservation does exist, owing to a failure of information among the public regarding the issues at stake.

Great Divergences

Instead of a great demonstration of national unity, the plebiscite disclosed great divergences. It disappointed those

who had hoped for a greater affirmative vote in Quebec. But it proved the point that has been basic in the policies of the King Government, that the issue of conscription endangers national unity. The chorus of conscriptionist agitation had blurred that fact, and it is now as clear as daylight. The yawning gulf is there for all Canadians to see. Success so far in maintaining unity and in mobilising the national effort will not count against failure to avoid the abyss now.

On the credit side, the cleavage in Canadian opinion can be seen in its true light as a difference over means rather than ends. There is no issue over the war itself—the discordances refer to policies for waging war. The mandate for total war is decisive in spite of the strength of the Noes. Conscription is the symbol of total war to nearly 3,000,000 Canadians. It is a pity perhaps that the symbol required to mobilise the emotions of the people could not have been some more urgent issue, such as army reform.

Conscription has no immediate significance as military policy. The voluntary recruiting system has produced more than enough men, and this fact has been under the closest scrutiny from time to time, because of recurring charges that enlistments had broken down. On December 31, 1941, aggregate enlistments were:—

	Enlistments	Requirements in 1942
Navy	27,000	13,000
Army	295,000	100,000
Air Force	100,000	80,000
	422,000	193,000
Prospective by March, 1943	615,000	

Recruiting has been steadily on the upswing for several months. The army requirement through 1941 was 6,500 a month, and this figure has been doubled in several months of this year. The conscription law, in addition, is being used to call up 7,000 men a month at present, so that more than 20,000 men are donning the uniform of the Canadian army each month. There has been no diminution in enlistment applications for the air force and navy. The day after the monetary reformer, W. D. Herridge, made a speech in Ottawa decrying the failure of the voluntary system and calling for conscription for overseas service, 609 men enlisted in the Canadian army. This was a record day's total to date.

The Meaning of Heydrich

[BY A CORRESPONDENT]

THE attempt on the life of Heydrich is a significant symptom of the new stage which the underground struggle of the subjugated European nations has entered. The notion that Heydrich fell a victim to some obscure family feud among the higher circles of the Nazis can be dismissed. The gangsters of the Gestapo know more discreet and less costly methods of settling an internal quarrel than the staging of a spectacular attempt in broad daylight in the suburb of a central European capital. Such an attempt is a heavy blow to German prestige. It brings on the tense atmosphere of mass reprisals. It must be taken abroad, and throughout the occupied countries, as a demonstration of the vitality of the underground movement. It seems clear, too, that the attempt was not carried out by any of the clandestine organisations which take their political cue from responsible Czech circles in Allied countries. There the prevailing opinion appears to be that other, perhaps less spectacular but more systematic, methods of resistance are more useful under the present conditions—slow work in factories, widespread and well concealed

THE BUSINESS WORLD

Profits—A New Series—II

AN article under this title in *The Economist* a fortnight ago reviewed the need for making substantial improvements in the computation of industrial profits. It introduced an instalment of the improved figures, based on the results of public companies published in the first quarter of this year. In this second article, the aim is to examine the course of gross profits for the past four years, and compare them with the old basis figures which have been available hitherto. The difference between the two series, it will be recalled, is fundamentally this: the old basis figures have made only partial adjustment for the distorting effect of changes in the standard rate of income-tax; the new basis figures attempt to eliminate this bias entirely, and to give, as far as possible, an estimate of industrial profits before any deduction for standard income-tax.

One of the most obvious advantages of the new basis figures is that they are closely comparable over a period of years, and it would be a simple matter to construct an index number based, as the old *Economist* index has been based, on the period in which the results were published. In revising the figures, however, the opportunity has been taken to introduce a further improvement in their presentation, namely, to analyse the results, not by reference to the arbitrary periods in which the accounts were published, but instead by reference to the financial periods in which the profits were earned. From the economist's point of view (as distinct from that of financial journalist), the weakness of profits arranged by date of publication is that they are post-dated by an appreciable time-lag. The attempt is made instead to set estimates of gross profits in the actual financial periods to which they refer. The gross profits estimates published a fortnight ago referred to companies whose accounts were published in the first quarter of this year. To obtain a series of figures grouped under financial periods since 1938, it has been necessary to re-allocate the figures for each company published in this and earlier quarters

according to the date of its financial year. This again is a laborious process, but one well justified by the results. The figures are set out in the following table:—

TABLE I.
GROSS PROFITS BEFORE TAX ANALYSED BY FINANCIAL YEARS

Accounting Date Falling In	No. of Cos.	1938	1939	1940	1941
		(£000)	(£000)	(£000)	(£000)
1st Quarter.....	500 487	62,414	57,875	60,962	54,128
2nd Quarter.....	386 360	38,859	38,629	36,773	35,928
3rd Quarter.....	324 253*	41,692	39,854	41,011	34,633*
4th Quarter.....	863 860 303*	147,253	149,547 149,050	143,117 60,588*	59,328*
Whole Year.....	2,073 1,403*	290,218	285,905 285,408	281,883 191,432*	184,008*

* Results not yet complete.

Two general remarks may be made regarding this table. First, the results for recent quarters are naturally not yet complete, owing to the time-lag in publication. Secondly, the sample of companies changes from year to year, but on the assumption that the sample is fair—which is most reasonable—some interesting conclusions emerge. The gross profits of 2,073 companies, before standard income-tax, declined by 1.4 per cent, from £290,218,000 to £285,905,000, between 1938 and 1939. A slightly smaller sample of 2,070 companies showed a decline of 1.3 per cent in gross profits between 1939 and 1940, and an incomplete sample of 1,403

TABLE III.
Economist INDEX OF NET REPORTED PROFITS, BY PUBLICATION DATE
(Revised Geometric Basis)
Four Quarters ended June, 1936=100

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1936.....	98.6	100.0	104.1	107.8
1937.....	111.3	115.3	121.3	127.0
1938.....	130.3	132.9	133.4	131.9
1939.....	129.3	125.2	124.4	121.6
1940.....	120.7	120.8	116.8	115.1
1941.....	112.9	104.7	101.0	98.6
1942.....	95.7	...	...	...

TABLE IV.
PROFITS BY INDIVIDUAL GROUPS—QTR. ENDED MARCH 31, 1942

Group	No. of Cos.	Total Profits		Net Profits	
		Previous Year	Latest Year	Previous Year	Latest Year
Breweries and Distilleries...	12	2,241,084	2,473,175	1,110,977	1,143,514
Canals and Docks...	1	92,282	45,152	78,704	32,065
Electric Lighting and Power...	5	1,349,130	1,361,868	976,201	881,778
Financial, Land & Investment...	38	5,812,037	5,925,798	2,429,057	2,235,243
Gas...	1	148,506	162,815	54,669	60,697
Hotels and Restaurants...	3	148,853	85,402	52,095	12,566
Coal, Iron and Steel...	25	8,731,392	8,483,515	4,427,884	3,513,466
Motor Cycle and Aviation...	8	2,737,847	3,003,370	1,107,557	990,040
Oil...	3	2,455,148	946,619	437,175	396,346
Rubber...	26	841,341	940,989	345,223	313,181
Shipping...	8	1,815,336	1,668,361	566,979	499,503
Shops and Stores...	23	14,763,086	13,175,393	4,343,688	4,403,196
Tea...	2	64,801	58,197	20,003	18,300
Telegraphs and Telephones...	2	266,702	287,961	147,440	122,091
Textiles...	34	5,280,316	4,045,065	2,159,372	1,799,924
Tramway and Omnibus...	9	2,092,327	2,651,374	1,162,218	1,072,980
Trusts...	65	5,974,963	5,828,583	2,551,802	2,281,181
Waterworks...	7	1,045,147	1,107,559	362,120	319,392
Building Materials...	12	1,445,856	1,916,875	235,009	840,284
Food, Confectionery & Drink...	17	2,123,041	2,221,332	1,493,004	1,318,099
Electrical Equipment...	6	2,878,774	2,817,744	1,828,460	1,730,699
Newspapers, Printing, etc...	18	2,262,895	2,317,550	1,388,462	1,174,207
Tobacco...	4	15,837,614	14,063,530	15,195,305	13,414,826
Warehouse and Trading...	9	625,533	483,934	392,116	324,540
Other Companies...	88	10,086,904	10,361,402	4,644,981	4,063,286
Total.....	426	91,120,975	86,433,563	47,510,501	42,959,404*

TABLE V.
PROFITS OF FIRST QUARTER COMPANIES—1942

	Previous Financial Year	Latest Financial Year	Gross Profits derived from Net Profit
Total Profits*	91,120,975	86,433,563	4,975,682
Depreciation	43,610,474	6,983,485	...
Debiture Interest	...	32,064,476	68,463,780
Other Charges†	47,510,501	42,959,404	13,682,582
Net Profits	...	8,752,285	48,804,866
Preference Dividends	...	28,230,787	5,976,332
Ordinary Dividends	...	5,976,332	...
Added to Free Reserves	...	...	...

* After Depreciation where not separately stated. † Including Taxation.
‡ i.e., After adding back taxation deducted in striking net profits.

TABLE VI.
DISTRIBUTION OF PROFITS AND RETURN ON CAPITAL

	Proportion of Adjusted Net Profits			Rates of Payment (Gross)			
	Prof. Div.	Ord. Div.	To Free Reserves	Deb.	Prof.	Earned Ord.	Paid Ord.
1941	%	%	%	%	%	%	%
1st Quarter.....	17.7	73.1	9.2	4.5	6.1	16.3	14.5
2nd Quarter.....	23.4	65.9	10.7	4.6	6.8	10.6	9.0
3rd Quarter.....	25.7	65.0	9.3	4.5	6.9	12.1	10.6
4th Quarter.....	29.5	54.1	16.4	4.6	6.4	10.9	8.4
Whole Year.....	23.4	65.5	11.1	4.5	6.6	12.4	10.6
1942	%	%	%	%	%	%	%
1st Quarter.....	19.9	71.3	8.8	4.2	6.9	17.0	15.1

companies showed a reduction of 3.8 per cent in 1941. These are comparisons of gross profits; they are accordingly an indication of the thorough effectiveness of 100 per cent EPT, in preventing any rise in gross profits. Even if the standard rate of income-tax had remained unchanged since the first quarter of 1938, the net earnings available for capital would have been some 6 per cent lower. In fact, net earnings, after standard income-tax, have been more than halved, as a result of the doubling of the standard rate between the first quarter of 1938 and the second quarter of 1941.

To overcome the discontinuity in the sample of companies, a new index of gross profits has been constructed from the quarterly figures by the link method. This is a simple geometric average based on the four quarters ended December, 1938, and its course during the past three years is shown below:—

TABLE II.
INDEX OF GROSS PROFITS, BY ACCOUNTING PERIODS
Four Quarters ended December, 1938=100

	Accounting Periods Ended In			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1938.....	98.13	98.06	97.95	98.24
1939.....	101.7	100.3	101.2	99.74
1940.....	96.14*	98.72*	96.20*	96.68*

* Provisional.

The record of the index during the past three years confirms, in general, the conclusions suggested by the annual figures, though with one interesting supplementary point. It will be seen that there was a tendency in the late part of 1939 and the early part of 1940 for gross profits to show a slight rise, which EPT has subsequently checked. It could hardly be said from the evidence that an incipient break-away in profits was then about to occur, but if it was, EPT checked it immediately.

In the course of time, it is hoped that this new index will provide a useful addition to economic statistics. Meanwhile, it is proposed to publish it in conjunction with the familiar *Economist* index of published net profits, based on periods of publication and not of account. It has been decided, however, to make this index statistically more respectable, by adopting a geometric mean, rather than the somewhat crude weighted arithmetic average which has hitherto been employed. The difference between the two indices is surprisingly small, though the new method has the advantage of giving a slightly more sensitive impression of the course of net reported profits at the peak and trough of their cyclical swing. The original base (four quarters ended June, 1936) has been retained for the index, of which the recent record is given in Table III. The trough of this index was touched in the third quarter of 1933, with a

THE ECONOMIST NEW PROFITS SERIES.

The notes below may assist readers to follow the improvements in our profits figures.

The new figures are presented throughout on a gross basis, and represent the closest estimate that can be made of industrial profits, before deducting any charge for standard income tax.

The gross profits are shown (a) under periods in which they were published and (b) under the periods in which they were earned.

(a) A four-year comparison of gross profits of companies whose accounts were published in the first quarter of this year was given in the first article of this series on page 720 of *The Economist* of May 23rd.

(b) A four-year linked comparison of gross profits arranged by accounting periods is given in Table I, and this is expressed as a quarterly geometric index number of gross profits (four quarters 1938 = 100) in Table II.

The *Economist* index of net reported profits (i.e., net profits taken from the companies' accounts without adjustment for taxation) has been converted from an arithmetic to a geometric basis (July, 1935, to June, 1936 = 100) and is given in Table III.

It is intended at a later stage to transpose the reported profits given in Tables IV to VI to a gross basis.

"low" of 64.1, compared with a "low" of 66.3 recorded by the old index for the first quarter of the same year. The "high" were respectively 133.4 for the new index in the third quarter of 1938, compared with 131.7 for the old index in the second quarter of that year. No substantial changes, therefore, are involved in the adoption of the geometric method in preference to the old arithmetic index. The results are, however, more satisfactory from a statistical point of view.

It is hoped that these new features will constitute a permanent improvement in the quantitative expression of industrial profit-earning capacity—at least until the accounting millennium arrives. The accounting changes involved are far from revolutionary, but they would enable consistent profits figures to be prepared with a tithe of the labour which is now required for the presentation of the new gross figures. If it be objected that the changes are not worth making, then the answer must be that one of the key elements in economic data—the profit incentive—would then remain a matter of careful but makeshift estimate instead of a quantitative measurement, which is a state of affairs which should only be countenanced in a juvenile, or senile, economic society.

There remains, finally, the familiar series of tables which have appeared regularly each quarter in *The Economist* and have evolved over a period of thirty-four years. It is intended to continue these tables for the moment in their old form, despite their admitted defects, in order to preserve continuity. Table IV (page 798) shows that the total profits of 426 companies, as revealed to shareholders, in the first quarter of this year, were reduced from £91.1 millions to £86.4 millions, while net reported profits fell by nearly 10 per cent from £47.5 millions to £43.0 millions. (It will be recalled that these imperfect net figures are used in *The Economist* index which is set out in Table III.) The gross equivalent of the net reported profits figure (shown in column 3 of Table V) is £68.5 millions, and the percentage breakdown of this figure between preference and ordinary capital is given in the last line of Table VI. It seems probable that the higher gross rate of ordinary dividend paid by the first quarter companies this year is due to changes in the sample, and does not reflect any material change in distribution policy. Lastly, Table IV presents first quarter profits by industrial groups, as revealed in the companies' accounts, without adjustment, for taxation. So far as it is profitable at all to comment on this crude mixture of profits struck at every stage known to the accountant, there is ground for misgiving in the fact that the consumption trades—breweries, stores, food and drink and tobacco—have stood up better to the brunt of war than several basic industrial groups, including iron, coal and steel and textiles.

One dominant feature, however, emerges from all the figures discussed in these two articles. Crude or refined, presented by the accountant or adjusted by the economist, they all point to the completeness of wartime control of profits. One of the advantages of the new series of gross profits figures is that it gives proof of what had been only reasonable inference—that EPT is completely effective, and that net profits have been more than halved since 1938. The ranks of labour should recognise this plain fact. The ranks of capital should ask themselves if anything less would be appropriate in a context of total war.

TERRITORY OF SOUTHERN RHODESIA

SALISBURY MUNICIPAL LOAN.

ISSUE OF £100,000 FOUR AND A HALF PER CENT. BONDS TO BEARER OF £100 EACH.

NOTICE IS HEREBY GIVEN that in accordance with the conditions on which the above Loan was issued the following BONDS were on the 2nd June, 1942, DRAWN for redemption at par on the 30th June, 1942:—

Bonds numbered 272 768 624 505 644 345 432 483 507 407 473 625 422 898 341 907 30 930 38 595. Viz.: 20 Bonds of £100 each.

Present, Kenneth L. Steward, Notary Public representing the firm of Cheeswright, Casey, Duff, Watts and Co., Notaries, 23, Lime Street, London, E.C.3.

The Bonds and all Interest Coupons not then due must be left at the office of the Standard Bank of South Africa, Limited, 10, Clements Lane, E.C.4, three clear days for examination. Payment of principal will be made on and after the 30th June, 1942, from which date the Bonds will cease to bear interest.

In addition to the above, Bonds amounting to £95,200 have previously been purchased and drawn.

For the Standard Bank of South Africa, Limited,
LEWIS L. BAKER, Sub Manager.

2nd June, 1942.

Finance and Banking

Financing the War Loan Dividend

Even though public deposits had been allowed to fall as low as £7.6 millions on the eve of the War Loan dividend, this week's TDR call on the banks was fixed no higher than £50 millions, the equivalent of nominal maturities. It was therefore evident that the authorities were relying upon a substantial surplus of receipts from other sources, and the current Bank return shows this expectation to have been fully justified. In spite of the dividend disbursement of some £31 millions, public deposits have recovered to £16 millions. In addition, Government securities have been reduced by £12.9 millions, suggesting a partial repayment of last week's ways and means advances, though the explanation may equally well have been the running off of short bills. Prior encashments have probably reduced effective TDR maturities to about half the nominal level, while some of the nominally maturing Treasury bills may also have been taken off the market. It is known, too, that the banks transferred the bulk, if not the whole, of their current TDR subscriptions on the early days of the week, a process which tended to damp down their demand for bills in the market. Even so, the very moderate level of floating debt borrowing remains somewhat mysterious, since the current deficit has lately been running at fairly high levels.

* * *

Debt Movements in May

Though the May debt return is the second to distinguish between Treasury deposit maturities and prior encashments, it is the first which permits any inferences to be drawn from this information, since the April return covered a split period. In the five weeks to May 30th, TDR redemptions totalled £113.5 millions, of which £12.5 millions were paid off before maturity to cover subscriptions to new issues. Such encashments, of course, may include deposits falling due within the period. Since nominal maturities in these five weeks amounted to £160 millions, however, it can be said that a minimum of £46.5 millions and a maximum of £59 millions of these deposits had been encashed before April 27th. For the first time in five months, new borrowing against Treasury deposits exceeded repayments, the outstanding total rising by £31.5 millions to £518.5 millions. The weekly demand on the banks has been considered small in relation to the current deficit for the period of £263.8 millions, but it must be remembered that the tender Treasury bill issue was rising by £55 millions. Bank deposits and discounts portfolios, therefore, are likely both to show an appreciable expansion. Of the apparent deficit, too, some proportion did not require domestic finance, since it may be assumed that the £22,934,000 raised against "other debt" must chiefly represent a further instalment of the RFC loan. The Canadian Government contribution is, of course, treated as revenue. As much as £36 millions has been brought in under this head in the past five weeks, indicating that the \$1,000 millions gift has now been drawn upon to the extent of \$180 millions. Over the period, the floating debt shows a net rise of £120.7 millions, which will be almost exactly negated by the further issue, announced after the turn of the month, of £120 millions of 3 per cent Funding Loan, 1959-69, to the National Debt Commissioners.

* * *

Notes and Savings

This week's further rise of £4.3 millions raises the note circulation £41.2 millions above the Christmas peak, compared with an expansion of only £18.5 millions over the corresponding period a year ago. Perhaps the chief point of this comparison is that, from early June to the December peak last year, withdrawals amounted to as much as £116.3 millions. In other words, given a continuance of the recent trend, at least two further increases of £50 millions in the fiduciary issue are likely to be needed before the end of the year. Hitherto the increased demand for

notes seems to have been a perfectly natural corollary of a rising national wages bill. At the same time, it is clearly not unrelated to the disappointing level of small savings, which in the past eight weeks have averaged rather less than £12 millions, compared with more than £15 millions in the first quarter. This, however, does not necessarily indicate a decline in savings taken as a whole. According to the Budget White Paper, "net personal savings" in the second half of 1941 were £81 millions higher than in the corresponding months of 1940, although small savings (sales savings accounts) were £3 millions lower. In the second quarter, on the other hand, the "Kindersley items" were as much as £72 millions higher than in 1940, whereas total net personal savings were £60 millions higher. For the first six months of that year as a whole, the corresponding figures were a rise of £179 millions in personal savings and of £137 millions in the "Kindersley items." It was, of course, in the latter part of 1941 that the unseasonal rise in the note circulation became pronounced.

* * *

Financing Expenditure

The following table summarises the Exchequer returns of the financial year to date (May 30th) and shows the respective shares of revenue and borrowing in meeting expenditure:—

	£000		£000
Total ordinary expenditure...	844,614	Total ordinary revenue.....	366,709
New Sinking Funds.....	1,133	Loans raised:—	
Loans repaid:—		3% Def. Bonds (net).....	29,481
National Savings Bonds...	1,629	3% Savings Bonds 1955-65	45,965
Miscellaneous issues (net)...	2,434	3% Savings Bonds 1960-70	22,000
Increase in balances.....	525	3% Nat. War Bds. 1949-51	19,850
		24% Nat. War Bds. (net)...	37,010
		Nat. Savings Certs. (net)...	31,450
		Tax Reserve Certs. (net)...	55,783
		"Other debt" (net).....	22,450
		Floating debt (net):—	
		Treasury Bills.....	159,962
		Public Dept. Adv.	59,673
		Treasury deposits.....	£850,335
			£850,335

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

* * *

Turkish Exchange Policy

Drastic changes in Turkish exchange policy have recently been announced. They are designed to achieve two main objectives: first, to correct the payments balance between Turkey and three countries which have since the beginning of the war accumulated appreciable credits against Turkey—the USA, Switzerland and Sweden; and, secondly, to arrest the steep rise in the Turkish price level. For some time past Turkey has bridged the gulf between the official rates for the piastre and the rates measuring its true depreciation by paying premiums to exporters and exacting them from importers. For example, importers from the United Kingdom have paid for their sterling, not merely the official rate of 520 piastres to the £, but a premium of 48 per cent bringing the effective rate up to 770. Out of this premium a substantial but smaller subsidy has been paid by the official exchange office to exporters from Turkey. The exporter to the United Kingdom, for example, has been receiving the official rate plus 40 per cent for his sterling. An appreciable margin has thus been kept by the exchange office. These premiums have, of course, been equivalent to a depreciation of the piastre, and their effect has been to stimulate the upward trend of prices in Turkey. The Turkish authorities have now decided to abolish the premiums applicable to the US dollar, the Swiss franc, and the Swedish crown. The import premium in all these cases is to disappear at once, but exporters from Turkey to these countries will continue to receive the export premium as long as the clearing accounts with these countries continue to show a balance against Turkey. The premiums applied to Switzerland and Sweden were 48 per cent for imports and 40 per cent for exports. In the case of US dollars they were 38 and 25 per cent respectively.

Apparently, this attack on exchange premiums is not being co-ordinated, but is taking place piecemeal wherever the clearing account between Turkey and a foreign country requires adjustment. It remains to be seen whether this highly unorthodox tampering with exchange rates will not do more harm than good. Even in these days of exchange and foreign trade control, the structure of a country's exchange rates is an organic whole, and should follow a co-ordinated pattern. To change some exchange rates artificially without touching the others must create a great deal of disequilibrium. The trade with the United Kingdom and the sterling area, which is now conducted through the Anglo-Turkish clearing and through special accounts in London, and is largely handled by the United Kingdom Commercial Corporation, is not intended to be affected by the change in exchange policy.

* * *

Motor Insurance Rates

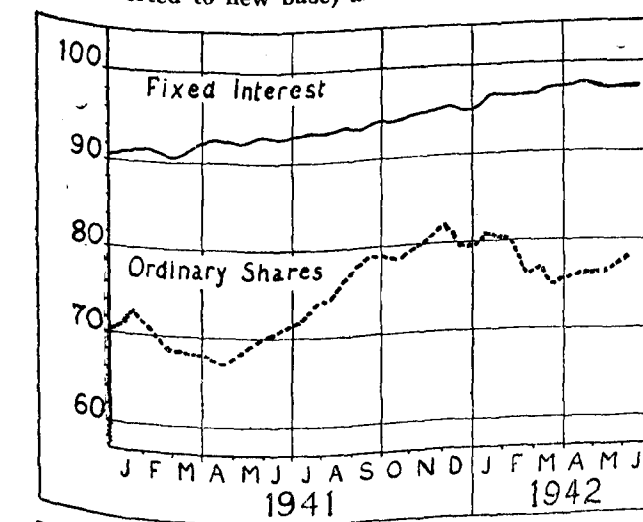
The decision of the member companies of the Accident Offices' Association—the tariff companies—to reduce by 20 per cent the rates on private car policies covering road risks reflects the downward tendency in claims ratios for this class of vehicle. The improvement is due to the smaller "exposure" resulting from petrol rationing, coupled with lower traffic density. There have been important offsetting factors, notably the large number of serious accidents arising during the blackout and the increasing cost of effecting repairs; but in the case of private cars these factors, happily, have only partially arrested the improvement making possible the present reduction in rates. With insurances on commercial vehicles, on the other hand, mileages have increased rather than otherwise, and the claims trend has been clearly adverse. The lower premiums for private cars operate from July 1st, and current policies will rank *pro rata* for the remainder of the policy term. Non-tariff companies and Lloyd's underwriters have not yet made announcements, but are understood to have the subject under consideration.

Investment

Falling Equity Yields

An article on page 798 carries a step further the story of the falling return to industry under a regime of total war, EPT at 100 per cent, and a stringent revision of contract conditions. Despite this downward trend and the uncertainties of the past month, May saw a further

FIXED INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935=100)
Financial News indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares



modest improvement in equities. As reflected in the index of *The Financial News*, set out in the attached chart, the rise is some 2.8 per cent on the month, and the new level is approximately that of February. The less sensitive and more comprehensive figures of *The Actuaries' Investment*

Irish Banks' Returns

The returns for the banks operating in Eire for the March quarter, published by the Currency Commission, are as follows:—

	(£000)				
	March Quarter, 1941	Dec. Quarter, 1941	March Quarter, 1942		
			In Eire	Elsewhere	Total
Liabilities:—					
Capital reserves, etc.	17,591	17,615	10,408	7,201	17,609
Notes in circulation	12,745	15,026	5,299	10,301	15,609
Current deposit and other accounts	174,961	194,927	143,487	55,556	199,043
Other liabilities.....	7,461	7,964	6,595	1,892	8,487
Total.....	212,760	235,534	165,790	74,959	240,749
Assets:—					
Cash and Balances with London	25,722	31,702	9,978	20,446	30,424
Agents and other Banks.....	12,297	14,111	15,065	15,065	15,065
Money at call and short notice....	4,888	4,451	3,827	494	4,321
Bills.....	70,784	67,515	46,527	20,451	66,978
Loans and advances.....	79,523	98,073	7,230	96,331	103,561
Investments: (a) Government.....	10,378	9,724	4,069	5,413	9,482
(b) Others.....	9,166	9,956	6,221	4,694	10,915
Other assets.....					
Total.....	212,760	235,534	77,854	162,895	240,749
Excess of Assets outside Eire over Liabilities outside Eire	73,994	83,753	...	...	87,936

The trends that have been visible since the beginning of the war continue. The great increase of deposits reflects the accumulation of idle balances by businesses which are unable to obtain stocks. Many of these deposits are in their nature temporary, and the banks have wisely increased their liquid assets. The extreme liquidity, together with the reduction of loans and advances, has had an adverse effect on the banks' profits. It is noteworthy that all the bills held by the banks are commercial bills; no Government bills are held in Eire, Northern Ireland or Great Britain. The net sterling assets continue to expand, but this expansion would be quickly reversed if imports of many essential commodities again became available. The financial situation in Eire appears to be singularly suitable for the borrowing operations of the Government which must soon take place.

* * *

A Good Start

The very modest recoveries of May, detailed above, were accompanied by more considerable rises in South American securities and by a further substantial advance in the securities of companies operating on the fringe of the Pacific conflict. This movement has now reached a point, in some sections, where about half the fall since the entry of Japan into the war has been made good. Prices are, in consequence, around levels at which a great deal more caution is called for. The volume of business showed a slight expansion, and it was continuously reported that it was easier to sell a large parcel than to buy even a small one. This paucity of stock suggested that it would be much easier to secure a further rise than a resumption of the fall, and the favourable interpretation placed upon events in Russia and Libya, coupled with the news of the four-figure raid on Cologne, caused a sharp advance in

equities on Monday. Any lingering doubts about the possibility that the Cologne expedition was merely a *tour de force* were dispelled by repetition of the performance, on an almost equal scale, two nights later; and Tuesday saw an even more substantial advance, which hoisted the industrial ordinary index of *The Financial News* to the highest since the end of the first third of February. At the same time, there was a modest recession in fixed interest stocks which must have occurred altogether outside the Funds, since these were considerably firmer. It is still too

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	May 27, 1941	Dec. 30, 1941	April 28, 1942	May 26, 1942	May 27, 1941	April 28, 1942	May 26, 1942
2½% Consols.....	139.6	146.3	146.9	147.2	3.20	3.04	3.03
Home Corps. (4).....	134.4	139.2	141.8	141.8	3.47	3.29	3.29
Ind. Debts.—							
All Classes (43).....	111.5	114.3	117.9	117.9	4.29	4.03	4.03
Ind. Preference							
All Classes (101)...	92.3	101.0	104.9	105.0	4.94	4.45	4.44
Insurance Cos. (10)...	84.2	97.6	100.8	101.4	4.79	4.03	4.00
Aircraft Mfg. (5).....	48.7	54.9	49.5	49.8	11.90	10.91	10.81
Building Mats. (6).....	60.5	66.3	63.4	68.9	4.78	4.38	4.03
Coal (8).....	69.6	82.7	80.7	78.7	8.17	6.45	6.47
Cotton (5).....	20.9	29.1	28.9	29.2	3.09	3.08	4.54
Oil (4).....	41.7	54.7	42.9	48.3	5.44	5.81	5.20
Total (Productive) (90)...	52.5	62.0	61.2	61.9	6.39	5.21	5.22
Home Rails (4).....	32.6	41.9	47.6	44.8	9.19	7.61	7.61
Total (Distributive) (29)...	34.5	49.3	47.1	48.6	6.21	4.87	4.71
Total (Misc.) (40).....	56.8	69.8	68.3	69.1	6.21	5.01	4.92
Industrials—							
All Classes (159).....	49.2	60.7	59.4	60.4	6.29	5.10	5.05

early to draw any definite conclusions as to the summer offensive; but the first brush has had effects characterised as more than satisfactory by the Prime Minister as regards Libya, and which seem to have been similar on the Kharkov front. In addition, the heavier bomber raids seem to indicate a very definite development towards establishing a real second front, which, when supplemented by the American effort, should assume a very considerable importance. In these circumstances, it is not impossible that the summer may bring some revival in Stock Exchange business, with a corresponding rise in equity prices, based on the estimated effect of hostilities on the duration of the war.

Unified Stockbroking

Attention was called in *The Economist* of April 25th to the creation of a joint advisory committee to study problems of interest to London and the twenty-two provincial exchanges who are members of the Associated. At the same time, it was deplored that the Provincial Brokers Stock Exchange remained outside the scope of this new development, since they were still unable to accept the new regulations put forward rather over a year ago, and designed to form the basis for unified practice among members of the profession. The disadvantages of being excluded from the opportunities, which this new body would present, of ventilating grievances and participating in the remodelling of the profession, were so great that it seemed that they must outweigh those arising from the necessity of abandoning certain special practices, doubtless well adapted to the peculiar circumstances of individual members of the PBSE. It is highly satisfactory that, within a fortnight of the announcement, the PBSE had passed, by a very substantial majority, resolutions adopting the regulations of June, 1941, and so placed themselves in a position to participate in the deliberations of the new committee. Both London and the Associated exchanges have, rightly, attached great importance to the adhesion of the PBSE, which represents the large areas where no trading centre exists, and the projected meetings of the committee were deferred until Tuesday and Wednesday of this week, in order that all three parties could participate in its opera-

tions from their inception. Thus, the creation of the first piece of machinery for carrying out the agreement between the two major groups has been the occasion of bringing in the third, and so crowning the efforts of more than a decade of hard work.

Another Step Forward

The advisory committee, in its augmented form, is to consist of ten members, four from London, four from the Associated exchanges, and two representing the PBSE. On the basis of membership, the three groups are weighted very roughly eleven, three and one. Having regard to the decreasing degree of cohesion, the representation is probably as just as could be achieved in a body of manageable proportions. The first members are the chairmen of the London, Liverpool, Glasgow and Manchester exchanges; a representative of Leeds—in the absence of the Bristol chairman—three other members of the London Committee and the Chairman of the PBSE and his Deputy. This body will elect its own Chairman annually after a broken period of 19 months to January 1, 1944, and the first to hold that office is Mr R. B. Pearson, the Chairman of the London Committee. Members are elected by the committees of their groups and hold office for one year, but there are arrangements for sending substitutes. Meetings may be convened at any time by the Chairman on his own initiative or on the request of a majority of the representatives of any of the three constituents. It should, thus, be possible for a matter of importance to any of these to be discussed by all three with the briefest delay. The formation of such a committee has been envisaged by those principally interested for some years past, but, until agreement had been secured on certain essentials, no progress could be made. The new regulations last year provide the necessary basis. The joint advisory committee is the machinery by which further progress is to be achieved. There is no dearth of ideas as to the changes necessary. Some of them were conceived long ago, others arise directly out of the war or will be presented even more acutely by post-war conditions. The committee has thus a long job ahead, which will call for imagination and a great deal of persuasion. Both in its constitution and in its membership there is, however, promise that it is not ill equipped for the task.

Company Notes

Dunlop Rubber Earnings

The full accounts of the Dunlop Rubber Company do not greatly alter the story told by the preliminary statement, discussed in *The Economist* of May 23rd. The rise in the parent company's tax provision is largely counteracted by a fall in the amounts found by subsidiaries and the total is still, in round figures, £4,000,000. This includes EPT, and the report is remarkable in that it states the estimated amount of the refund coming to the parent, at £564,000, subject to tax. No credit is taken for this in the accounts. Details for the past three years are set out below. In this comparison, the provision of the parent towards tax liability for the ensuing year has been deducted from the profits of the year in which it is charged. If instead, the net addition to tax reserve had been treated as part of the sum "earned for ordinary," the earned percentages would have been 30.7, 13.6, and 10.2. The consolidated balance-sheet shows important changes, mostly associated with the extension of the war to the Pacific. Dunlop Malayan Plantations, previously valued at £3,662,634, disappears from the account, and instead is included under investments and advances. These show a rise of £1,880,667, while in the balance sheet of the parent company advances and current accounts with subsidiaries show a reduction of £798,000, caused by the shrinking of trade. Consolidated current assets are up by some £2,970,000 to £22,176,000 odd, almost £2,500,000 of the rise being in cash and interest free loans to the Government. There is an increase in net liquid assets from £11,215,000 to £13,710,000, while net surplus and reserves have increased from £6,931,124 to £7,321,418. These figures exclude the contingent liability on £2,500,000 Dunlop Plantations preference capital, nor is this included in Sir George Beharrell's statement that the whole balance-sheet value of assets under enemy control is more than covered by the specific reserve of £3,250,000. As to the current year, Sir George finds it impossible to give much

guidance. It will evidently be full of difficulties, both as to supplies and because trade relations have been cut to ribbons. But, from the shareholders' standpoint, the effect will be cushioned to a considerable extent by a sharp fall

	Years to December 31st,		
	1939	1940	1941
Dunlop Group:—			
Net profit after depreciation†	4,154,807	5,022,111	5,045,316
Non-recurrent items†	123,392	70,361	140,047
Total revenue	4,278,199	5,092,472	5,185,363
Taxation†	861,252	1,666,447	1,510,533
Prof. divs. paid by subsidiaries	108,516	183,797	87,151
Appropriations and reserves†	195,139	81,198	172,203
Dunlop Rubber Company:—			
Profit	3,113,292	3,161,030	3,415,476
Interest charges	162,659	159,175	154,780
Plantations preference div.	97,500	...	74,427
Taxation	1,527,474	2,391,880	2,574,620
Preference dividend	225,000	192,187	187,500
Ordinary shares:—			
Earned	1,100,659	417,788	424,149
Paid	624,977	416,651	333,321
Earned %	19.3	10.0	10.2
Paid %	12	10	8
Investments and contingencies†	448,228	...	100,000
Carry forward	630,874	632,011	622,839

† Dunlop Rubber Company's proportion.
‡ £248,228 to write down subsidiaries.

in EPT liability, which must in the past three years have absorbed a very large part of total profit, possibly something of the order of £1,250,000 to £1,500,000 in 1941, for the parent company, and a similar amount for the subsidiaries.

Marks and Spencer Economies

The full accounts of Marks and Spencer, for the year to March 31st, throw some light on points raised by the preliminary statement, dealt with in *The Economist* of May 9th. As was then suggested, the very sharp fall in tax liability was due to a refund from the earlier year, while it is now made clear that the almost equally heavy drop in profits was, in part, caused by a transfer, whose amount is not disclosed, to stock contingency reserve. The statutory balance-sheet—regrettably, no consolidated statement is provided—shows a drop in stock in trade of £720,000 to £1,279,000, while cash and debtors are down by £862,000, and creditors by £1,188,000. This is eloquent testimony to the falling off in trade, which, according to the chairman's statement, has reduced counter footage and staff by almost one-half. The funds thus released have been invested in gilt-edged securities to the extent of £500,000, while £397,000 has gone in additional advances to subsidiaries. There is no hint as to the use to which these are put. Excluding the last item, there is an increase of some £107,000 in net liquid assets, and this, together with the advances in question, have been financed by a net reduction in fixed assets of £36,000, after depreciation, and a rise in reserves and carry forward of some £92,000. There is no mention of a stock contingency reserve. The profit has owed something to the export corporation, which has done good work in America, but, from now, exports will be on a limited scale. The company has concentrated upon the provision of utility goods, which would seem to suit its pre-war disposition, and, at the same time, the raising of the price range has made possible improvements in quality, style and taste of the goods offered. It seems probable that this year must bring a further reduction in earnings, while it is far from clear what the tax provision will be. It is very doubtful, however, whether equity earnings can be maintained. The "A" ordinary shares of 5s. yield, at 36s. 6d. ex-dividend, some £4 16s. per cent.

Smithfield and Argentine Meat

The accounts of Smithfield and Argentine Meat for 1941 show a striking recovery in profits, based on a very considerable expansion in business. Total income is up from £64,394 to £151,901, the best since 1934. There is, however, a provision of £51,000 against nil for taxation, while depreciation receives the customary £25,000. Consequently, equity earnings amount to £19,884, against a

deficit of £15,644, representing a rate of 3.9 per cent against nil. The dividend on ordinary stock, which received no distribution in 1940, is restored to the 2½ per cent paid in the two previous years, and it is possible to raise the carry forward from £42,671 to £46,930. The improvement is the result of two main factors which are discussed fully in the statement of the chairman, Sir James Caird. There has been a marked increase in slaughtering and in the output of the canning department. There has also been an important technical development which has succeeded in cheapening transport costs. The discovery of a new quick-freezing process for boneless meat makes possible a saving of some 35 per cent of transport and storage space. There is every probability, as the chairman points out, that this process will come into general use. There have, of course, been adverse factors, in particular the difficulty of obtaining tin-plate, stores and fuel. Moreover, the considerable capital expenditure during the year on equipment and buildings—which does not include expenditure on the new freezing plant, due to be charged against the expenditure of the current year—together with delays in tonnage unloading and the weight of taxation, have imposed a considerable strain on liquid resources. The strain would have been greater but for pre-war purchases in anticipation of such a need. That it was still large is evident from the balance sheet, which shows an increase in the bank overdraft from £19,455 to £53,859, and a fall in cash holdings from £47,329 to £29,642. The scope of the expansion in business is reflected in the rise in debtors from £63,919 to £188,388 and in creditors from £372,380 to £545,425. Stocks have risen from £336,152 to £504,094, but the increase in general stores from £235,700 to £295,039 is, allowing for the higher price level, extremely moderate. The expansion in business last year is, of course, the direct result of the development of wartime food policy. It is the improvement in the process of quick-freezing which is the most encouraging pointer to the maintenance of larger profits. The £1 ordinary stock at 12s. 6d. offer a yield of £4 1s. 7d. per cent.

Fine Spinners Accounts

The full accounts of Fine Cotton Spinners, whose preliminary statement and the cash offer for the Funding Certificates were discussed in *The Economist* of May 30th, show total profits of £632,100 against £823,861. Depreciation receives £120,000 as before. After meeting the preference dividend, equity earnings amount to £92,548, if the provision for redemption of funding certificates and of £80,000 for writing down basic stock, are treated as charges against profits. On this basis the 3 per cent ordinary dividend, the first since 6 per cent was paid for 1939-40, is covered by earnings of 3.4 per cent. There is no transfer to war contingencies against £200,000, and after crediting £3,128 profit on sale of investments, the carry forward is raised from £178,599 to £194,025. The balance-sheet shows an important reduction in surplus liquid assets, for which the part payment of preference arrears in cash, provision for redemption of funding certificates, and the payment of an ordinary dividend, are responsible, from £2,430,959 to £2,020,901. There is a decline in both debtors, from £1,120,487 to £743,465 and creditors, from £970,120 to £825,088, which argues some contraction in business last year. Stocks are significantly reduced from £2,142,866 to £1,666,752, a decline which explains the rise in cash holdings from £489,204 to £667,881, and a considerable increase in net advances to subsidiaries. The advantage which shareholders can hope to draw from the reconstruction depends, of course, on the trend of business, and the extent to which war, and still more post-war, conditions make it possible to maintain profits at around the present level. No doubt the supply of raw material is the most vital consideration for the immediate future. The £1 ordinary shares, at 9s., yield £6 17s. per cent.

The urgent necessity of recovering waste paper from every possible source has been recognised by the formation of the Waste Paper Recovery Association, under the auspices of the Newspaper Proprietors' Association and other newspaper societies. In a very large number of cases, books, vouchers, documents, etc., are held for a longer period than is legally necessary. The Association are anxious that secretaries and accountants of companies should get into touch with them for advice on these points, as well as information as to the collection and disposal of waste paper (Central 1345).

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As at 30th June, 1941:—General Bank Balances ... £130,752,179
 Savings Bank Balances ... 150,553,865
 Note Issue Department ... 77,144,818
 Rural Credits Department ... 2,389,454
 Other Items ... 19,795,546
£380,635,862

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ISSUED AND FULLY PAID-UP - £20,000,000
RESERVE FUNDS (STERLING) - £6,500,000
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ANNUAL INCOME EXCEEDS - £13,000,000
 ASSETS EXCEED - £77,000,000
 CLAIMS PAID EXCEED - £140,000,000
 (1941 Accounts)

CITY OF PORT ARTHUR

FIVE PER CENT DEBENTURES

The City of Port Arthur announces that the INTEREST COUPONS of the above-mentioned Debentures maturing 1st July, 1942, may be PRESENTED on and after the 17th June, 1942, between the hours of 10 and 2 o'clock (Saturdays excepted) at the Bank of Montreal, 47 Threadneedle Street, E.C.2.

Three clear days required for examination.
 Lists may be obtained on application at the Bank.

MIDLAND ELECTRIC CORPORATION FOR POWER DISTRIBUTION LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS of the 3½ per cent First Mortgage Debenture Stock, 1965-73, of the Company will be CLOSED from the 16th to 30th June, 1942, both dates inclusive, for the preparation of Interest Warrants.

Warrants will be posted on the 29th June, 1942.

By Order of the Board,

C. HEATHCOCK, Managing Director.

Toll End Road, Tipton. 30th May, 1942.

AVELING-BARFORD, LIMITED

At a Meeting of the Board of Directors held on Tuesday, the 2nd June, 1942, the following Resolutions were passed:—
 It was resolved that dividend be paid on the 1st July, 1942, on the 175,000 Cumulative Preference Shares of £1 each at the rate of 5½ per cent. per annum for the six months from the 1st January, 1942, to the 30th June, 1942.

It was resolved that the Preference Share Transfer books of the Company be closed from the 17th June to the 30th June, 1942, inclusive.

By Order of the Board,

E. ODDS, Secretary.

Grantham, 2nd June, 1942.

Industry and Trade

Aircraft Production

Before the two devastating raids on German industrial centres, there was a tendency to belittle the efficiency of the bomber as an instrument of economic warfare. The size of the bomber fleet was considered inadequate, and its employment has been spasmodic and subject to prolonged interruption by unfavourable weather in the winter, and by short nights in the summer. Moreover, the view had been expressed that while the deficiency in numbers could be rectified in time, the defence against the night bomber would become efficient to the point of rendering large-scale operations increasingly unprofitable. The significance of the two raids lies not only in their destructive effect, but also in the proof they provide of the increased striking power of the RAF, and of its ability to strike hard into Germany's industrial vitals without an unduly high proportion of loss, during a short summer night. In fact, the results of the two raids are highly encouraging, especially as the balance of aircraft production has now swung decisively to the side of the United Nations. But the bombing of Germany's industrial centres can only become decisive when sorties of upwards of 1,000 can be made with a measure of regularity. This, as Mr Churchill pointed out in the House of Commons on Tuesday, is not yet possible. The very fact that impressive results can be achieved by large-scale and regular sorties emphasises the need for yet greater efforts in production. Moreover, the bomber is not the only type needed in ever-growing numbers. Great strides have been made in the production of aircraft, and in the training of crews, in securing the right types in the right proportions, in securing "balance" between numbers and quality, and in Anglo-American collaboration. Across the Atlantic, production is rising by leaps and bounds. But further improvement is possible under all these headings. Indeed, there are still many shortcomings in the balance of types and in the organisation of production that can and must be rectified. Certain specialised types of proved value in air warfare are still not available at all, while others are seriously deficient in numbers, or of inferior quality, and there are still indications in this country of lack of synchronisation in the production of parts, and in their flow to the assembly shops.

Regional Production Boards

It is a setback that the reorganisation of the regional boards has been delayed by Mr Lyttelton's visit to the United States. Moreover, since the publication of the report of the Citrine Committee, together with the Government's proposals of action, criticism has been directed by employers' federations and trade unions against the decision of the Government to ask for the resignation of the industrial members of the boards. These consisted of three representatives of employers and three representatives of labour in each region, and they have hitherto provided both the chairman and the vice-chairman of the boards. The point at issue apparently is whether or not employers and workpeople should be represented on the executive committees of the boards. The Citrine Committee suggested that the committees should be composed of the regional controller, two vice-chairmen (one representing employers and the other labour), and representatives of the three Supply Departments and of the Ministry of Labour. But the Government is understood to hold the view that, at least to begin with, they should consist only of officials. There is much to be said, admittedly, for the need for "preserving an independent point of view in the work of the boards," which was emphasised by the Citrine Committee and is now being echoed by industrialists. But it is very questionable indeed whether the only way to secure "independence" is by bringing industrial members into the executive committees, straight away. Indeed it is an odd vocabulary which regards Government officials as "dependent" in contrast to the "independence" of "representative industrialists."

Fuel Rationing in Abeyance

While the Government has accepted in principle the substance of the Beveridge plan as the most practical and effective method of rationing the consumption of domestic fuel, it has unfortunately decided to hold it in reserve, pending the outcome of a publicity campaign, in which

Mr Churchill is to be one of the speakers, designed to secure an equivalent voluntary reduction in consumption. The scheme adopted for introduction, if this "should at any stage become necessary," is a points rationing scheme; one cwt. of coal or coke equals 5 therms of gas, 100 units of electricity or 2 gallons of paraffin. There is to be a household ration and a personal ration. The personal ration is 7½ cwt. a year for all persons, and supplementary rations may be given for special needs. The household ration varies with the number of habitable rooms and with locality, to allow for climatic variations. The scale is given below:—

HOUSEHOLD RATION PER YEAR
(In terms of Coal)

No. of Rooms	Scotland and North of England cwt.	Midlands cwt.	South of England cwt.
1	40	30	25
2	45	35	30
3	55	45	35
4	60	50	40
5	70	55	45
6	75	60	50
7	85	70	55

In the case of houses with more than seven habitable rooms—these amount to only 15 per cent of the total—the household ration will be based on the number of residents, but no extra allowances will be given unless there are at least four residents. It is expected that the ration will involve no reduction for about a quarter of the existing households. But it is difficult to reconcile the ration scales with paragraph 16 of the scheme, which provides that

if any householder satisfies the local fuel overseer that his previous consumption was not unduly high, it will not be cut by more than 33½ per cent.

This overriding provision is clearly a special concession to the larger households, to those who have consumed expansively in the past, and is therefore to be condemned, especially as there is already provision for the granting of supplementary rations for special needs. Presumably, in order to prevent a switch-over from coal and gas to electricity beyond the capacity of the electricity supply industry, consumption in any household during a half-year must not exceed that in the corresponding period of the previous year. All administrative preparations will be made to enable the scheme to be introduced at short notice; meanwhile the restrictions on the delivery of solid fuels are to be maintained.

Black Market Prosecutions

With the April statistics of prosecutions under the Food Control Order, the Ministry of Food has published figures showing the general incidence of penalties. This step is timely, indeed, overdue. The actual figures are heartening in that they show the majority of the penalties inflicted to be of relatively small intensity, and, presumably, the punishment fits the crime. Of the 2,323 successful cases in April, 184 were dismissed under the Probation of Offenders Act; fines of £1 and under were inflicted in 797 cases; fines between £1 and £5 in 826 cases; fines between £5 and £10 in 246 cases; fines between £10 and £20 in 106 cases; and fines exceeding £20 in 108 cases, while in 56 cases sentences of imprisonment were imposed. The 2,487 prosecutions were undertaken against 278 wholesalers, 989 retailers, and 1,056 "other offenders." Offences against the Maximum Prices Orders, and of supplying or obtaining foodstuffs without proper authority, are the types of offence most common. The Ministry of Food now appears to be adept at catching the small fry swimming in the black market pool, but the Board of Trade has announced the intention, through ex-Superintendent Yandell, who became Chief Enforcement Officer this week, to catch the "big fish." Mr Yandell's interest in the petty type of offence is small, but he is determined to stamp out large-scale black marketing. The Ministry of Food and the Board of Trade each can teach the other. Morally, it is as important to stamp out the smallest transgression as the largest. But since the largest transgression causes most disruption, the greatest effort should be concentrated in its detection. It would be of interest if the Board of Trade were to publish figures of prosecutions as the Ministry of Food does.

Bakers' Subsidy

It is the policy of the Ministry of Food to keep down prices of certain essential foods by means of subsidies. One of the most important of these foods is bread, and the price has been reduced from an average of 8½d. per quartern loaf immediately before the war, to 8d. The price of flour to bakers was controlled on September 3, 1939, at 22s. per sack of 280 lbs., and increased in May, 1940, to 25s. 6d. The first subsidy to bakers was granted in December 1940, at the rate of ½d. for each quartern loaf baked and sold at 8d. In October last year the price of flour was raised to 33s. 3d. per 280 lb. sack, the price of bread was stabilised at 8d., and bakers were subsidised at the rate of 7s. 9d. per sack of flour—the whole extent of the rise in price. This subsidy, however, took the place of the original one of ½d. per quartern loaf. At the same time an additional temporary subsidy at the rate of ½d. per loaf was granted to bakers for a limited period pending evidence on the cost of baking and distributing bread, in support of their claim for this additional subsidy. An investigation was made and figures agreed between a firm of accountants appointed by the National Association of Master Bakers and the Director of Costings in the Ministry of Food. As a result, the Ministry has come to the conclusion that no justification exists for the extra subsidy of ½d. per loaf, and it believes that prices could be maintained without the ½d. grant. The bakers, on the other hand, insist that the costings are based on averages and that some bakers could not produce and sell bread at the present price without subsidisation. In view of the results of the investigation it would be a pity if the Minister were persuaded by bakers to continue the subsidy.

* * *

Pencils Controlled

A Board of Trade Order has decreed that from June 1, 1942, pencils are to be manufactured in a limited number of degrees and colours and unpolished. Few will regret the passing of the fancy pencil of "novelty" shape and colour; the advertisers' gift pencil of low quality lead and high quality paint and polish will be a small loss even to a drab war time world. The small ornate pencil which used to dangle by a piece of bright cord from our ball programmes has been lost to us these many months and the pencil is coming into its own as a tool of a trade or perhaps of several trades. The more recent development of the pencil cannot be regarded as progress in either a utilitarian or an aesthetic sense. The pencil with the rubber top which always fell off and was lost, the inefficient, propelling pencil for which refills were often not obtainable and the empty cases of which clutter up all our desks, the bridge pencil, the point of which seldom survived the rubber, will all pass unwept. If the raw materials of pencils are to be limited, the needs of the accredited pencil users must be safeguarded. The draughtsman must have his hard pencil to draw the lines of infinitesimal marking. The staff officer must have the coloured pencils to mark his map in such a way that he knows at a glance the course of the battle. The censorial and editorial blue pencil must not be crowded off the market by the free distribution pencil advertising Buggin's Beer. If the interest of legitimate pencil users is fully safeguarded the control of pencils is both timely and welcome.

* * *

Mexico's Raw Materials

Mexico is potentially one of the world's richest sources of raw materials. Hitherto development has been hampered in agriculture, controlled mainly by Mexicans, by the lack of capital and transport facilities, and in the production of minerals, controlled almost exclusively by foreign capital, by political instability. Mexico's entry into the war is likely to usher in a period of rapid economic expansion. Discussions between the American and Mexican Governments,

aiming at an immediate increase of Mexico's raw material production with the help of United States' capital, have already reached an advanced stage.

*

There are two agricultural products which Mexico will be able to supply without delay. They are henequen, a hard hemp fibre, and guayule, a cabbage-like rubber plant. The production of henequen, which can be used as a substitute for Manila hemp and sisal, has fluctuated between 80,000 and 125,000 long tons per annum in recent years, a quantity which roughly equals the combined sisal output of East Africa. Guayule production reached about 4,500 long tons in 1941, a figure which is expected to be doubled from existing cultivations within the next year or so. A silk industry could be established without difficulty; soil and climate are unusually favourable, wild mulberry trees are abundant, and Allied supplies are short. Mexico's chief contribution to the raw material pool of the United Nations, however, will consist of minerals. In recent years, production has been below capacity, largely because of political instability. For several centuries, Mexico has been the world's largest silver producer; in 1941, output was 80 million ounces, against 105 millions in 1930. Mineral oils and non-ferrous metals are produced in large quantities. Oil production has been depressed since 1938 as a result of the expropriation of the foreign companies in that year. In 1941, output amounted to 43,837,000 barrels, compared with nearly 47 million barrels in 1937. Among metals, lead and zinc are by far the most important. Lead production fell from 248,000 metric tons in 1929 to 155,000 tons last year, zinc from 174,000 to 155,000 tons, and copper from 86,600 to 49,000 tons. In addition, Mexico supplies substantial quantities of other metals such as antimony, quicksilver, molybdenum and cadmium, as well as small quantities of tungsten, chrome and tin, all of which are essential raw materials of the munitions industries. With assistance from the United States, the output of many materials can rapidly be increased. Since July, 1941, the whole surplus of Mexico's strategic minerals supplies has been acquired by the United States Metals Reserve Company under an agreement which runs until the end of this year. Although this agreement only provides for the payment of "current market prices," it has had a marked effect on production. Arrangements which bring Mexico within the Allied sphere of active development will greatly intensify the rising trend of production.

* * *

Domestic Pottery

The quantities of household pottery on sale in recent months have been extremely small, and prices have risen inordinately. Kitchen cups and saucers, which before the war fetched 6d., were recently selling at three and four times that price. An attempt had been made to deal with the problem of supplies by permitting the supply, outside the quota, of plain undecorated pottery. The Domestic Pottery (Manufacture and Supply) Order (S. R. and O. No. 1038), which came into force on June 1st, prohibits the manufacture of domestic pottery except under Board of Trade licence, and manufacturers and suppliers must comply with such directions as the Board may issue regarding the manufacture, supply and acquisition of these articles. On June 1st the Limitation of Supplies Order ceased to apply to pottery, and manufacture is now limited to a list of relatively essential articles such as cups, saucers, plates and teapots. These articles will be manufactured only in plain white or light ivory, undecorated and unembossed, and will be in three grades, "A," "B," and "C," for which prices have been fixed. For example, cups and saucers will be 11½d., 10½d., and 10d., according to category. The Order will fulfil the twofold function of releasing pottery decorators for other work, and of bringing pottery prices back to within the reach of the average consumer. It is estimated that 90,000,000 cups are broken annually in household use, while the percentage of breakages is highest in catering establishments. It is hoped that by a further 20 per cent cut in exports in August it will be possible to put 80,000,000 pieces of utility crockery on the home market, to which it is expected that the plastics trade will be able to add another 10,000,000 pieces. An appeal is being made to the public to economise in their purchases of crockery, and particularly to buy piece by piece as need arises, and not to buy whole sets. The utility pottery is not expected to be in full supply until August, but control of similar goods will apply from June 10th on a class "A" basis.

COMPANY MEETING

SMITH'S POTATO CRISPS (1929) LIMITED

SIR HERBERT MORGAN'S SPEECH

The thirteenth ordinary general meeting of Smith's Potato Crisps (1929), Limited, was held, on the 3rd instant, in London.

Sir Herbert Morgan, K.B.E. (the chairman), in the course of his speech said: After making handsome provision for taxation of £132,203 we have left a net profit for the year of £80,065 as against the corresponding figure of £78,519 for the previous year. We are proposing the same dividend as last year and also the same cash bonus. This fact I have no doubt you will accept as the best proof that can be offered of the continued success of your company, which yearly grows from strength to strength. The strength of our position is very conclusive proof of the value of our company to the community.

While we have been subject to limitations I should like to place on record that because of the essential and highly concentrated food value of our product, the many Government departments we are concerned with have treated us with fairness and justice. They are helpful to those deserving help. Your board—and we feel the shareholders as well—are proud of a company which has created a national article of diet, the value of which is such that it plays a more important part in these critical times than ever before, in assisting to feed the people.

It must be remembered that Smith's Crisps, compared to the ordinary potato, are more nutritious and produce more heat and energy. Smith's Potato Crisps are 92 per cent. solid food—the ordinary boiled potato 18 per cent. Crisps contain 33 per cent. of fats owing to the fine oil in which they are cooked. All the mineral salts are preserved, encased in oil—and remember, our Crisps do not fatten. Not only are they supreme in value as food, but their nature is such that they exactly suit the lives of millions of people living under war conditions.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE generally cheerful conditions at the end of last week were fully maintained in the early part of the current week on the news of the latest air offensive against Germany and the reports from Libya and Russia. Small improvements were general throughout the markets, but turnover failed to expand, although there was rather more activity in South American bonds. Fair business in the gilt-edged market occasioned several improvements among the medium dated stocks, among which 3 per cent Savings Bonds 1955/65 gained ¼ on Tuesday. Among irredeemable issues 3½ per cent Conversion was particularly firm, but Old Consols and Local Loans after easing ¼ on Friday remained steady. Interest in the foreign bond market was centred on South American securities, buying of stock in short supply raising prices sharply. The news of increased copper output occasioned a spurt in Chilean issues on Tuesday, most issues rising 2 points, while Brazilian loans were firm throughout on steady support. Mexico's declaration of war led to some buying of the 5 per cent loan of 1899, which after earlier gains rose 1½ points on Tuesday, while the 6 per cent Treasury bonds also showed marked improvement. The home rail market was inactive, and apart from a gain of ¼ for GW ordinary at the reopening and ½ for Southern deferred, prices were generally unaltered. Brazilian rail issues provided the chief interest in the foreign rail market, the 4 per

cent Leopoldina debenture rising 4 points before the week-end, while the 5½ per cent preference stock advanced 2 points at the reopening, and San Paulo ordinary a point on Tuesday. There was little of interest in Argentine rails, but among Canadian Pacific stocks the 4 per cent preference rose 1½ on Tuesday. Some enquiry for short-dated funds raised prices slightly, while Peruvian bonds were particularly strong in midweek.

*

There was a little more activity in the industrial market than of late, where the upward trend of prices is a reflection of the marked shortage of stock rather than continued buying. Among brewery shares Courage advanced 1s. at the reopening, while Distillers were slightly easier, but prices in general showed little change. Tobacco issues, however, were firm throughout, BAT advancing ½ on Tuesday after earlier gains, and Carreras "A" ¼, while on Friday Imps rose ½. A gain of 1½ for Leyland was the largest movement in a quiet motor and aircraft section where Morris was a little better. Tilling and Dennis Bros., however, weakened slightly before the week-end. In the heavy industrial group colliery issues were neglected, Bolsover and Stavelly both weakening slightly, but prices generally moved within narrow limits where changed. In midweek, however, Shipley Colliery lost 1s. 3d. Shipping issues enjoyed several small improvements, but business was quiet throughout. Textile shares were firm on steady provincial support, and gains, while small, were widespread and persistent, British Celanese Second preference reaching its highest level for several years. In the miscellaneous section, Emmies and

UNIVERSAL DEMAND

Our consumers represent every section of the public, particularly His Majesty's Forces and the British workers. The Army, Navy, Air Force and the British workers deserve very special consideration in everything concerning their food. They represent the energy, skill and determination of the nation. If I may express a very personal view, I believe that the mass of the workers of this country, while welcoming direction and a reasoned presentation of the necessity for their own individual output, are sometimes over-preached to. Most of the urges which have been applied to the stimulation of greater output are accepted by the vast majority of men and women with enthusiasm. They must not be deadened and confused by too many exhortations from too many sources for too many purposes.

So far as our own staff is concerned, the full knowledge of the purpose they serve in producing our particular form of food for those engaged in the war effort, gives them all the incentive they need. They like to feel they are serving—and believe they are serving—a useful, necessary and national cause. In this difficult year they have continued to put all they know into their work.

A HOME-GROWN PRODUCT

To us, it is cause for pride that the potato which we produce as Smith's Potato Crisps not only is a home-grown product, but is largely grown by ourselves in the wonderfully fertile soil of the Eastern Counties. As you know, not only have we our own farms of upwards of 10,000 acres, which make an important contribution to our particular product, but we are also growing under contract potatoes on large areas of the finest farming land in England. Naturally, it will be understood that our estate, which is administered under the most scientific principles, is not limited to the growing of potatoes. It also makes a very substantial contribution to the country's food supplies in wheat, barley, oats, sugar beet and live stock—pigs, sheep, and cattle.

In the history of the company we have always had full support from the hundreds of thousands of distributors who supply our Crisps, and we again thank them. Our old allies, the Licensed Trade, carry on in face of increasing difficulties, but maintain their position as valuable servants of the public.

The report was unanimously adopted.

*

Apart from some buying from the Cape at the reopening the *kaffir* market was rather quiet. Changes were few, Crown Mines rising ½ on Monday when Rand Mines recovered Friday's loss of the same amount, while West Wit. Areas advanced ½. Despite the lack of enquiry the *rubber* market was steady, a number of small gains being registered. The shortage of stock restricted business in the *tea* market, prices remaining strong on steady demand. Activity in the oil market was restricted to the leading issues, Anglo-Iranian advancing ½, Shell and Burmah each ¼ at the reopening. The next day Anglo-Iranian jumped ¾ and Shell ½, while other issues were also marked up slightly. The maintenance of the Shell dividend left prices largely unaltered, but in the *tea* and *rubber* markets prices continued to improve in midweek.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
May 28.....	2,982	2,802	78.7	134.7
" 29.....	2,690	2,519	78.7	134.7
June 1.....	3,260	2,406	79.1	134.5
" 2.....	2,876	2,406	79.5	134.5
" 3.....	3,280	2,473	79.8	134.5

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942; highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5).

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

New York

AFTER the dull conditions which had prevailed on Wall Street before the Memorial Day holiday, there was a sharp improvement on Monday. Gains of a point and more were spread over many industrial issues, Chrysler and Montgomery Ward both reaching new high levels for the year. The following day, however, the failure of the market to respond more strongly to the war news led to some lightening of speculative commitments, but despite small losses no weakness was apparent. Better war news in midweek failed to produce any appreciable recovery.

New York Prices

STANDARD STATISTICS INDICES
(1935-36=100)

WEEKLY AVERAGES

	1942		1941		1940	
	Low	High	Low	High	Low	High
	Apr. 29	May 14	Apr. 29	May 14	Apr. 29	May 14
47 Industrials	62.4	75.0	64.0	64.4	66.4	66.4
32 Rails	59.4	71.0	60.0	59.4	60.6	60.6
40 Utilities	53.1	67.4	56.2	57.6	58.5	58.5
419 Stocks	60.8	73.3	62.5	63.0	64.8	64.8
Av. yield*	8.40%	7.47(d)	8.18%	7.77%	7.47%	7.47%

* 50 Common Stocks.

(a) Jan. 7. (b) Feb. 4. (c) May 20. (d) May 27.

DAILY AVERAGE OF 50 COMMON STOCKS

May 21	May 22	May 23	May 25	May 26	May 27
80.9	80.8	80.7	80.5	80.6	82.4

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Total share dealings: May 28, 354,000; May 29, 248,000; May 30, Memorial Day; June 1, 309,000; June 2, 316,000; June 3, 334,000.

* Two-hour session.

Capital Issues

Week ending June 6, 1942	Nominal Capital	Conversions	New Money
To Shareholders only	140,000	...	140,000
By Permission to Deal	140,000	...	269,725

Particulars of Government issues appear on page 809.

Year	Including Conversions	Excluding Conversions
1942	747,518,144	743,516,085
1941	707,287,547	659,452,965

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942	743,279,289	199,308	37,488
1941	656,830,626	2,622,330	Nil

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Prof.	Ord.
1942	737,320,619	531,913	5,663,553
1941	656,525,715	166,960	2,760,290

* Includes Government issues to May 26, 1942, only. Above figures include all new capital in which permission to deal has been granted.

Funding Loan 3 per cent 1959-69.—The Treasury give notice that they have created further 3 per cent Funding Loan 1959-69 to a nominal amount of £120,000,000, and have issued the new stock to the National Debt Commissioners as an investment for the balances held by the Commissioners on behalf of the funds of the Savings Banks.

ISSUES TO SHAREHOLDERS ONLY

Owen (Thomas) and Co.—Issue of 800,000 ls. Ordinary shares at par and £50,000 6 per cent First Mortgage Redeemable Debenture Stock at par. Treasury consent has been obtained.

Transport Services Limited.—Issue of 200,000 ss. Ordinary shares to ordinary shareholders at par in the proportion of one share for every seven Ordinary shares held on May 20th.

CONVERSIONS AND REPAYMENTS

British Oil and Cake Mills.—The £598,000 outstanding 4½ per cent Debenture Stock is to be redeemed at 110 per cent on December 31, 1942.

Shorter Comments

Canadian Pacific Ry. (\$000s).—Gross earnings in April \$20,622 (\$16,655), net earnings \$3,556 (\$3,149). Aggregate gross earnings Jan. 1-April 30 \$78,267 (\$62,067), aggr. net earnings \$13,540 (\$11,070).

COMMODITY AND INDUSTRY NEWS

Paper Control.—The Control of Paper No. 46) Order, which came into force on May 31st, consolidates previous Orders relating to the maximum prices chargeable for waste paper-making materials. A few minor adjustments have been made of certain categories of waste paper, and old manilla and sisal ropes. Provision has been made for fixing maximum prices by direction for any new categories of waste paper which are not included in the schedule to the Order.

Export Control.—By the Export of Goods (Control) (No. 25) Order, which comes into force on June 16th, licences will be required to export trunks and suitcases wholly or mainly of metal; buffalo pickers; and clocks and clock movements. The existing control in respect of knitted, netted or crocheted goods wholly or mainly of wool is extended to cover similar goods made wholly or mainly of wool and cotton.

Argentina's Grain.—The final official estimates of Argentina's grain and linseed crops were published recently. The figures are given below with the final estimates for 1939-40 and 1940-41, for comparison:—

	Final Estimates 1939-40	Final Estimates 1940-41	Final Estimates 1941-42
Wheat—			
Qrs. 480 lbs.	14,928	33,948	28,009
Oats—			
Qrs. 320 lbs.	6,023	3,719	3,242
Barley—			
Qrs. 400 lbs.	4,680	4,332	2,106
Rye—			
Qrs. 480 lbs.	1,587	975	723
Linseed—			
Metric tons.	1,014	1,460	1,600

Fruit and Vegetables.—The Minister of Food has made the Fresh Fruit and Vegetables (Restriction on Dealing) Order, which will come into force on a day appointed by the Minister. The Order requires that wholesalers, selling agents and buying agents are to be licensed on that day; prescribes the wholesale channels through which controlled and uncontrolled produce may be marketed; and prescribes

the records of transactions in fresh fruit and vegetables, which are to be kept by growers and distributors. The Order applies only to dealings otherwise than by retail in all fresh fruit and vegetables, except potatoes and carrots.

Knitted Goods Exports.—Two committees have been appointed by the Board of Trade to advise on the release for export of knitted woollen goods. One committee, under the chairmanship of Mr. Thow Munro, will act for Scotland, and the other, with Mr. L. R. Allen as chairman, will act for all other exporters of knitted goods.

Lace Concentration.—A scheme for concentrating the production of the lace manufacturing industry has been approved by the Board of Trade. The 60 or so firms are to be concentrated into one corporation, known as British Lace Furnishings, Ltd. Closed firms will receive a share of the profits and a care and maintenance grant.

Industrial Caterers.—Firms engaged in organising and operating canteens in war

factories under the Factories (Canteens) Order, 1940, have formed the National Society of Caterers to Industry. Mr. H. J. R. Stent, of Barker's (Contractors), Ltd., is president of the Society, and Mr. Arthur Lawson, formerly of the Board of Trade, has been appointed secretary. A national joint industrial council has been set up to provide the machinery for joint action between the employers and employees in the industry.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

	Mar. 31, 1937*	Aug. 1939	May 1941	May 12, 1942	May 26, 1942
Cereals and Meat	93.0	66.9	98.1	110.6	111.8
Other food	0.4	61.1	93.4	99.1	99.1
Textiles	74.2	54.3	92.0	96.2	91.5
Minerals	113.2	95.4	129.6	130.7	130.7
Miscellaneous	87.0	77.6	113.0	119.3	119.0
Complete Index	87.2	70.3	104.9	110.9	110.9
1913-100	119.9	96.8	144.3	152.6	152.6

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	May 28, 1942	May 29, 1942	June 1, 1942	June 2, 1942	June 3, 1942
Crops	115.7	115.7	115.7	115.7	115.7
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	141.3	141.3	141.3	141.3	141.3
Mar. 31, 1937*	100.0	100.0	100.0	100.0	100.0
Aug. 1939	100.0	100.0	100.0	100.0	100.0
May 1941	100.0	100.0	100.0	100.0	100.0
May 12, 1942	100.0	100.0	100.0	100.0	100.0
May 26, 1942	100.0	100.0	100.0	100.0	100.0

* Highest level reached during 1932-37 recovery.

NUMBER OF FOOD PROSECUTIONS

	Prosecutions	Number Successful	Percentage Successful
Oct., 1939-Dec., 1940	10,598	10,043	94.8
Total 1941	29,329	27,475	93.7
April, 1941	2,300	2,199	95.6
May	2,537	2,410	94.9
June	2,762	2,627	95.1
July	2,846	2,679	94.1
August	2,524	2,336	92.6
September	2,501	2,280	91.2
October	2,130	2,087	98.0
November	2,409	2,228	92.5
December	2,955	2,752	93.1
January, 1942	2,420	2,218	91.6
February	2,670	2,535	95.0
March	2,366	2,211	93.4
April	2,487	2,323	93.4

GOVERNMENT RETURNS

For the week ended May 30, 1942, total ordinary revenue was £43,719,000, against ordinary expenditure of £111,018,000, and issues to sinking funds of £150,000. Thus, including sinking fund allocations of £1,133,155, the deficit accrued since April 1st is £479,037,572 against £504,719,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	April 1 to May 31, 1941	April 1 to May 31, 1942	Week ended May 31, 1941	Week ended May 30, 1942
ORDINARY REVENUE				
Income Tax	53,654	91,113	3,518	5,765
Sur-tax	6,125	6,270	380	370
Estate, etc., Duties	16,905	17,336	1,290	1,450
Stamps	1,640	1,750	20	20
N.D.C.	2,524	3,953	233	360
P.T.	24,596	34,710	2,904	3,850
Other Inland Rev.	95	180	30	30
Total Inland Rev.	105,539	155,312	8,325	11,845
Customs	55,205	72,420	5,520	7,372
Excise	37,400	67,100	12,800	15,400
Total Customs and Excise	92,605	139,520	18,320	22,772
Motor Duties	4,559	2,928	337	...
Canadian Govt. Contribution	...	49,438	Dr.	8,989
Post Office (Net Receipts)	3,000	6,150	750	1,100
Wireless Licences	230	510	60	240
Crown Lands	711	488	...	...
Receipts from Sundry Loans	3,489	12,163	2,300	933
Misc. Receipts	210,133	366,709	28,592	43,719
Total Ordinary Rev.	224,683	581,809	51,392	66,869
SELF-BALANCING P.O. and Broadcasting	14,550	15,100	2,800	3,150
Total	239,233	596,909	54,192	70,019

Expenditure	April 1 to May 31, 1941	April 1 to May 31, 1942	Week ended May 31, 1941	Week ended May 30, 1942
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	50,080	56,996	650	775
Payments to N. Ireland	929	980	...	327
Other Cons. Fund Services	360	358	10	11
Total Supply Services	51,369	58,334	660	1,113
Total Ordinary Expenditure	662,591	786,280	101,525	109,905
SELF-BALANCING P.O. and Broadcasting	713,960	844,614	102,185	111,018
Total	1,376,551	1,630,894	203,710	220,923

After increasing Exchequer balances by £377,844 to £2,959,130, the other operations for the week (no longer shown separately) raised the gross National Debt by £68,077,098 to about £14,552 millions.

NET ISSUES (£ thousands)

	Net Issues (£ thousands)
P.O. and Telegraph	250

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 30th and June 5th. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-02½-03½; mail transfers 4-02½-03½.

Canada. \$ (4-88) 4-43-47; mail transfers 4-43-47.

Switzerland. Francs (25-22) 17-30-40.

France. Francs (25-22) 17-30-40.

Italy. Lira (136-16) 16-85-95.

Argentina. Peso (16-95) 17-13; mail transfers 16-95-17-15.

South West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64.

Portugal. Escudo (110) 4-02-04.

Panama. \$ 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Cheques.—Spain, Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey, Piastres (110) 71-25 lire.

Finance

FIVE WEEKS CHANGES IN DEBT (£ thousands)

NET INCREASES	NET REPAYMENTS
Treasury Bills	Nat. Sav. Bds.
103,014	1,629
Nat. Sav. Certs.	Ways and Means Advances
12,000	13,850
3% Def. Bds.	17,532
2½% Nat. War Bds.	21,760
1949-51	16,345
3% Sav. Bds.	19,850
1955-65	22,269
3% Sav. Bds.	31,500
1960-70	37,137
Other Debt	281,407
Treasury Deposits	15,479
Tax Reserve Certs.	...

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1941						
May 31	905.0	1410.4	136.0	...	498.5	2949.9
1942						
Feb. 28	905.0	1612.7	215.4	21.7	677.5	3432.3
Mar. 7	905.0	...	...	...	...	...
" 14	905.0	...	...	...	...	...
" 21	905.0	...	...	...	...	...
" 28	905.0	...	...	...	...	...
Apr. 4	905.0	...	...	...	...	...
" 11	905.0	...	...	...	...	...
" 18	910.0	...	...	...	...	...
" 25	920.0	1757.3	251.7	17.0	487.0	3432.9
May 2	935.0	...	...	...	...	...
" 9	950.0	...	...	...	...	...
" 16	965.0	...	...	...	...	...
" 23	975.0	...	...	...	...	...
" 30	975.0	1805.3	254.8	...	518.5	3553.6

TREASURY BILLS (£ millions)

Date of Tender	Amount	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1941			
May 30	75.0	145.1	75.0
1942			
Mar. 6	75.0	139.4	75.0
" 13	75.0	128.0	75.0
" 20	75.0	121.4	75.0
" 27	75.0	131.6	75.0
Apr. 3	75.0	147.2	75.0
" 10	75.0	155.0	75.0
" 17	75.0	147.6	75.0
" 24	75.0	133.0	75.0
" 31	75.0	148.0	75.0
May 8	75.0	143.8	75.0
" 15	75.0	135.4	75.0
" 22	75.0	143.9	75.0
" 29	75.0	151.5	75.0

On May 29th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 36 per cent of the amount applied for, and applications at higher prices in full. Applications for £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on June 5th. For the week ending June 6th the banks will be asked for Treasury deposits to a maximum amount of £50 millions.

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

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Apr. 21	6,203	2,843	6,735	4,001
28	5,472	2,665	8,937	2,970
May 5	4,900	2,676	12,118	3,608
" 12	4,288	2,404	4,082	6,058
" 19	4,147	2,096	3,380	1,833
" 26	4,333	2,112	6,225	3,350
June 2	...	...	5,060	2,996
Totals to date	548,121*	461,450	734,641†	416,416‡

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1941		Prices, Year 1942		Name of Security	Price, May 26, 1942	Price, June 2, 1942	Yield, June 2, 1942	Prices, Year 1942		Last two Dividends		Name of Security	Price, May 26, 1942	Price, June 2, 1942	Yield, June 2, 1942
High	Low	High	Low					High	Low	(a)	(b)				
82 1/2	76 1/2	83 1/2	82 1/2	British Funds	83	82 1/2	4 8 d	45/9	41/9	%	%	Iron, Coal and Steel	43/11	42/6	4 5 d
113 1/2	110	113 1/2	111 1/2	Consols 2 1/2% (after 1957)	113 1/2	113 1/2	3 10 6	50/3	46/6	3 1/2	3 1/2	Babcock & Wilcox £1	47/6	46/6	5 3 0
100 1/2	98 1/2	100 1/2	99 1/2	Conv. 2% 1943-45	100 1/2	100 1/2	2 0 0	28/4	26/6	1 1/2	1 1/2	Bolton Colliery Ord. £1	26/6	26/6	6 8 0
100 1/2	98 1/2	100 1/2	99 1/2	Conv. 2 1/2% 1944-49	100 1/2	100 1/2	2 0 0	22/9	18/5	3	3	Brown (John) Ord. 10/-	21/-	20/9	7 14 0
103 1/2	101 1/2	103 1/2	101 1/2	Conv. 3% 1948-53	103 1/2	103 1/2	2 12 6	20/8 1/2	14/-	7 1/2	7 1/2	Colvilles Ord. £1	15/-	15/7 1/2	Nil
106 1/2	104 1/2	106 1/2	104 1/2	Conv. 3 1/2% (after 1961)	106 1/2	106 1/2	3 5 0	22/6	20/-	12 1/2	12 1/2	Dorman Long Ord. £1	20/9	21/-	8 11 9
108 1/2	106 1/2	108 1/2	106 1/2	Conv. 5% 1944-64	108 1/2	108 1/2	2 19 3	27/9	25/7 1/2	7 1/2	7 1/2	Guest Keen & Co. Ord. £1	27/-	26/9	8 8 0
95 1/2	91 1/2	95 1/2	93 1/2	Funding 2 1/2% 1956-61	95	95	2 18 0	45/6	42/1 1/2	14 1/2	14 1/2	Hadfields Ord. 10/-	43/9	43/9	2 19 9
101 1/2	99 1/2	101 1/2	99 1/2	Funding 2 1/2% 1957-62	99 1/2	99 1/2	2 15 6	47/4	45/-	12 1/2	12 1/2	Staveley Coal Ord. £1	43/9	43/9	5 8 0
116 1/2	111 1/2	116 1/2	114 1/2	Funding 3% 1959-69	101 1/2	101 1/2	2 18 6	35/0	32/-	4	4	Stewarts and Lloyds £1	31/3	31/3	6 8 0
102 1/2	100 1/2	102 1/2	100 1/2	Funding 4% 1960-90	101 1/2	101 1/2	2 18 6	32/7 1/2	29/1 1/2	5 1/2	5 1/2	Swan, Hunter & Co. £1	22/6	22/3	7 8 0
104 1/2	102 1/2	104 1/2	102 1/2	Funding 4 1/2% 1961-90	101 1/2	101 1/2	2 8 0	17/6	15/5 1/2	4	4	United Steel Ord. £1	16/9	16/3	6 3 0
100 1/2	99 1/2	100 1/2	99 1/2	Nat. Def. 3% 1954-58	102 1/2	102 1/2	2 16 6					Vickers Ord. 10/-			
100 1/2	99 1/2	100 1/2	99 1/2	War Bonds 2 1/2% 1945-47	100 1/2	100 1/2	2 8 6	10/10 1/2	7/-	Nil	Nil	Bradford Dyers Ord. £1	7/6	8/6	Nil
100 1/2	99 1/2	100 1/2	99 1/2	War Bonds 2 1/2% 1946-48	100 1/2	100 1/2	2 10 0	9/6	6/3	Nil	Nil	British Celanese Ord. 10/-	8/2	9/6	Nil
100 1/2	99 1/2	100 1/2	99 1/2	Savings Bds. 3% 1955-65	100 1/2	100 1/2	2 19 0	39/1 1/2	33/6	5 1/2	5 1/2	Coats, J. & P. Ord. £1	35/-	36/3	4 16 0
110 1/2	108 1/2	110 1/2	108 1/2	Victory Bonds 4%	114	114	2 19 6	36/3	31/-	2 1/2	2 1/2	Courtaulds Ord. £1	34/6	34/3	4 7 6
100 1/2	99 1/2	100 1/2	99 1/2	War Loan 3% 1955-59	101 1/2	101 1/2	2 17 6	26/6	22/9	7 1/2	7 1/2	Lancs. Cotton Corp. £1	26/-	26/3	5 14 0
106 1/2	104 1/2	106 1/2	104 1/2	War Loan 3 1/2% aft. 1954	106 1/2	106 1/2	3 6 6					Electrical Manufact.	72/6	73/9	4 1 3
92 1/2	89 1/2	92 1/2	89 1/2	Local Loans 5%	96 1/2	96 1/2	3 2 2	74/3	71/3	10 1/2	10 1/2	Callenders Cable, &c. £1	22/6	22/6	4 1 3
100 1/2	98 1/2	100 1/2	98 1/2	Redemption 3% 1986-96	101 1/2	101 1/2	2 17 0	22/9	20/9	12 1/2	12 1/2	Crampford 'A' 5/-	22/6	22/6	4 1 3
101 1/2	99 1/2	101 1/2	99 1/2	Austria 3% 1933-53	101 1/2	101 1/2	2 10 0	42/-	37/6	10	10	English Electric Ord. £1	41/10 1/2	41/10 1/2	4 15 6
100 1/2	98 1/2	100 1/2	98 1/2	India 3 1/2%	101 1/2	101 1/2	3 9 6	84/3	78/4 1/2	20	20	General Electric Ord. £1	83/9	83/9	4 3 9
105 1/2	103 1/2	105 1/2	103 1/2	Dominion Govts.								Gas and Electricity			
101 1/2	100 1/2	101 1/2	100 1/2	Australia 5% 1945-75	101 1/2	101 1/2	4 9 0	38/9	34/6	3	3	County of London £1	37/6	37/6	4 5 3
100 1/2	99 1/2	100 1/2	99 1/2	New Zealand 5% 1946-...	100 1/2	100 1/2	4 17 0	29/-	28/-	2 1/2	2 1/2	Edmundsons Ord. £1	28/6	28/6	4 4 3
107 1/2	105 1/2	107 1/2	105 1/2	Nigeria 5% 1950-60	108	108	3 15 0	14/7 1/2	12/1 1/2	4 1/2	4 1/2	Gas Light & Coke Ord. £1	13/6	13/9	3 5 9
106 1/2	104 1/2	106 1/2	104 1/2	Corporation Stocks								North-East Electric £1	31/3	31/3	4 9 9
93 1/2	91 1/2	93 1/2	91 1/2	Birmingham 5% 1946-56	106	106	3 7 4	40/-	38/1 1/2	2 1/2	2 1/2	Scottish Power Ord. £1	39/4	39/4	4 0 9
100 1/2	98 1/2	100 1/2	98 1/2	L.C.C. 3% 1954-56	96 1/2	96 1/2	3 2 2	40/6	39/-	3	3	Scottish Power Ord. £1	40/-	40/-	4 0 0
106 1/2	104 1/2	106 1/2	104 1/2	Liverpool 5% 1954-64	99 1/2	99 1/2	3 1 6	17/3	15/-	10	10	Austin 'A' Ord. 5/-	16/-	16/-	3 2 6
106 1/2	104 1/2	106 1/2	104 1/2	Middlesex 5 1/2% 1957-62	105 1/2	105 1/2	3 1 6	21/6	20/1 1/2	7 1/2	7 1/2	B.S.A. Ord. £1	21/3	21/3	7 0 0
106 1/2	104 1/2	106 1/2	104 1/2	Foreign Governments								Bristol Aeroplane 10/-	10/6	10/6	9 10 3
99 1/2	97 1/2	99 1/2	97 1/2	Argentina 4 1/2% Stg. Bds.	101 1/2	101 1/2	4 8 0	11/4	9/3	6 1/2	6 1/2	Fairey Aviation Ord. 10/-	13/6	13/6	5 18 0
84 1/2	81 1/2	84 1/2	81 1/2	Brazil 5% Funding 1914	60 1/2	60 1/2	4 1 4 1/2	14/9	11/9	10	10	Ford Motors Ord. £1	25/-	25/3	4 15 0
27 1/2	24 1/2	27 1/2	24 1/2	Chile 6% (1929)	28 1/2	28 1/2	4 18 4 1/2	26/4	24/-	6	6	Hawker Siddeley 5/-	12/9	12/9	12 14 6
72 1/2	70 1/2	72 1/2	70 1/2	Egypt Unified 4%	89 1/2	89 1/2	4 8 5	13/1 1/2	11/4 1/2	15	15	Lucas (Joseph) Ord. £1	65/-	66/3	4 10 6
43 1/2	41 1/2	43 1/2	41 1/2	Japan 5 1/2% 1930	7	7		69/6	65/-	2 1/2	2 1/2	Morris Motors 5/- Ord.	30/7 1/2	31/3	2 16 0
58 1/2	56 1/2	58 1/2	56 1/2	Portuguese 3%	77	77	3 15 1 1/2	33/-	29/10 1/2	10 1/2	10 1/2	Rolls-Royce Ord. £1	90/7 1/2	90/7 1/2	4 8 0
27 1/2	25 1/2	27 1/2	25 1/2	Spanish 4%	36 1/2	36 1/2	10 19 3	93/9	82/6	20	20	Shipping			
101 1/2	99 1/2	101 1/2	99 1/2	Railways				16/1 1/2	13/3	Nil	Nil	Canard Ord. £1	15/9	15/9	Nil
12 1/2	10 1/2	12 1/2	10 1/2	B.A. Gt. Stn. Ord. Stk.	9	8 1/2	Nil	25/-	21/6	5	5	Furness, Withy Ord. £1	23/9	23/3	5 3 0
46 1/2	44 1/2	46 1/2	44 1/2	Can. Pacific Com. \$25-...	10	10	Nil	28/10 1/2	25/3	6	6	P. & O. Def. £1	27/6	27/6	5 16 0
115 1/2	108 1/2	115 1/2	108 1/2	Great Western Ord. Stk.	43 1/2	45	8 18 0	24/6	20/7	5	5	Royal Mail Lines Ord. £1	22/6	22/6	5 6 9
85 1/2	81 1/2	85 1/2	81 1/2	G.W. 5% Cons. Pref. Stk.	112 1/2	111 1/2	4 9 8	20/6	16/-	Nil	5	Union Castle Ord. £1	28/3	20/6	4 17 6
20 1/2	18 1/2	20 1/2	18 1/2	L.N.E.R. 4% 1st Pref.	154	154	8 2 8	7/3	3/9	4	4	Tea and Rubber			
50 1/2	48 1/2	50 1/2	48 1/2	L.M.S. 4% Pref. 1923	192	192	8 2 8	14/6	6/-	4	4	Allied Sumatra Rbr. £1	6/3	6/3	12 16 0
17 1/2	15 1/2	17 1/2	15 1/2	L.M.S. 4% Pref. 1923	154	154	8 2 8	32/-	17/6	7 1/2	7 1/2	Anglo-Dutch of Java £1	9/4	9/4	12 16 0
68 1/2	66 1/2	68 1/2	66 1/2	London Transport C. Stk.	404	404	7 2 0	18	9d.	9	9	Jokai (Assam) Tea £1	22/6	23/9	8 8 3
14 1/2	12 1/2	14 1/2	12 1/2	Southern Def. Stock	152	152	11 2 3	84	80	8	8	London Asiatic Rbr. 2/-	13/1 1/2	1/3	16 0 0
61 1/2	59 1/2	61 1/2	59 1/2	Southern 5% Pref. Ord.	64 1/2	64 1/2	7 15 0	34/4 1/2	27/6	10 1/2	10 1/2	Rubber Plms. Trust £1	13/1 1/2	13/9	4 7 3
71 1/2	67 1/2	71 1/2	67 1/2	Banks and Discount				34/4 1/2	27/6	10 1/2	10 1/2	United Serdang Rbr. 2/-	1/1 1/2	1/2	Nil
58 1/2	56 1/2	58 1/2	56 1/2	Alexanders £1, fully paid...	70/-	70/-	5 0 0	63/5 1/2	54/10 1/2	12 1/2	12 1/2	Anglo-Italian Ord. £1	46/3	48/9	2 0 9
36 1/2	34 1/2	36 1/2	34 1/2	Bank of Australasia £5...	58	58	7 8 9	42/7	39/5	24	24	Burmah Oil Ord. £1	35/-	35/7 1/2	8 8 0
27 1/2	25 1/2	27 1/2	25 1/2	Bank of England Stock	38 1/2	38 1/2	3 3 0	35/10	30/6	24	24	Shell Transport Ord. £1	46/10 1/2	49/4	2 0 0
78 1/2	76 1/2	78 1/2	76 1/2	Bank of Montreal £100...	46 1/2	46 1/2	3 8 9	45/7 1/2	42/3	3	3	Trinidad Leaseholds £1	67/6	68/1 1/2	6 4 0
68 1/2	66 1/2	68 1/2	66 1/2	Bank of New Zealand £1	25 1/2	25 1/2	4 16 0	70/-	70/-	117 1/2	117 1/2	Miscellaneous			
54 1/2	52 1/2	54 1/2	52 1/2	Barclays Bank 'B' £1	72/6	72/6	3 17 3	68/6	64/9	7	7	Asoc. of Colono. Ord. £1	47/6	50/-	3 12 0
54 1/2	52 1/2	54 1/2	52 1/2	Chartered of India £5	68	68	5 17 3	23/-	19/9	10	10	Barker (John) Ord. £1	41/3	43/9	4 11 9
50 1/2	48 1/2	50 1/2	48 1/2	Hongkong and S. £125...	52/6	52/6	4 11 6	69 1/2	47	4	4	Boots Pure Drug Ord. 5/-	33/9	35/-	3 8 3
89 1/2	87 1/2	89 1/2	87 1/2	Lloyds 'A' £5, fully paid...	86/9	86/9	3 14 0	115/9	97/6	15 1/2	15 1/2	British Aluminium £1	43/1 1/2	43/9	4 11 3
51 1/2	49 1/2	51 1/2	49 1/2	Midland £1, fully paid...	85/9	85/9	4 0 0	16/7 1/2	13/3	Nil	Nil	Britt.-Amer. Tobacco £1	78/9	81/3	3 11 9
64 1/2	62 1/2	64 1/2	62 1/2	Nat. Dis. £2, fully paid...											

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On to Fortune

THERE have been few times since the war started when the war news has sounded better, even to the soberest observers, than in recent weeks. The new Treaty with Russia is discussed on another page. It is a landmark in the war—and in history. In the Eastern Pacific it seems that, if the Alaskan pincer can be broken, a limit may have been set to the advance of Japan. On land, in the Ukraine, the Germans were forestalled and battered. Before Sebastopol and Tobruk, they have been battered and so far held. In the air, a heavy threat hangs over their Western cities and arsenals.

There is, however, another side to the medal. China is reeling from heavy blows at its vitals. Germany is still immensely powerful in arms. The battle in Libya hangs in the balance; the biggest battles in Russia have still to come; a new attack in the Kharkov area has already started. Japan is strongly entrenched in East Asia and the South Seas. Over-optimism now would be as fatal as complacency was two and a-half years ago. This is not the end. The end is not even in sight. Those people who speculate on a quick finale to the war in the next few months are wasting energy. This could only happen by a negotiated peace with the Nazis, which is not possible, or by the internal collapse of Germany, which, though by no means impossible, certainly ought never to be taken for granted.

But, although this is not the end, it can be the beginning of the end. The elements of victory are now at hand. In every battlefield, the enemy is meeting his match. In his captive countries, organised resistance is ready and waiting. Taken as a whole, British war production has doubled in the past twelve months; aircraft output has doubled since the last quarter of 1940. Across the Atlantic, the massive industrial power of the United States is pouring out the products that will decide the issue. American output has overtaken British output already; soon, Mr Lyttelton has announced, it will be "far ahead." Anglo-American aircraft production is half as big again as the production of all the Axis powers. The Germans can have no hope now of an outright victory. What they are still working for, with their military strength and their guile in propaganda, is a stalemate victory. Their hope is that the democratic peoples of Britain and the United States will not be willing to see the struggle through to the final act. The longer the day of reckoning can be put off, the Germans argue, the less likely is it to come. Peace without defeat is their opportunity. They are in possession of great spoils to bargain with. This, above all, is the reason why British and American hopes should not be fastened upon a quick end to the fighting. Total victory must be the Allies' goal. The end may indeed be quicker than has seemed likely at any time since the war broke

out. But the speed of its coming will be in direct ratio to the extent to which the United Nations work and act and think as if every ounce of effort and sacrifice were required for an indefinite time to come.

The truth is that a new stage of the war has begun. Until lately, the task was to hold the aggressor and to build up productive capacity and stocks of weapons. Now the task is, not only to make more weapons, but to use them in attack. The new stage really started when the Russians broke the German assault last autumn. It was the Russian armies which set the door of opportunity ajar, and they have held it open. In December, when the United States went to war, still another door was opened—in the West. In January, Mr Churchill came back from Washington with plans to pool the munitions, the ships and the raw materials of this country and the United States. This week another stride forward has been taken. Plans have been announced to complete the organisation for the most effective use of the combined resources of the two countries. Two new bodies are to be set up: the Combined Production and Resources Board, headed by Mr Donald Nelson, the Chairman of the War Production Board, and Mr Oliver Lyttelton, Minister of Production; and the Combined Food Board, headed by Mr Wickard, Secretary of Agriculture, and Mr R. H. Brand, chief of the British Food Mission in the United States. The function of the Production Board will be to combine the production programmes of the United States and the United Kingdom into a single integrated programme, which will be adjusted continuously to strategic and military requirements, as indicated by the Combined Chiefs of Staff Committee. Thus, what has been attempted in this country by the appointment of Mr Lyttelton, to bring output and strategy into line in all plans and programmes, is to be carried into the wider sphere of Anglo-American co-operation. Production will still remain the responsibility of its directors in each country. The new Board will be responsible for the maximum utilisation of productive resources in a common plan. By the concentration and standardisation of war production, each nation's facilities will be used to the utmost, overall demands on shipping will be cut down to a minimum and the essential needs of the civilian populations will be safeguarded. These are the goals. In fact, there are still too many loose ends in the organisation of production and the mobilisation of facilities in the United States for them to be realised at once. There are ragged edges in Anglo-American co-operation. The joint shipping pool is still not in practice a complete pool. But, in intention and in organisation, munition resources, raw materials, shipping, productive facilities and food, all these have been pooled between the two Governments. It is an impressive spectacle.

War economy has become international. The kind of planning and central production which each separate belligerent has found necessary is to be applied now astride the Atlantic. The concentrated methods of industrial production which each country has found necessary to employ its capacity to the full for war purposes are to cut across frontiers. The process which began with Lend-Lease is to be carried into its final stages. There is an augury in this, not only for the war, but also for the peace. It has been plain ever since 1939, when the war potential of Britain and the United States was little more than a column of statistics, that if the industrial strength of these two countries could be mobilised for battle, the war could only end in one way—the defeat of Germany. The entry of Japan and the Far Eastern disasters that followed did nothing to alter the ultimate balance. The significant point now is that this balance is being struck, not on paper or in speeches, but in workshops and factories and in the field. When the goods and services of the two western democracies have aided the manpower of all the United Nations to end the fighting, a new chapter will start in which their goods and services, and their willingness to buy the goods and services of other countries, can again determine the future of the world. The Russian Treaty, which provides for co-operation between Britain and Russia in the defence and development of Europe, is an essential precondition of peace and

progress. Lend-Lease and the Combined War Boards of Britain and the United States are fore-shadows of the chance that the two democracies will have in peacetime to make real the aspirations towards a better, freer, more spacious, more prosperous, more expansive and more just world which have been voiced so notably in recent weeks by American statesmen. By their skill and sense of responsibility in freeing the channels of world trade, spreading the benefits of world investment and raising the yield of the world's labour, Britain and the United States will have a joint task no less important than the joint assault that they are now concerting against the world's enemies. If they will, they can free and unfetter the resources of the earth—and, if they choose otherwise, they can bind and cripple them.

It should not be supposed that this emphasis upon the combined role of Britain and the United States in war or in peace implies any derogation of the part that must be played by the other great countries. The Russian Treaty is clear proof to the contrary. The United States and Britain are the core of the war effort because they are the exporters. Russia and China, the importers, are the crust. If they had not held, the war would have been lost. If they were not given full aid now, and their rightful place in the peace effort, disaster would follow. There is and must be no discrimination between the nations. In strategy, there is none. British tanks are passing to the Russian front in a steady stream. American and British aircraft have reached Free China. Nor is there any discrimination in war economy. The new Combined Food Board will not only draw up common plans for the supply, transport and distribution of British and American foodstuffs, agricultural materials and equipment; it will also co-operate with all the United Nations in the use of food resources and, in addition, collaborate with all the other interested nations in the world in the development, expansion, purchase and use of their foodstuffs. Russia, China and the countries of Latin America, all have their place in the pattern of combined action. Lend-Lease, in its various ways, now embraces them all. It would be idle to deny, of course, that there are dangers in the power which can now be wielded in London and Washington. It is vastly important that every step should be taken in time with the wishes and interests of other countries. It is certain that this can only be done on a basis of all-round trust. One element that could disrupt the bonds of union that are now being forged would be petty nationalism on the part of any single country or any single group in any country. While the war lasts, it is imperative that every industrial interest, of whatever nationality, should realise that the main aim is to maximise war output and not to maintain national claims. When the peace comes, it will be no less important that the nations who stand in the strongest and most favourable position should realise that, only by the adjustment of their ways and policies in political and economic matters, regardless of sectional stakes, will it be possible to win the peace as well as the war.

At the moment hopes are high, both for the near and far futures. Collective security is being translated into world fact by deeds. A habit of co-operation is being formed. But the road between now and peacetime has still to be travelled and it will be grim and hard. No war is won until the last bugles have sounded. The Germans and Japanese can still strike massive blows. The only course is to assume that they will go down fighting in the greatest holocaust in history. There will be heavy losses and grievous casualties—the price of victory. The bond of the world alliance is shipping; and shipping is still an Achilles heel. Allied ships and Allied cargoes are being sunk in great numbers on all the oceans. The need for ships to strike the final blows against the enemy will be enormous. What is called for now, when the sky is brightening, is a new dedication by all the free peoples at war to the straitened ways of a siege existence, which will use for the needs of civilians not a ton of shipping that can be spared for more urgent duties. The tide is rising to the flood. It must not be missed.

Treaty with Russia

MR EDEN surprised and delighted the Commons and the nation when, on Thursday afternoon, he gave them the news of Mr Molotov's visit to this country and to the United States, and laid on the table of the House a White Paper containing the text of a Treaty between Britain and Russia, together with certain speeches and exchanges of congratulations made on the occasion of its signature. The surprise was a natural reaction to a very well-kept secret. Few people have had an inkling of what was going on and considering the hazards attendant upon Mr Molotov's return to Russia—whether by sea or by air—it is good that the secret was so well kept. The delight was equally natural for, without exaggeration, it can be said that a diplomatic instrument has been jointly forged which may have as much significance for the future of world order as victory itself. After the debacle of the inter-war years, no one can have escaped the haunting fear that, in this war as in the last, victory will again be achieved only to be thrown away. The new Anglo-Russian Treaty is plain evidence that better things may be in store.

It is not a hastily negotiated pact. Many months and long deliberations have been spent in drawing it up. It is the culmination of a process which began nearly a year ago when, on July 12, 1941, the British and the Soviet Governments first entered into formal treaty relations to give each other full assistance for the duration of the war. This alliance formed the starting-point for a broader approach. The next step was taken on the high seas when, on August 15th, President Roosevelt and Mr Churchill announced the Atlantic Charter, to whose principles Russia subsequently adhered and under whose terms it was agreed—after the second Allied Conference at St James's Palace—to set up an Allied bureau for research and the co-ordination of reconstruction plans. In December, Mr Eden paid a visit to Moscow, a secret at that time almost as closely guarded as Mr Molotov's visit here, and, on December 29th, a joint communiqué appeared, referring to an exchange of views between the two Governments on questions relating to the prosecution of the war and to post-war reconstruction. The conversations were continued after Mr Eden's return. The United States was brought into them. So were the Dominions and the Allied Governments in Europe. At every turn the widest range of advice and support was solicited, and it can be said that the Treaty which has emerged, though it is the concern of only two of the United Nations, springs in a sense from the collaboration of all of them. As such, it has, of course, a far greater significance for the post-war world. By the end of May the exchange of views had brought agreement.

It only remained for Mr Molotov to undertake the journey across the enemy's lines and for the Treaty to be signed in London.

In it the broad outlines and general principles of the Atlantic Charter begin to take positive shape. Here they are applied to the special problems of a particular area. The area is Europe, the cauldron out of which the first two world wars have boiled up. In all its military clauses the Treaty refers to "Germany and its European associates" only—the question of Japan's aggression and the plight of Free China fall outside the scope of the agreement, though no doubt they were very fully discussed both in London and Washington. The first concern of the world is that Europe should not boil over a third time. The Treaty establishes the principle that the two great border Powers—Britain and Russia—both of whom have a somewhat similar relationship to Europe, that of belonging to it yet of having vital interests in other continents, shall collaborate after the war, for twenty years at least, to maintain the peace and to work for general prosperity. Clearly this does create a broad structure of security into which more detailed agreements can be fitted later on. The most significant political development of the twentieth century lies in the emergence of five centres of world power whose military and economic resources are so much stronger than those of smaller or poorer or less fully developed states that on their decision the great problem of peace or war finally hangs. Their number is, of course, not static. Free China is destined to emerge as a new power centre. If India can overcome internal disunity, the future may rank that country, too, among the great of the earth. But at present there are five effective power centres—Washington, London, Berlin, Moscow and Tokyo. Three are peace-loving, two are not. The peace of the world depends obviously upon the defeat of the two aggressors. Equally obviously, it depends on the continued collaboration of the peaceful Great Powers after the war. If Britain and Russia cannot work together to secure a Europe that will not go to war, the cauldron is certain to boil up again. Their decision to collaborate is therefore a pre-condition of security.

Although the Treaty does not go much beyond general terms, it contains more than just a statement of the Powers' determination to collaborate. It gives an outline of the form the collaboration shall take. The two articles of Part I refer to the war situation only. Each country will continue to give the other full assistance of every kind. Neither will open negotiations with Hitlerite Germany or any other German Government that has not satisfied them of its non-aggressive intentions. There



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will be no separate armistice without previous agreement. Part II is devoted to the post-war period. Article 3 expresses the desire of the High Contracting Parties to join with other powers in setting up a system of security and states their determination to take all the steps necessary to prevent a repetition of German aggression before this system comes into being. In Article 4, each guarantees the other full assistance in the event of an attack on one or the other by a European Power, until such time as this bilateral guarantee has been superseded by a multi-lateral security system. The two Powers bind themselves in Article 5 to co-operate for the prosperity of Europe in accordance with the interests of the United Nations and, in the course of this co-operation, to base their action upon two principles of the Atlantic Charter—no territorial aggrandisement and no interference in the internal affairs of other states. Article 6 contains a promise of economic assistance for the work of reconstruction; Article 7 includes a provision against joining alliances or coalitions directed against the other; Article 8 fixes the duration of the Pact at 20 years.

The pivots of the new system are thus collective defence against aggression and economic collaboration in raising the standards of prosperity. The co-operation envisaged is in both cases, rightly and necessarily, European, indeed worldwide. It is in the military and economic sphere that the basic insufficiency of the sovereign nation state has been most obviously demonstrated. The exclusive and uncoordinated economies of a score of nation states contributed most to the economic depression and decline of inter-war Europe. Nor were these economies sufficient when the day of reckoning came to support a defence system capable of withstanding Hitlerism. The military ineptitude of the European defence system was even more obvious. Under modern conditions of centralised industrial power, the only sure defence of national independence open to smaller States is to work inside a super-national scheme of economic co-operation and defence. Now even if the lead for establishing such a system were to come from the smaller States, it remains true that they have neither the resources nor the influence to carry it through. They look to the three great peaceful power centres to create the framework of collaboration, to back the enthusiastic, to encourage the doubtful, and to deal firmly with the plainly obstructive. Nothing is more wearing, both for men and for nations, than to live without standards and without the sense of fitting into a constructive and expanding scheme of things. Britain, Russia and the United States have still to prove their leadership. And the time may be running short.

It is because the material assistance and the agreed standards can only come from the Great Powers that the two principles of Article 5—no territorial aggrandisement and no interference—are of such vital importance. Collaboration and leadership can easily degenerate into flat imperialism and the Nazis have not been slow

to make this point in their propaganda. The United States is accused of "taking over" the British Empire; Britain in turn is accused of colonising the French Empire and of offering France "dominion status"; Finland, Poland and Turkey have been subjected to a war of nerves on the question of Russia's "expansionism." The undertaking of no territorial aggrandisement is a guarantee against the success of this propaganda. It would be folly to underestimate the power of mischief these innuendoes represent. The principle of non-interference is in one sense an extension of this. The ways of expansion in the modern world are devious. If a Nazi community living abroad works to overthrow a democratic government and to set up a regime committed to collaboration with Germany, is this "aggrandisement"? The results can be the same. There is an imperialism of ideas as deadly as the imperialism of arms.

There is another sense, however, in which the no interference principle is a false and retrograde step. It suggests that the nations of Europe have no interest in the presence of a law-breaker in their midst until the law is actually broken at their expense. This contradicts every lesson of the last nine years. Peace may not be indivisible. Law certainly is and a Government that begins by violating the basic rights of the human person will probably end by violating those of the international community. Concentration camps are an act of aggression against Europe, and there can be no hope of collaboration for economic prosperity or joint defence to uphold the rule of law, unless the rights of the citizen are solemnly recognised to be the concern of Europe. There can be different forms of Government. Russia will not seek to impose universal sovietism nor Britain world-wide parliamentary democracy; but there can be no two attitudes towards the police state with its spy system, its arbitrary arrests and its condemnations without due process of law. Nor are the citizens of Europe—both non-German and German—likely to feel a sense of wider loyalties if the new community does not guarantee their personal rights.

The framework has been established. As far as it goes, it is an extremely satisfactory framework. But just as the Atlantic Charter called for this greater degree of precision, the Anglo-Russian Treaty in its turn calls for a far more concrete working out of its general commitments. The conversations must continue. The Inter-Allied bureau must produce some evidence that its work is making serious progress. Europe must get, through the Allied propaganda sources, a clearer picture of the world the United Nations mean to build. All this calls for a degree of foresight and precision which has not, unhappily, been a marked characteristic of recent British diplomacy. Now Mr Eden's great opportunity has come, perhaps the greatest opportunity with which a statesman has ever been faced. The future of Europe, the future of the world, and quite especially the future of Britain, depend upon the way in which he goes to work.

Regional Economics

THE machinery of British local government has long been in need of overhaul. Before the war, the most familiar criticism was that the quality of the services provided and the cost of administering them varied too much from area to area. Despite the minimum performance insisted upon by Whitehall, education would be good in one place and bad in another; hospital facilities would be duplicated here and non-existent there; trading services might or might not be efficiently run. Even more productive of complaint was the variation in rates and the absence of uniformity in the basis of assessment.

The war has aggravated these shortcomings, particularly in the sphere of local finance. The widespread exodus of ratepayers from evacuation areas has meant that the revenue of the local authorities in these areas has declined far more rapidly than their expenditure. The

loss of rates on empty properties might, theoretically, have been met by increasing the burden of those who have stayed behind. But this course, even if practicable, would have been wholly inequitable, particularly as most of those who had left probably meant to return when the war was over. In the event, most of the deficiency in revenue has been met from the usual source in times of need—the Exchequer. A larger part of the cost of maintaining essential services in a number of evacuation areas has thus been laid upon the general taxpayer. In the circumstances, it is clear that no other course could have been taken. No local authority could be left to face its exceptional wartime burdens unaided, any more than the "blitzed" property-owner could be left to rebuild his own house. The effects of war on particular localities, just as in earlier years the effects of economic depression,

had to be borne by the community as a whole. But there is another side to this increasing dependence upon State subventions. It means that to an ever-growing extent local authorities are being relegated to the position of being merely agents for the central Government. It is not good in practice or in theory that the function of spending money should be divorced from the responsibility for raising it. The indications are that many of these problems will be aggravated, rather than eased, after the war. Reconstruction and the expansion of social services are among the foremost peace aims; and it is clear that the local authorities will have an important part to play in these activities. This will mean larger local expenditure and a re-emergence of the old complaints about variability of service and the inequity of rating.

Fortunately the war itself, by bringing these difficulties to a head, has indicated part of the solution. There is nothing new in the demand for regional government. It has often been observed that the way in which the British prefer tradition to convenience is strikingly illustrated by the survival of a quaint system of local boundaries whose delineation has long ceased to accord with modern needs. The novelty of war has been the actual introduction of the region as an administrative area for certain purposes. It can provide continuity of administration if the centre of affairs should be cut off from the rest of the country. Its usefulness in civil defence pointed the way to its development in other fields of activity. Through the Regional Boards it now provides the indispensable link in production between local industry and Whitehall.

The interposition of the region between the smaller local areas and Whitehall has been a proved wartime success in the spheres in which it has been employed. Does it offer any lessons for the post-war development of local government? Lord Reith, when head of the then Ministry of Works and Buildings, regarded the region as an indispensable part of the machinery of reconstruction. Many progressive local government officials favour the development of regional government. Others are frankly distrustful. The principal impediment to any objective consideration of the merits of the proposal is the vested interest which so many people have in the maintenance of present boundaries, though the term "vested interest" is perhaps unduly sinister, since the motive for opposition in many cases is sincere belief on the part of local councillors and officials that the efficiency of the services they administer will be impaired by association with neighbouring areas.

The case for regional government can be simply stated. Existing local government areas are too small to administer certain services with efficiency. Areas of water supply are still too small in many cases to be economic, and co-operation between neighbouring authorities is only rarely achieved in the face of opposition. Local boundaries are perhaps more appropriate for the purpose of gas supply; but here again there are considerable productive economies to be obtained from the use of larger gas plants. Areas for the distribution of electricity are particularly anomalous, and the report of the McGowan Committee has made it clear that the main need is for larger areas. Finally, local transport areas are far from being co-terminous with "natural" traffic areas. Admittedly the problem of enlarging the area of trading services is immensely complicated by two factors. In the first place, the ground is shared by municipal undertakings and private companies, which cannot easily co-operate. In the second, the optimum technical area for one service is not necessarily the optimum for another. If efficiency were the only criterion, the solution would clearly be the establishment of "ad hoc" authorities with overlapping boundaries for the administration of each service. But an equally important requirement is the maintenance of the democratic control which provides municipal trading services with their *raison d'être*. Regional administration would make it possible to get nearer the technical optimum without sacrificing the virtue of consumer control. Apart from the trading services, there is certainly ground for arguing that such services as education, public health and highways could be more efficiently administered in regional areas. In all of them the quality of performance now varies

unjustifiably from area to area, and none of them can be regarded as a purely local concern. Finally, a further advantage would flow from the regionalisation of suitable services; there would be important economies in the overall cost of local administration per head of population; duplication of premises, staff and equipment would be avoided; and the larger authorities might be expected to attract more competent personnel.

But even if regional government achieved the greater efficiency expected of it, there would remain the basic problem of revenue to be settled. The rating system is generally recognised to be thoroughly unsatisfactory, because it transgresses the cardinal principle of ability to pay. Its area of operation was considerably limited by the Derating Act of 1929, and during the war it has partially broken down. What is to be done after the war? The importance of rates in local revenue can be diminished by increasing the share of expenditure borne by state subventions and "other receipts." But the danger of increasing the reliance of local authorities upon the state is real; and the scope for raising "other receipts" is clearly limited, despite the ingenious suggestions which have been propounded for financing such services as hospital treatment on an insurance basis. There remains the possibility of introducing a new form of local taxation on income. This is a highly controversial subject, which cannot be adequately treated in brief. It is evident, however, that if the idea were acceptable, it would be infinitely easier to put into practice in regional areas than in the existing areas. The main advantage of the larger area would be that it would usually overcome the difficulty of whether to tax a person at his place of residence or place of work. With the present boundaries, a well-nigh insuperable problem would arise from the fact that so many people sleep in a different local government area from that in which they work.

Other problems would remain, even under regional administration. How should investment income, particularly from overseas, be treated? How should the tax be levied on commercial undertakings with a nation-wide network of branches? Should the regions establish their own tax collection machinery, or rely on the existing machinery of the state? How should the revenue collected by the regions be distributed among the smaller constituent authorities? All these difficulties, and no doubt many others, would have to be settled, but they should not be insuperable. It would be misleading to condemn local income taxation out of hand on the ground that sharing in income tax by state and Federal Governments has not proved satisfactory in wartime in Canada and Australia. In these instances the root of the trouble has been the federal system itself. This difficulty could hardly arise in Great Britain, where the sovereignty of Parliament would not be impaired by the granting of new powers of local taxation.

There is considerable difference of opinion about the methods of local government reform discussed above. And it is hard for any layman to be positive about his suggestions. But there is no disagreement at all about the ends to be achieved. If democracy is to be healthy at the centre, it must be active in the localities. Local government must be at once more democratic and more efficient. It is here that the dilemma arises. The present areas of local government may be small enough for something approaching a real parish-pump democracy, but they are too small for efficiency. The latter can be obtained, perhaps, by more central direction, but only at the expense of the former. The appropriate compromise, it is suggested, is to be found in the establishment of regions. They should be the right size for technical efficiency, and neither too remote from local affairs to be undemocratic nor too close to Whitehall to suffer from over-centralisation. To make them still more appropriate to their ends, they should have the responsibility for raising the greater part of the money which they spend; and it is difficult to see how this could be achieved without the substitution of some fairer method of revenue collection in place of the present rating system. The planners of post-war reconstruction will need to ponder long and deeply on these issues.

Necessary Evil

In the April issue of the Oxford Economic Papers, Mr C. J. Hitch, by nationality an American but British by academic adoption, has some very sound words to say about post-war policy. He is concerned primarily with the question of post-war controls. He lays down two overriding principles. The first is that this country's economic future

depends on the extent to which we combat self-interested restrictionism; the representatives of the trade concerned are not the obvious commanders of this campaign.

The second is that

the freest possible multilateral trade is so obviously in the long-run interest of a nation of forty-seven millions living in a small area that this should be clearly formulated as the aim of British commercial policy.

Mr Hitch is no Utopian. He realises that, in the transition period after the war, controls will be necessary. At home, there will be, on the one hand, pent-up demand and arrears of work, together with a new positive urge to set about reconstruction in an orderly fashion; and, on the other hand, there will be a relative scarcity of materials, and for a time possibly of shipping facilities, with a consequent need to direct economic activity into the most urgent channels by some system of priority and allocation. Mr Hitch would spread this accumulated investment demand over a period, and guide it in the right way, not by means of interest rates—there must be no repetition of the old-style disastrous remedy of deflation—but by controlling the rate and direction of the use of investment materials. He would maintain some system for allocating such materials as steel and timber, and continue the licensing of civil building.

In foreign economic relations, there will be a pressure of circumstances calling for control. On the one hand, Britain's ability to buy abroad will be 80 per cent or less of its pre-war ability; on the other hand, the demand for imports will be greater than before the war, to carry out reconstruction, to secure full employment, and to satisfy pent-up demand. The supply of sterling is likely to be half as much again as the demand for sterling; by the end of the war, accumulated sterling balances on overseas account will be very large; capital exports will worsen the position, while speculative capital movements will be very dangerous. Mr Hitch believes firmly that controls and restrictions are undesirable. But he also sees that they will be necessary, in part and for a time. He examines the choice of evils. Depreciation he rejects because it will worsen the terms of trade. Bilateralism he rejects because it will sacrifice the gains of triangular and multilateral trading, and precipitate trade war. Borrowing he rules out because its benefits will be short-lived, and its longer-term effect will merely make the situation worse. Finally, and reluctantly, he elects for nondiscriminating restrictions on unnecessary imports and on capital exports. He proposes a three-point programme: exchange control to prevent the flight of capital, which must not be restrictive except in the case of capital transfers; import licensing for manufactured and semi-manufactured goods, which must be restrictive in the first instance in order to give priority to necessary imports of raw materials and foodstuffs; and bulk buying of necessary materials and foodstuffs on Government account, in order that the Government may be able to control centrally the disposition, use and price of these commodities. Thus the programme accepts the fact that

the cost of imports must be cut to fit the cloth of foreign exchange accruing on current account.

But, in the conditions which he lays down, Mr Hitch shows his real objective. Import restrictions must be combined with measures to increase exports to the point which will render these restrictions unnecessary.

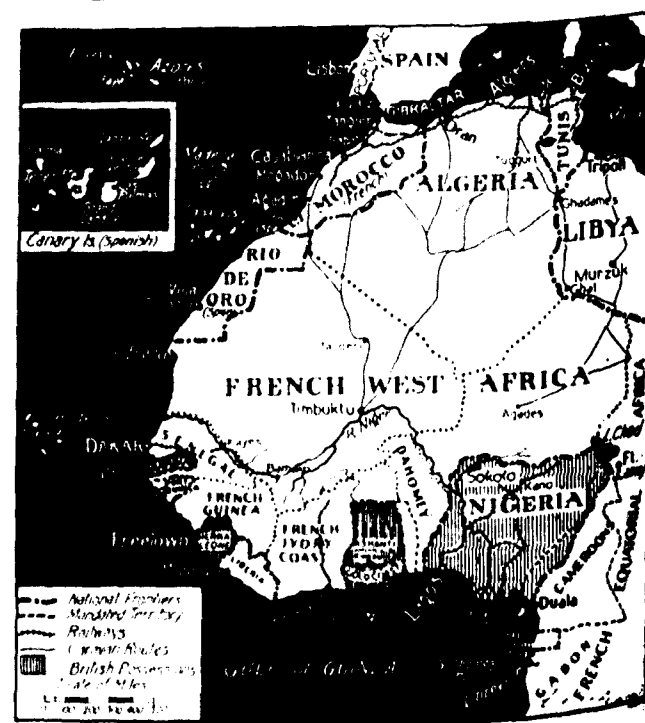
All controls must be of the type which will permit the gradual relaxation and abandonment of restrictions as quickly as this becomes possible.

There may be disagreement with the details of Mr Hitch's proposals. There should be none about the rightness of the emphasis which he places upon its purely expedient character. The real need will be not the restraint of trade, but its expansion.

Minister in West Africa

Lord Swinton's appointment as Minister Resident of Cabinet rank in West Africa is a logical sequel to the

appointment of a Minister of State in Cairo. In both cases, the advent of the military has produced problems which affect the civil administration but which are outside its normal scope. In both cases, consequently, it has been found necessary to appoint a person to be responsible for the territory where the military and civil spheres overlap, thereby confining the soldiers and the administrators to their separate functions. But there are two important differences between Lord Swinton's position and Mr Casey's. Mr Casey, like Mr Lyttelton before him, is a member of the War Cabinet. Except on matters of high policy, he can take decisions which otherwise would have to be referred back to London; except in the conduct of



military operations and diplomacy, he has the authority of his status. Lord Swinton will be more of a co-ordinator; since he is not to be a member of the War Cabinet, it is not clear whether his decision will be final in the event, say, of a dispute over labour policy in Freetown. The other big difference is in the nature of the territories under their command. The Middle East territories form a vast, but single, bloc. Lord Swinton's jurisdiction comprises four stepping stones, of ascending magnitude, which are separated by Vichy territory. Yet it is this geographical independence which makes the presence of a resident Minister, who can oversee all four colonies, the more necessary. Strategically, the importance of British West Africa is immense. Not only is it the central link in the air route between America and the Near East; but with the closing of the Mediterranean, Freetown acquired an importance on the Empire's ocean life lines which is second possibly to that of no other port, now that Singapore has fallen. The economic importance of the colonies is discussed below. Apparently, Lord Swinton will not encroach on the ordinary administration of the territories. But presumably he will be concerned in such matters as import policy, and in any case his appointment will be a step towards closer co-operation between the colonies if not to federation. As an ex-Colonial Secretary, Lord Swinton should have a reasonably good knowledge of West Africa. But in the public mind he is chiefly remembered as the Minister who did not deliver the aeroplanes—though Mr Churchill himself once pointed out that Lord Swinton was "much less blameworthy" in this matter than several other persons. It is also difficult to see why he is retaining his chairmanship of the United Kingdom Commercial Corporation when he will not be able to exercise its functions. There is also the investigation into Communist (and other) activities through a deputy as well?

West African Resources

West Africa is by far the most densely populated part of the British Colonial Empire. Nigeria alone has a population of 20,200,000, four times as many as the population

of Ceylon. All four West African colonies put together are populated by close on 26,000,000 inhabitants, out of just over 55,000,000 inhabitants in all the areas under the administration of the Colonial Office. All four colonies are important producers of oilseeds. In the year before the war they exported 425,000 tons of palm kernels, three-fifths of the world shipments of this product which is the raw material of margarine and soap. Nigeria and Gambia together shipped in the same year 375,000 tons of groundnuts, or one-sixth of world shipments. The Gold Coast and Nigeria are the world's largest and third largest cocoa producing countries respectively, and together supply 400,000 tons per year or nearly two-thirds of the world crop. Sierra Leone has an important reserve of hematite iron ore. Although in an early stage of development, shipments of this ore from the colony were nearly one million tons per annum in the years before the war. The Gold Coast, moreover, is one of the largest known sources of manganese ore and has an annual productive capacity of 700,000 tons of particularly rich ore, which is needed urgently both in this country and the United States. Nigeria is one of the three major tin-mining areas still free from enemy control, and is expected to supply 17,000 tons, which is not much less than the prospective total consumption of the United Kingdom this year. The Gold Coast and Sierra Leone produced together 2,500,000 metric carats of industrial diamonds in 1937 (or 25 per cent of world production in that year) and could by an all-out effort not only repeat but exceed that performance. All four West African colonies are also potential producers of rubber, and their wild rubber trees are being at present developed with the help of Malayan specialists. In securing maximum production of the materials needed by the Allies, the new Resident Minister can perform a valuable task, which alone would justify his appointment.

Miners' Wages

In formulating its coal plan the Government decided that, while it was desirable to create special machinery to deal with questions of wages and conditions of employment in mining on a national basis, it was undesirable to associate it with the proposed National Coal Board which will advise the new Ministry of Fuel on production problems. Consequently, a special board of investigation was set up last week to deliberate on the machinery that will be required by the proposed national wages board and, urgently and specifically, to examine the miners' claim for a minimum weekly wage of £4 5s. 0d. and for an increase of 4s. a shift in the wages of adults and 2s. a shift in those of boys. The chairman of the investigation board, which has already held a number of meetings, is Lord Greene, Master of the Rolls. The adoption of national machinery for dealing with wages means the fulfilment of a long-standing demand by the miners, which has hitherto been strenuously resisted by the owners. If it is the prelude to the smoothing out of existing wage differentials—the adoption of a national minimum wage would involve a step in this direction—the balance of the industry's cost structure would naturally be affected, giving rise to a whole new set of problems. So far as the demand for higher wages is concerned, it is difficult not to sympathise with the miners, and they are openly uneasy because their claim, still unanswered, has been passed on to the new board. Wage rates in coal mining have risen more than in other industries; but if the comparison is based on actual earnings, tries; but if the comparison is based on actual earnings, and the miners, whose occupation is more strenuous and more perilous than those of most other workers, and who cannot easily make up their wages by overtime, have not done as well as many other workers. The owners have suggested that an increase should take the form of a bonus on additional output. Whatever decision is made, it is plain that more coal must be a condition of any substantial increase in coalmining wages.

Matters of Finance

The discussions on the Finance Bill tended to be a curious chorus of mutual praise. The Chancellor of the Exchequer is praised from the Labour Benches on his courage. The public are praised time and again for their endurance in face of wartime taxation. Only infrequently, in this atmosphere of bonhomie, do the real issues of wartime finance emerge. It is not far from a scandal that the two questions of wages policy and compensation, for in-

stance, have not been discussed in these debates. The fact is that, under wartime Parliamentary procedure and conventions, the Commons are given practically no opportunity of discussing the state of the nation's finances as they should be discussed. It will not be denied that the orthodox British system of public finance has proved itself astonishingly adaptable and expandable in face of the enormous task of mobilisation for total war. But this means that it is all the more necessary that the deep-rooted economic implications of what is going on with the aid of finance should be fully canvassed in the grand inquest of the nation. Quite rightly, Sir Kingsley Wood points to the need for genuine savings to avert inflation, now or at a later, equally dangerous, date. Quite wrongly, he refuses to go deeper into the subject. With one hand, purchasing power is painfully mopped up by taxes and savings. On the other hand, in the form of earnings of all kinds, salaries no less than wages, purchasing power is swollen to new dimensions; but this is not allowed to have any place in these financial discussions. The Chancellor, and presumably the Government, rather tends to let well alone. Labour members have been convinced that rationing is a sufficient weapon by itself against inflationary dangers; and they are only too happy to see earnings mount. All this is understandable enough. But there will be a day of reckoning; and it will have done no harm, to say the least, if Parliament had spent a good deal of its time during the discussions on the Finance Bill in examining precisely this point.

The Finns' Dilemma

It is too early to guess at Hitler's plans for the northern front during the summer campaign in Russia. There would be much to be gained by making it the scene of a major offensive designed to capture Leningrad, cut both the Murmansk and the Archangel supply routes and threaten Moscow's communications with the Ural region by a vast encircling movement from the north. Yet this development is unlikely. The Germans are not in a position to attack equally strongly all along their immense Russian front, and in world strategy, the only large-scale offensive that really makes sense is the attack from Moscow southwards to open up the Middle East. An offensive on this scale in the south would probably mean denuding the other fronts, and this would leave the Finns to bear the brunt of the campaign in the northern sectors. The Finnish people have buoyed themselves up throughout the long, desperate winter with the belief that the Germans meant to send strong reinforcements in the spring to complete once and for all the consolidation of the Karelian front. This, they believed, would give them the respite they very badly need. But if Hitler's plans are concentrated on the south, then there is no hope of relief for Finland and the question must arise whether, under these circumstances, it would not be possible to put an end to the fighting. Hitler's need for continued Finnish resistance and his realisation that all is not well were probably the reasons that sent him and his staff on a visit to Marshal Mannerheim. It is unlikely that he went to persuade Finland to take a more active part in the war. It is much more likely that Hitler went to plead with the Finns to stand firm. It is unfortunately almost certain that he was successful.

The reason for this is political. From the economic point of view, the Finns could hardly be worse off than they are now. Nearly all foodstuffs are rationed, and only one food is fairly plentiful—fish. There is a disastrous

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shortage of potatoes, which is part of the Finn's staple diet, and this year's harvest will be very poor; the winter started too soon for all last year's potatoes to be lifted; only 40 per cent of the normal acreage was ploughed up; 2,000 tractors are out of use because of the shortage of petrol; fertilisers are running out; and the war is making a very heavy drain on agricultural manpower. The Swedes have done a certain amount to make good the big deficits. A trade agreement signed on May 11th arranged that iron and steel and machinery and implements to the value of 35 million Kroner should be sent to Finland in return for whatever Finland felt able to export. At the same time the Swedes lent the Finns a 5-year credit of 35 million Kroner to buy food in Denmark. But Sweden's surpluses are not great, and Germany's promised help has fallen far behind schedule. The outlook for next winter is very black. There is not a Finn that does not hope for peace by the autumn. But here the political difficulty comes into operation—Nazi propaganda has succeeded in convincing the Finns that only a German victory can preserve their independence. From Left to Right they are united in believing that an Allied victory would mean incorporation in the Soviet Union, and against that danger they will fight on.

Appointment of Mr Bruce

With the conclusion of Dr Evatt's visit to London, Mr S. M. Bruce has been appointed accredited representative of the Commonwealth Government and member of the Pacific War Council. This decision is welcome in London. Mr Bruce, who held the appointment of High Commissioner since 1933, is known and liked. His appointment implies—to be frank—an improvement in understanding between London and Canberra, and, in outlook, between Mr Bruce and the present Australian Government. It is obvious, as Mr Curtin himself suggested in the House of Representatives, when announcing the appointment, that any apparent disagreement was the fruit of an attempt to reconcile a difference of emphasis at a distance of 12,000 miles. The outstanding success of Dr Evatt's mission is that this difference is now seen in perspective as a necessary and complementary corrective for geographical bias. "There never was any real cause for doubt or misunderstanding, but I am happy to say," said Mr Curtin, "that any trace of either has completely disappeared"; and again in his speech at Melbourne, when opening the Liberty War Loan, "... the organisation of the associated nations is more concerted than it was." There are signs, too, that the success with which Australia has repelled air and naval attacks on the Commonwealth has fostered self-confidence and resolution. That more powerful attacks are bound to come is understood, but the carping anxiety that Australian needs would be underestimated by the United Nations has been substantially dispelled. The fundamental problem of Dominion representation in the British Cabinet remains. Decisions taken by Mr Bruce cannot bind Mr Curtin. Co-operation between the Commonwealth Government and its London representative must be very close if the arrangement is to be worth while. But the centre of decision, as Mr Curtin has always argued, is in Washington, in the Pacific Council there and the Combined Chiefs of Staff Committee. Mr Bruce's appointment is important, but—in the larger context—a side-issue.

The Imperial Parliament

A remarkable statement on the possible future of Parliament was made by Lord Selborne in a debate in the House of Lords last week on post-war world settlement. Nobody will quarrel with his assertion that the fall of Singapore had shown the need for combined Imperial study of defence problems. But, apparently to realise this, Lord Selborne went on to say that

"the effective and democratic solution of the problem would be to disband this Parliament in the United Kingdom, and to have separate Parliaments in England, Scotland, Wales and Northern Ireland, and one Imperial Federated Parliament, representing all the Parliaments of the Empire, sitting not in this country at all but in some much more central spot, such as Capetown, and being responsible for Imperial, Dominion and foreign policy."

It is difficult to believe that any responsible person, much less a member of the Government, could seriously make such a preposterous suggestion, which would not only grant separate legislatures, and presumably executives, to England, Scotland and Wales, but would also set up an Imperial Parliament, whose decisions on foreign policy and

defence would be binding on the whole Empire, in the capital of a Dominion which is divided on whether it wants to remain a member of the Empire or not. It is quite true that no satisfactory solution has been found to the problem of enabling the Dominions to take an effective part in Imperial decisions while preserving their independence and separate legislatures and executives. But to suggest that this could be achieved by the artificial creation of a solely Imperial Parliament is fantastic. Without good-will, the new Parliament could come to no decisions at all; with good-will, the present system is as workable and effective as the illogicality of the structure of the British Empire allows. The Mother of Parliaments must be having a hearty laugh at the thought of the bastards to be foisted on her in the name of what Lord Selborne called "organic development."

Empire Air Training

A new agreement for training Empire pilots in Canada has been signed. There is little basic difference between the new agreement and the old, which was due to expire on March 31st next. Canada's share—the lion's share—in making the scheme a success deserves grateful recognition, but it is the most obvious commonsense that sends pilots from the small island of Great Britain to be trained in the open spaces of North America. Where difficulties might have arisen is in the question of control—are RAF pilots to be under the control of the Royal Canadian Air Force while they are being trained, and similarly are RCAF pilots to be under the control of the RAF when they are posted to the United Kingdom? Apparently they will—in both cases—but the existing, though not new, RAF units in Canada will retain their identity, and in this country a Canadian Bomber Group, to consist of RCAF bomber squadrons, will be formed under the command of RCAF officers, and there is to be a much closer liaison on all questions affecting the employment of Canadian personnel. It is also interesting to note that Canadian pilots will in future be trained for operational work to a much greater extent than hitherto. It would clearly be an advantage if this could apply to British pilots trained in Canada, so that airfields in this country could be left as free as possible for operations themselves. Australia and New Zealand are to participate in the scheme to the same extent as before, but their domestic air training has increased owing to the Pacific war. The chief limitation to the scheme, however, is that it is for Empire air training. British pilots are being trained in the United States as well, and it would have been an advantage if the new agreement could have been extended to become the Air Training of the United Nations.

War Supplies for India

On the recommendation of the American Technical Commission, a "War Resources Committee" is to be set up under the Viceroy to direct India's economic war effort. This must, of course, be dovetailed into the supplies which can be despatched from Britain and the United States. The largest convoy ever despatched from Britain has arrived in India. The problem now is to ensure that this great mass of men and material, as well as the growing supplies produced in India, do not share the fate of the large force that was landed in Singapore shortly before it fell. Much has been learned since that tragic campaign. First perhaps in importance is the method of dealing with Japan's infiltration tactics. The coasts of India are long. Landings there will be, and some will be successful. They must not be countered as they were in Malaya and Burma—by linear defence and retreat after encirclement. Next in importance is perhaps to re-think the British soldier's equipment. The British Army in India is, of course, fighting on known ground. Presumably the weapons and the kit of the soldiers will be well adapted to local conditions. Yet it was not so in Malaya and Burma, where Empire troops sweated under packs and in heavy boots while the Japanese fought in shorts and sandals, with a Tommy gun swung in their sarong. In the air, the defenders should have things their own way, for the Japanese are thousands of miles from their supply bases. The question is, of course, whether enough planes have arrived. Finally, the lesson of Burma is the lesson of every front: at all costs the enemy must not be allowed to divide the Allied and split their common front. India is still being defended best in China. It is good news that reinforcements of British and American aircraft have reached Free China. The arrival of the giant convoy may presage the despatch of still more.

The most vital front is still North Burma, and, however urgent the priorities elsewhere in India, it would be folly to neglect any chance of restoring the Sino-British link.

Regional Production

While Mr. Lyttelton is in the United States, his office is indignantly countering the suggestion that the regional production boards are being left in abeyance. The Citrine Committee suggested that a central co-ordinating committee made up from the Supply Departments, the Ministry of Labour and the machine tool control, should be established. This committee has already been set up and has been in session. In addition, it is stated, preparatory work is going on in the regions. Officers are being reshuffled. Discussions about the full use of machine tool capacity are going on. The regional controllers of production will be appointed soon and announced as soon as Mr Lyttelton returns. All this is welcome news. But the fact remains that there have been regional boards for nearly two and a half years, and that both the Ministry of Production (in its first abortive stage) and the Citrine Committee go back to early February. Some impatience to see the boards working without the "melancholy list of frustrations and disappointments" which the Citrine Committee finally found is surely understandable.

Contributions and Compensation

The War Damage Act was rightly hailed as the outstanding example of a measure designed to spread the indiscriminate loss to property caused by air raids over all property-holders and, by the state's contribution, over the community. It undoubtedly set at rest widespread anxiety. On the whole, it has not worked badly. But in so far as it relates to buildings it remains full of anomalies and inconsistencies which, unfortunately, have not been removed by the War Damage (Amendment) Bill now under discussion in Parliament. For example, the contributions in respect of property are not shared equally among the various interests in property according to their respective stakes. The fact that the principle has found partial application, under the clause by which mortgagees have to meet a proportion of the contribution (though not on the precise basis of their financial stake in the property) if the annual value of the house does not exceed £150, only throws into relief the inconsistency of the scheme. Sir Kingsley Wood has steadfastly refused to accept the principle of all-round and proportionate contributions. The technical difficulties involved in its extension are no doubt considerable. The Chancellor contends that the burden upon large property owners has been relieved by an improvement in rents, and that a great deal of mischief would be done by interfering with small mortgages which would undermine confidence in this form of investment—both of which replies beg the question. There are other and even more disturbing anomalies. A landlord or owner-occupier whose property is destroyed not only loses the rent, but, if there is a mortgage on his house, he must continue to pay interest, usually at the rate of about 5 per cent. True, the Government allows interest to accumulate on the sum ultimately due to him at the rate of 2½ per cent, but this is not payable until compensation is paid after the war, and the prospective payments cannot be set off against the current liabilities which he may not be able to meet. If the landlord cannot meet these interest payments, he must prove inability to do so and then take advantage of the War-time Liabilities (Adjustment) Act in order to avoid formal bankruptcy. The equity of the arrangement whereby the stricken landlord has to exhaust his savings before he can secure relief is surely questionable and can hardly be dismissed by reference to the undesirability of releasing purchasing power. Fundamentally, the anomalies of the War Damage Act provide a reflection of the Government's failure to accept the principle of deferred compensation, subject to immediate relief in necessitous cases and to arrangements providing for the avoidance of disturbances in debtor-creditor relationships, in the case of all losses of income or capital due to the war.

Imperial Preference

While endorsing, in principle, the Anglo-American agreement of February 23rd on future trade policy, the National Union of Manufacturers, an organisation similar

to the Federation of British Industries, but much smaller takes strong exception to the part of Article 7 which calls for—

the elimination of all forms of discriminatory treatment in international commerce and the reduction of tariffs and other trade barriers.

In so far as the apprehensions of the NUM, expressed in memorandum on post-war trade, are due to its belief that other countries are unlikely to apply this principle, they are understandable. They simply reveal a desire not to forgo certain privileges without a *quid pro quo*. But the revival of international trade will be impossible in an atmosphere of defeatism and mutual distrust. The NUM admits that the motive powers of trade, far from being impaired after the war, will be more powerful than before. Moreover, the leading statesmen of the United States, the country whose policy will influence the future course and organisation of world trade much more powerfully than that of any other have repeatedly stated their intention of working to free the intercourse between nations from the shackles of restriction. If the United States is willing to translate this theory into American practice, Britain can only gain by playing a wholehearted and unreserved part in the process; and the defensive and pessimistic attitude reflected in the recent reports of the NUM and other business organisations in this country is anything but helpful.

Medical Manpower

Superficially, the allocation of the country's medical manpower among the civilian population, the hospitals and the Services should be simple. Doctors and dentists are the only persons who are called up to follow their own professions exclusively; they need no special training. Conditions in the Services are perhaps more conducive to illness than civilian life; but there has been a remarkable absence of illness in the country as a whole since the beginning of the war, and casualties, that is, wounded, among the armed forces of the whole Empire were only 46,363 in the first two years of war. And yet there is a shortage of doctors. At a recent meeting of the local medical war committees, the Minister of Health stated that there is to be an acceleration of the withdrawal of civilian practitioners for the Services in the next few months. On the advice of the Medical Personnel (Priority) Committee, which was set up some time ago under the chairmanship of Mr Geoffrey Shakespeare, he has suggested to the General Medical Council that the training of medical students should be curtailed, and this suggestion has been adopted by reducing the clinical period of a doctor's training by six months. Mr Brown also referred to other economies in medical manpower. The most important of these is a scheme to eliminate overlapping in the work of general practitioners. Local medical war committees will apparently divide their districts into areas inside which doctors outside the area will not visit patients. This will prevent doctors from towns visiting patients in villages where a doctor is already in practice and will prevent two or more doctors from covering the same area. Clearly, this will mean much heart-searching and it will abolish the ancient right of a patient to choose his own doctor. It is true that this concentration of general practitioners is only for the war, and doctors whose patients are transferred will receive half fees as though they had been called up or the patients evacuated. But if the financial side of it could be equitably settled, there is in the scheme, together with the rationalisation of hospital work to which Mr Brown also referred, the germ of the State medical service which many are looking forward to after the war.

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Part-time Employment

In a paper read before the Royal Society of Arts this week, Mr F. C. Hooper, joint managing director of Lewis's, Ltd., described the scheme whereby his firm has replaced its young mobile staff by part-time workers. An appeal was made last August to married women aged 35 and over to apply for employment in the stores, the hours varying from 5½ to 6 a day in a six-day week to five full days; it was emphasised that the job was a regular one and that normal business standards of punctuality and attendance would apply. Mr Hooper claimed that the scheme was a success, and his firm is certainly to be congratulated on having faced the necessity of giving up the greater part of its normal staff and on having solved the management and other problems arising from an influx of older, sometimes elderly, women, many of whom might not have taken kindly to the rigours of business life. But the firm's emphasis on the patriotic nature of the work, when it launched its appeal, was not altogether justified, for the scheme was framed in the interests of Messrs Lewis's, Ltd., rather than in the nation's. Mr Hooper stated frankly that if it had not been devised, the firm would not have been able to continue in business; it seems to have been too readily assumed that it was necessary for the firm to continue in business. Obviously, no firm can be expected to allow itself to be bled to death, but Messrs Lewis's enterprise would win more general approval if there had been more signs of an attempt to cut down the "luxury" departments. For instance, the "patriotic" wives and mothers were given the option of working in the "luncheonette, soda fountain and snack bar." It is quite true that the blessing of the Ministry of Labour was obtained before the appeal was launched, and most of the women newly taken on, being married and over 35, would not be subject to calling-up or direction. But if they can give 30-36 hours a week to Messrs Lewis's in Birmingham, Glasgow and Manchester, they can also give them to real war work in the same towns whose need of labour must be acute. Part-time employment should pass the same test of essentiality as whole-time; it must not be allowed to maintain business as usual.

Shorter Notice

Mr J. M. Keynes has the distinction of being the only new peer in the Birthday Honours. When he takes his seat in the House of Lords he will be the only economist in

Parliament. So long as he is a member of the Chancellor of the Exchequer's Consultative Council, he will presumably be precluded from taking a completely independent line, but there can be no doubt that his elevation will be as much a future gain to the nation as it is a reward for the services he has rendered in the past.

The Marquess of Dufferin and Ava, whose appointment as Acting Director of the Empire Division of the Ministry of Information caused a slight stir in Parliament because he was released from the army to take it up, recently resigned the post. No new director has been appointed, but Mr L. W. Brockington, K.C., the well-known Canadian broadcaster, has agreed to act as adviser to the Empire Division for the time being. Lord Dufferin and Ava has also resigned his chairmanship of the Colonial Development and Welfare Advisory Committee, which examines applications from the colonies for assistance under the Colonial Development and Welfare Act. His successor to this post has not yet been appointed.

In spite of strong opposition in the States, the Commonwealth Parliament has passed the Bill imposing a uniform income-tax for the whole of Australia. In the two houses only 28 out of a total Parliamentary membership of 110 voted against the Bill, and a serious obstacle to Mr Curtin's plans for extracting the utmost war effort from the Australian people has been removed.

The Governors of Harrow School have appointed Mr R. W. Moore as headmaster, to take office after the end of the present term. The appointment is significant, partly because Mr Moore is a young man—he was born in 1906—and also because he was educated at Wolverhampton Grammar School and will go to Harrow from the headmastership of Bristol Grammar School, though he has had previous experience of public school teaching. It is a welcome sign of the times that the governors of one of the largest public schools have appointed as headmaster a man who is not steeped in the public school tradition.

AMERICAN SURVEY

The New Frontier

TWO distinguished Americans have carried further the note of confidence and enthusiasm about post-war opportunities. In Durham, Mr Winant spoke very movingly of the social courage, vigour and imagination of the free peoples.

The world of tomorrow and today demands courage. What I have seen of your people and what I know of mine and of people elsewhere has convinced me that our supply of courage will never fail. We have the courage to defeat poverty as we are defeating Fascism; and we must translate it into action with the same urgency and unity of purpose that we have won from our comradeship in this war.

Mr Sumner Welles, Under-Secretary of State, spoke in the same vein when he referred to the great task before us

which in every sense of the term is a new frontier—a frontier of limitless expense—the frontier of human welfare.

The use of the word frontier has a peculiar magic in the United States. The existence of free land in the West until the end of the nineteenth century is believed to have been responsible for America's economic advance. It spelled unlimited opportunity and the possibility of escape from the cramped and over-developed and static East. It was held to have prevented the creation of rigid classes, because the depressed and unemployed could always move on to free or cheap land beyond the frontier. Recent re-

search has thrown some doubt on the thesis that it always provided a cheap and easy escape for the dispossessed, but the phrase, "the new frontier" remains one to conjure with.

Mr Welles has the reputation of being a realist, and his speech has been applauded for its concrete ideas about the course of events immediately after the war is won. These included, beside punishment of those responsible for the war, the proposal of a lengthy armistice before the drawing up of the final terms of peace. During this period, there would be disarmament of the aggressors and the creation of an international police force

to insure freedom from fear to peace-loving peoples until there is established that permanent system of general security promised by the Atlantic Charter.

Mr Welles did not fail to drive home once more the failure of American policy after the last war. No representative of the Government has denounced with such force and candour "the material selfishness," "blindness" and "provincial policies" of the United States in the 1920's, as well as the lack of statesmanship evidenced by other countries responsible for the conduct of the vociferous affairs. In particular, Mr Welles dwelt upon the selfish and privileged minorities in every country—but particularly in the United States—who had destroyed international trade to conserve and increase their own profits, bringing

ruin on their fellow-citizens and paving the way for militarism and dictatorship.

He referred to the steps the United States is already taking to obtain the co-operation of others of the United Nations on post-war policy. Pre-eminent among these are the drafts of permanent Lend-Lease agreements offered in the past weeks to China, Russia, Norway, Holland, Belgium, Poland and Greece, which are modelled on that signed by Great Britain on February 23rd. Besides placing the supply of materials to the various fighting fronts on a uniform basis, these agreements sketch the outlines of post-war policies which have found general acceptance in their provision for joint action

directed to the expansion by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce and to the reduction of tariffs and other trade barriers.

It is also expressly stated that reciprocal benefits under Lend-Lease should not create burdens upon international commerce, but should further improve economic relations. The administration of Lend-Lease will unquestionably play a decisive part in shaping post-war economic policies.

A more specific application of the principles of Lend-Lease to the post-war period appears in an article by Mr Herbert Feis, of the State Department, in the current issue of the American quarterly *Foreign Affairs*. The ideas are his own and are not to be attributed to the State Department. Mr Feis's proposal is that, at the beginning of each year, the American Government should make available credits to other countries for certain purposes, and that, as these credits were drawn upon, the debtor countries should provide corresponding credits for the United States in their own currency at a fixed rate of exchange. If at the end of the period chosen these credits had not been exhausted, they would all be cancelled. Thus there would be a constant stimulus to countries to accept imports, a stimulus which would be most operative and most necessary in the United States, and no permanent debt or pressure on the exchanges would develop.

Work in Progress

There is, in fact, a vast amount of research and thought on the conditions of the peace being undertaken in the United States of which very little is known in this country. A publication of the Twentieth Century Fund, *Postwar Planning in the United States*, by George Galloway, lists and briefly describes the activities of over 100 public and private organisations which are concerned with various aspects of post-war society. They include 35 Government agencies which have been directed to devote attention to problems which will arise after the war. The number of projects upon which work is going forward is formidable; they cover almost every conceivable aspect of the peace.

In his preface, Mr Galloway points out that much of the discussion is "vague, general, thin, and evanescent"; that the projects are frequently historical and comparative rather than policy-making; and that there is an urgent need for more co-ordination and co-operation to develop common objectives and avoid overlapping. He is able, however, to make a few interesting generalisations. There is a growing recognition of the indivisibility of wartime and post-war planning. There are a considerable number of business groups formed to lobby for a return to free enterprise as untrammelled and as quickly as possible. The desirability of maintaining the system of private enterprise is widely taken for granted both by private and Government bodies, although

there is some question whether private enterprise, alone and unaided, can create full employment and produce security and abundance for the masses.

Full employment both of men and resources is the main preoccupation of most groups. Mr Lewis Lorwin, a consultant to the Board of Economic Warfare, has described the aim as the establishment of

a socially responsible system of private enterprise tempered and sustained by public management when and where necessary... providing private enterprise with a social purpose and establishing minimum social standards on the basis of which private enterprise is to be conducted. Its emphasis is on democratic procedure to achieve social-economic ends... and on reconciliation of individual opportunity with social guidance.

The American Outlook

There are some grounds for thinking that the high note of confidence in Administration speeches is not yet entirely shared by the common man. A recent Gallup poll posed the question: What do you think the US will have for the first two or three years after the war—prosperity or depression? Those who expected depression totalled 43 per cent against 45 per cent for prosperity, with 12 per cent undecided. Analysis of the answers shows that pessimism was most characteristic of farmers and the lower wage groups, with some reason if the post-war slump in agriculture and the crisis of 1921 is taken into account.

Professor Slichter of Harvard, writing in *Dun's Review* for April, to an audience of businessmen, attacks this

indiscriminate pessimism which has been rampant during recent years, and which I suspect most people enjoy. Indeed, there seems to be a competition in pessimism about the country's economic future, with one person trying to make a blacker forecast than another.

Professor Slichter, on the future of private enterprise, warns business that its retention will depend upon the kind of economic future it offers America, with first place going to full employment. The business man of the past must give way to the executive more closely in touch with community needs; labour must be given increasing participation in management; and business must rehabilitate itself in the eyes of the public. With these steps, he believes firmly in the possibility of creating a higher standard of living than ever before, through new and improved products and methods, and scoffs at the idea of the inevitability of a post-war slump or a lower standard of living after the war. He points to the rapid growth of productivity in American industry in the last twenty years; in 1940 it was nearly double the man-hour output of 1920 in non-agricultural industries. The development of cheap and attractive housing alone, he feels, would solve the problem of employment for a generation. In another field, the cheapness of aluminium resulting from war-expanded production, will make obsolescent a large part of railway equipment, lorries, and all private cars, creating a tremendous new demand.

It is essential that the process of education and leadership which has been so ably begun by Mr Welles, Vice-President Wallace, and others, should be continued and made increasingly definite. The unity of war-time provides an unrepeatable opportunity for securing agreement on the fundamentals of reconstruction; it may not survive the victory. The action which is being taken now will determine what is possible after the war; and it may have a very considerable influence on the effort thrown into war production, particularly by those who are still dubious and suspicious about their welfare in the post-war period. Beside the promise and the performance of Lend-Lease, other developments in the United States are shaping the new society. Labour-management production committees have proved a success; business is being thoroughly trained in co-operation for a social end. In this respect more might, perhaps, be done to secure the co-operation of American industry. The idealism of an international New Deal will have to be implemented by the unrivalled technical achievements of American business men. The new frontier will then become a reality.

American Notes

The Supply of Ships

An article in the American magazine *Fortune* throws a new and harsh light on the American shipbuilding programme. The pool of ocean-going ships available to the United Nations at the end of 1941 is estimated at about 25 million gross tons; assuming the losses during 1942 and 1943 equal to those of 1941, that is, 4 million tons, and the building of 18 million tons, it is calculated that there will be a pool of 35 million gross tons at the end of 1943, the efficiency of which is considerably reduced by the need of conveying and longer hauls. But it is the achievement of the scheduled 18 million gross tons which is in question. Production of ships during the first quarter of 1942 totalled only 730,000 deadweight tons, 28 per cent below the minimum promise of 1 million for the period, and Admiral Land is said to have admitted that only 7½ million deadweight tons or about 5 million gross were in prospect for 1942. The delay, according to Admiral Land, is due to

three shortages: steel, labour, and shipbuilding brains. *Fortune* raises the question whether it is not due rather to the refusal to build new yards and "invent" shipbuilders, and to the piling up of orders in yards which were already filled to capacity for months to come. The Admiral points to the failure of some new yards to deliver ships and insists that he has resisted only "fool expansion." On the other hand, there is the brilliant record of the Kaiser yards on the Pacific Coast, which are only one year old, and have progressively reduced the time needed for construction from the time the keel was laid from 78 to 60 days, and finally to 48 days. How much truth there is in the accusations of the "super-expansionists" it is impossible to tell. But the shipping shortage is the gravest danger facing the United Nations, and it is hard not to agree with *Fortune* that the most drastic measures are necessary if the building programmes—which themselves create none too comfortable a margin when the shipping needs of victory are considered—are to be realised.

The Use of Ships

Nothing is more urgent than to make the best possible use of available shipping tonnage. Yet there are still complaints in the United States of the waste of carrying capacity, due to the lack of an authority able to override the demands of the various Government departments which use shipping—such as the Board of Economic Warfare, the Lend-Lease Administration, and others. Movements in ballast are larger than they should be. The Service Departments are still accused of withholding ships from the general pool and using them wastefully. The Army is particularly criticised for its refusal to co-operate with other urgent demands for shipping accommodation and for inefficiency in operation. Recently Mr Lewis Douglas has been made Deputy Administrator of the War Shipping Administration, in charge of operations. The powers granted to Admiral Land over the requisitioning and operation of ships and the fixing of priorities appeared at the time to be complete. The divorce of operations, under Mr Douglas, from shipbuilding, which is now under the control of Admiral Vickers, may bring more order into the allocation of shipping space and economy in operation. If not, there will be pressure to increase Admiral Land's powers in practice by bringing him into the Cabinet. Of all commodities of which there is a shortage, shipping is the shortest, and chaotic scrambling for carrying capacity is the more unforgivable when a system of orderly allocations is being developed for critical raw materials and a system of priorities for labour.

Manpower Delay

The brave words of the President's Order establishing the War Manpower Commission at the end of April have yet to produce any substantial result. Priorities for skilled labour have been forecast but no list of critical skills has yet been completed, and Selective officers are still trusting to individual judgment to decide whether a man should be deferred on the grounds of essential skill. There are stories that the delay is due, not to the fact that work is in progress, but to friction over the personnel of the new Board, and over policy and procedure. The difficulty of finding able administrators acceptable to labour is manifest. Early in May, it was reported that Mr McNutt had attempted to appoint General McSherry as the Commission's executive director, but this was being discouraged because of opposition to him by John L. Lewis and the Department of Labour. It was only last week that the appointment of General McSherry was announced, not as executive director, but as chief of operations, presumably a compromise appointment. There is keen competition for labour experts, not only from the Department of Labour, but from the labour section of the WPB and the Services of Supply; and there seems to be some danger that the War Manpower Commission may have to be content with less than the best. Should this happen, effective control of the allocation and training of labour may be divided among a number of agencies, and the very reason for the existence of the Commission—over-all direction of labour supply—will vanish.

Rubber and Petrol

Confusion about the need for nation-wide petrol rationing, in order to conserve rubber as well as to save petrol, continues even in high places. The Price Administrator, who is in charge of rationing, has stated that it is urgent. President Roosevelt, in his press conference, was less definite, and merely said that he was getting the facts on the rubber situation, particularly in regard to scrap rubber supplies. The President pointed out that, except along the Eastern Seaboard, there is plenty of gasoline. Plans are, however, going ahead for a nation-wide scheme of rationing likely to take effect during the summer, and the rationing scheme already in operation in the East has been overhauled to effect further economies and make it fraud-proof. "X" cards, allowing unlimited supplies of petrol, are being abolished. "C" books, which provide a substantial supplementary ration, are to be issued only to persons directly concerned with the war effort or essential civilian services. To make the supply of petrol water-tight, service stations will be required to turn in coupons collected from motorists in order to obtain supplies from distributors, and they, in turn, will have to present coupons to suppliers. A certain amount of fumbling was, perhaps, inevitable; but, in view of the experience of other countries with rationing, which is available to the United States, it is surprising that provisions of such an elementary nature were not part of the original plan. Much is being said about the need for lower speeds in order to save tyres, but it appears to have had little success, except in the East, where the fact of rationing has driven home the existence of an emergency, and 35 mph is becoming the rule. In the West, where greater distances and magnificent straight, level roads have made high speeds a habit, 60-70 mph driving continues to be common. Legal limitation on speeds, as well as rationing, will probably be needed.

Labour and Management

The labour-management production committees sponsored by the War Production Board to stimulate labour's interest in efficiency have worked much better than at first seemed likely. Business was inclined to be suspicious of the committees, because of their resemblance to the Philip Murray plan for union participation in management, and its suspicions were not allayed by the wholehearted CIO approval of the plan. An independent survey of management opinion made by the editors of *Mill and Factory*, a trade publication, shows, however, that the results have been good, and that there have been few difficulties. Of those questioned, 87 per cent said that labour had not used the committees as a means of encroaching on management functions; 95 per cent said labour had not tried to introduce collective bargaining problems into meetings; and 74 per cent said that labour had made a sincere effort to use the committees for the purpose of increasing production. Reports that managements are being "swamped with ingenuity" should perhaps be taken with a grain of salt. But there seems no doubt that efficiency is being substantially increased. So far, committees have been set up in about 2,000 prime-contracting plants, and work is going forward to spread them to sub-contractors.

Shorter Notes

The War Production Board has announced the reduction of certain non-essential imports, such as corned beef, coffee, and bananas, in order to conserve shipping. The amount of food which is imported into the United States is not large, and great savings cannot be expected; but in view of the shipping shortage, these restrictions were overdue. The cut in imports of corned beef will be particularly serious to Argentina. This is perhaps not entirely a coincidence.

The Senate and House conferees have formally agreed on legislation establishing \$50 monthly as the base pay for the lowest ranks in the Armed Services. The Senate has passed and sent to the House legislation authorising the Government to pay \$28 monthly to dependants of soldiers. An additional 22 may be withheld from a soldier's pay for his dependants, making a total allowance of 50.

THE WORLD OVERSEAS

Professional Manpower in Germany

(By a Correspondent)

May 20th

THERE were nearly 150,000 undergraduates in Germany in the years preceding the Nazi revolution, but in the summer term of 1939 only about 60,000 students were taking courses in German and Austrian universities and university colleges. The number of those taking degrees in engineering fell from an annual average of 2,700 between 1929 and 1935 to about 1,000 in each of the years 1938 and 1939; there was already a shortage of approximately 18,000 engineers, technicians and draughtsmen at the outbreak of war; and, according to Herr Rust, Reich Minister for Education, the continued shortage of engineers is a serious handicap to the war effort. The shortage in some other professions will be still more alarming in the long run; it has been calculated, for instance, that in 1950 the number of lawyers will be too few by 40 to 50 per cent, and the number of teachers by 60 to 65 per cent, unless swift emergency measures are taken. It is interesting to note that, according to a recent decree, students, teachers and apprentices are exempted from being called up for other labour duties.

The declining birth-rate in pre-Nazi Germany would in itself have hardly caused a fall of more than 20 per cent in the number of students. Certainly, the exclusion of Jews from the professions and from the universities has contributed to the shortage of lawyers, but there was never a high percentage of Jews among the German teachers and engineers, and the shortage of doctors is so far the least serious, even though the Jews formerly formed an important part of the medical profession. The main reason for the present difficulties is the lack of incentive for German boys and girls to choose a professional career. Professional categories, were never well paid in Germany, and there are much better chances to get a good post without such a long qualifying period. There are now, for instance, 50 per cent more industrial and commercial apprenticeship openings than applicants, whereas in 1934 only every third youth who wanted to become an apprentice was able to find a post. Moreover, the attitude of the Nazi Party and the Hitler Youth Movement towards "the intellectuals" has destroyed the traditional German esteem for intellectual work.

The number of children attending secondary schools has been appreciably lowered, and 40 per cent of all secondary school pupils leave school before taking their final examination. Moreover, almost half of those who took their final examinations in recent years have applied to become Serjeants of arms—it indicates the present demand for Army vice officers—that despite the large number of applicants, a shortage seems now to have arisen even in this profession and, according to a recent decree, all suitable NCOs are to be given quick promotion. By contrast, it has been announced that, of those taking their final school examination in 1941, only about 25 per cent were willing to study science, medicine or engineering, and less than 2 per cent wanted to register in the faculties of arts, law or divinity; in any case, most of them have, of course, to wait until after the end of the war.

The Remedies Adopted

The higher birth-rate between 1934 and 1939 cannot have any effect on the supply of professional labour until late in the 1950s. An obvious remedy for the shortage of professional people has been to shorten the courses of professional and general instruction. For instance, the three upper forms of the secondary schools have been concentrated to two forms only. The course for an engineering degree has been shortened from four to three years; the so-called technical medium colleges educate their students in two instead of two and a half years; and an ordinary practical apprenticeship in an engineering factory, which

formerly took four years, has also been shortened by six months. The education of teachers has been even more reorganised; the total training of secondary school teachers, formerly six years, now takes only four years. The effect of the measures has, however, been partly offset by the long terms of compulsory military and labour service which have been introduced in recent years.

These measures have contributed to lowering the standard of knowledge and skill among the younger generation of German students. That a serious deterioration has taken place is not disguised in the more responsible educational and general newspapers in Germany, and it is sometimes even admitted that the frequent preoccupation of young people with Hitler Youth and Party services takes much of their time from ordinary studies. Elementary schoolteachers are generally taken on by recommendation of the Hitler Youth rather than of the school authorities. It is interesting to note that even military observers have pointed out that "it is impossible to wage a modern war with uneducated people."

Owing to these difficulties, the Nazis have modified, to a small extent, their attitude to the "inferior races." Some Jewish doctors are known to have been ordered to resume their professional activities. Since 1941, small numbers of Czech students have been re-admitted to medicine and engineering courses in German universities. The Polish universities remain closed, and all education given to Polish pupils must be either elementary or purely technical; technical education now comprises special colleges—always run by German administrators—in which courses are given in medicine, pharmacy, veterinary science, agriculture, engineering, etc., and vocational training has recently been made compulsory for all Polish boys. In occupied Russia, some university colleges, in Kiev, Odessa, and Shitomir, have been re-opened under the auspices of the occupation authorities to educate the Russians and Ukrainians in an anti-Bolshevik spirit.

The position is different in the occupied countries of western and northern Europe. In countries like Norway, Belgium and Holland, the Nazis are prepared, in principle, to admit institutions of higher education, provided that they co-operate with the Reich. An increasing number of students have actually registered in the universities of all these countries since the invasion, in many cases obviously in order to escape the necessity of doing slave work for the Nazis. Everywhere, however, this education has met with increasing difficulties since neither teachers nor pupils are prepared to submit to the Nazi New Order. The position was recently most critical in Norway, where the vast majority of the teachers, including university, secondary school and elementary schoolteachers, have been dismissed or sent to concentration camps for not joining the Nazified teachers' organisations. Two famous universities of the Low Countries, in Brussels and Leyden, have also been closed because of their resistance to Nazism.



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Neutral Austerity

[FROM OUR DUBLIN CORRESPONDENT]

June 1st

THE inconvenience caused by the war is growing daily in spite of neutrality. Supplies of many essential commodities are running short. The bread situation has so far not been too serious. One hundred per cent extraction has been resorted to, and the existing supplies will probably last until July, when imports will be necessary to tide over until the harvest. The condition of the wheat crop is giving rise to some anxiety caused by weather conditions, but the acreage has been greatly extended, and if the yield is round about the average, the volume of the harvest should prove very abundant. A temporary shortage of butter has come to an end owing to the resumption of summer dairying. The price has, however, had to be raised in order to increase the price of milk payable by the creameries; this thereby keeps the farmers from cutting down production. Other fats—such as margarine, lard and dripping—are in very short supply. The main danger in respect of the sugar supply is that it may be impossible to replace machinery in the sugar factories in case of a breakdown. Tea continues to be strictly rationed, and there is also a shortage of cigarettes, matches and other conventional necessities.

The most acute difficulty is in respect of the fuel supply. Imports of petrol have been reduced to one-fourth of normal, with the result that private motoring has come to a complete end, and even commercial motoring has been greatly reduced. Bus services in Dublin are being reasonably well maintained, but it is feared that the shortage of rubber and the impossibility of replacing tyres may lead to further reductions. The shortage of coal is even greater than that of petrol. The English mishandling of coal production is having repercussions on Irish economic life. The Great Southern Railway's passenger services, apart from those in the Dublin suburbs, are practically at a standstill. There is an acute shortage of gas, which is rationed in such a manner as to cause the greatest inconvenience to consumers. Even the supply of electricity is now diminished owing to the reduction of coal imports. The capacity of the Shannon Scheme has been long exhausted by the growing demand, and the Liffey Scheme has not yet come into operation. The prospect for lighting and heating in the coming winter is alarming.

Apart from very small supplies of coal the only home-produced fuels are turf and wood. While these can replace coal for domestic heating to a large extent, they are less suitable for industrial uses. A great drive is being made to increase the output of turf, with some success. The unemployed in Dublin have been deprived of unemployment assistance if they are able to assist in turf production, and the supply of labour employed on the bogs has been considerably augmented. The most serious problem in relation to turf will be that of transport. If supplies of petrol and coal still further diminish, there is a danger that neither the turf cut during the summer nor the produce of the harvest will reach the urban consumer.

The Price of Neutrality

These shortages and inconveniences are the price of neutrality. Belligerent countries are willing to pay a considerable price for victory, and neutrals must be prepared to pay a price for keeping out of the conflict. The suggestion that the continued pressure and want of food and fuel will drive Eire to alter its attitude towards neutrality in return for supplies is entirely without foundation. There are rumours of a general election in the autumn, and it is almost certain that, in the event of such an election, the present Government would be returned with an increased majority. In spite of dissatisfaction with certain details of the agricultural and rationing policy, the Government would undoubtedly receive a fresh mandate on the issue of neutrality. The losses caused by the war are not without some compensating gains. At least, the country has been spared the capital destruction caused by bombing and will not have to incur the cost of restoring houses and factories after the war. Moreover, the reduction of imports has turned the balance of payments strongly in our favour, and we are accumulating large sterling assets which will prove useful when the period of restocking begins.

Prices and Wages in France

[BY A FRENCH CORRESPONDENT]

May 31st

THE Vichy Government is at present engaged in readjusting wages which are abnormally low. This operation is the more necessary since, despite the very reduced quantity of the food rations, large sections of the population are unable to buy them on account of the high price level. Hourly wages of Frs 1.75, Frs 2.0, and Frs 2.50 are still paid in the country; they correspond to a monthly income of less than Frs 500. In a statement made at Paris in January, the former Minister of Labour, M. Belin, quoted a number of typical cases in which hourly rates did not exceed Frs 1.0-Frs 1.50.

The *Petit Journal* of December 30, 1941, wrote: "An enquiry has been carried out in a number of departments in the occupied zone, particularly in the Nord, a district with a dense working-class population. It appears from this enquiry that the 'shopping basket' of the working-class family has trebled in price since 1939, while its calorific value has sensibly diminished." The same paper continues: "Wages are manifestly too low. It is only necessary to take a look at the average wages paid in the departments. What can a worker do with Frs 1,200 to Frs 1,500 a month? How can he feed, clothe and house himself? The view that in the present state of affairs the minimum monthly wage should be Frs 2,000 is gaining ground."

According to existing information, the minimum wage on which life can be supported in France to-day is between Frs 1,500 and Frs 2,000 a month for a childless household. The majority of workers employed at time rates continue to draw between Frs 1,300 and Frs 1,500 a month. Unskilled workers and women, even if fully employed, have difficulty in earning Frs 1,000. Workers who do only thirty hours a week—which is the usual position in the consumption goods industries—earn only from Frs 600 to Frs 700 a month. As for the unemployed, they receive from Frs 7 to Fr 14 a day, together with certain allowances.

The Labour Charter

Since Laval came to power the application of the Labour Charter appears to have been slowed down. It is understood that Laval is the representative of certain Paris circles which are hostile to this new professional organisation, and attempt to direct against it the discontent of the working classes. Moreover, the Minister, Henri Moysset, who was most actively working for the reform, and was an intimate collaborator of Darlan, lost his post in the latest Government crisis, as did the Minister of Labour, Belin.

The nature of the Charter was described in *The Economist* of April 4th (page 468), and the extent to which it has been applied was set out in an official communiqué published on April 20th. A Supreme Labour Council was set up to work out the general principles of the new organisation. A certain number of the factory social committees, which comprise the nucleus of the system, have been provisionally established. The social committees include representatives of the employers, the workers and other categories of employees. Their number amounted to 1,500 in April. The twenty-nine professional groups (*familles professionnelles*), into which the industrial and commercial population is to be divided, have been or are on the point of being defined. The provisional committees, charged with the organisation of the professional groups, are in process of being set up.

The hostility of working-class circles to the Labour Charter has not evaporated. They see in it an instrument destined to violate their traditional liberties. Numerous sources of friction arose in the course of the creation of the factory social committees. It is understood that the legal status of the labour delegates has not been decided. Many employers have profited by this fact, in order to nominate the delegates themselves. "Election by the workers, pure and simple, is the only way," wrote the *Petit Journal* of March 8th.

In an attempt to conciliate syndicalist circles, the Government announced the publication in the near future of a decree which "will improve the conditions in which syndicates which are already in existence will be able to continue their activities, and will announce the methods by which they will be integrated in the new organisation." The attempt was made in vain. In the face of this setback, it is not impossible that the new Government will abandon the legislation or completely refashion it.

Russia at War

Building Industry

THE construction of factory buildings and sheds is still expanding in the eastern territories of the Soviet Union. Workers in construction industries have been urged to join the "socialist emulation" (referred to in *The Economist* of May 30th), which is taking place in all the defence industries; and towards the end of May, the press published urgent appeals for the speeding up of construction work. In the allocation of building materials, the metal industries have been given priority; and, among these, factories producing arms and munitions have first claim before those producing machines and tools. As to the speed of production, the papers publish the following examples: in one factory, a department covering an area of more than 14,000 square yards was built in thirty-five days; another department, covering an area of nearly 17,000 square yards, was built in twenty-seven days; a new aircraft factory is said to have been assembled in thirty-five days. As is usual in such cases, no indication is given of the average speed of construction, and only record results are published.

The difficulties experienced by the building industries spring from the shortage of materials and labour. A very high proportion of brick and cement was produced in territories now under German occupation. The lack of building materials puts construction managers in a rather awkward position. They are simply advised to discover materials "on the spot," or to "use local resources." The following appeal of *Pravda* gives some idea about the job in front of a construction manager:

It is necessary to see that there is not the slightest delay on the job because of a non-delivery of materials. In this respect, serious responsibility must be borne by the local Soviet and party organisations, which must pay more attention than hitherto to the development of the building materials industry. At the same time, the construction manager must also personally seek out local materials. If you are a good building manager, then display your initiative, find local materials, open up quarries, organise local transport, do not invent excuses and do not hide behind the cloak of wartime difficulties.

The search for quarries has indeed been very intensive, and the question whether any "local resources" of building materials are available at a given place must have affected the location of factories.

The shortage of labour is the other limiting factor. Workers in the building industries have been urged to learn various trades, so that they may be used for various jobs. Masons have to work—according to need—as concrete layers, plasterers or fitters. The press complains about competition between central and local authorities for building labour. A case, for instance, has been reported in which a local committee of the party refused to allow its workers to take up jobs on a construction undertaken by the People's Commissariat of Building. The quarrel between Moscow and the provincial town was discussed in a leading article of *Pravda*, which gives some idea about the acute-ness of the problem.

Expansion of building is usually the most direct index of the expansion of the productive capacity of a country. Whether this is actually so in Russia is difficult to say, since it is not known what is the proportion of building designed to accommodate evacuated works, and what is apportioned to entirely new factories. In the first case, there can only be saving of previously existing productive capacity; in the second case, actual expansion takes place. There are, however, some reasons to assume that the construction of buildings for evacuated works is playing a minor part in the present campaign.

The Kolkhoz in Wartime.—The most striking wartime feature of the collective farm seems to be the widespread replacement of the tractor by the horse. The war has to a large extent immobilised the machine, on which the whole structure of collective farming was based. Tractor drivers are short; the staff of the repair workshops has been depleted, and fuel shortages have also affected the position. Collective farms have been urged to get their tractors repaired by the workers of neighbouring factories; the managers of those factories, in

their turn, are short of workers, and show a natural reluctance to send them out to the countryside.

Izvestia summed up the position, stating that "a great part of this year's agricultural work has to be carried out with draught animals." But this—the paper says—entails a return to the use of horse-drawn ploughs and sowing machines; and the peasants have been urged to take out of the *Kolkhoz* (collective) stores old and primitive agricultural implements.

It is difficult to judge the scale of this switch-over from tractor to horse. But the attention given to it in the press, and in various speeches, seems to indicate that it has been large enough to create an important economic and political problem. The economic question is how the use of a more primitive technique will affect this year's harvest. The political implication bears on the "individualist" tendency of the farmers. The tractor has provided the technical basis for collective farming, whereas the horse is the classical traction force of private farming. The switch-over from tractor to horse—if it takes place on a large scale, as it seems to be doing—is likely to loosen the collectivist coherence of Soviet agriculture, and to strengthen those "individualist" tendencies which have by no means disappeared during recent years. *Izvestia* says that horses and agricultural implements have been allotted to individual farmers, and that the individual *Kolkhoznik* has to take care of the animals allotted to him. This changes to a large extent the accepted division of labour within the collective farm. The collective stable is being at least partly redistributed among the peasants. To gauge the significance of this fact it should be remembered that it was precisely the collectivisation of cattle which caused the great slaughter of horses by peasants more than a decade ago.

Another interesting feature is the development of the so-called *Kolkhoz* trade. The supply of foodstuffs to the country has during recent years been secured through three channels: deliveries to the state, sales of foodstuffs by the farms and individual sales by members of the *Kolkhoz*. The independent trade by farms and farmers accounted for a comparatively small fraction of the food supplies. But its share was growing in recent years, and the war has accelerated the process. Transport shortages have impelled the Government to adopt the principle of decentralisation. The *Kolkhoz* trade, and, even more so, the trade by individual *Kolkhozniki*, is the most decentralised form of supply. It has been carried out on local markets in neighbouring towns. In recent months, much stress has been laid upon the need to encourage this kind of trade. But here again it is the trade by the individual *Kolkhoznik* that is placed in a better position than the trade by the *Kolkhoz*. Press reports complain of the difficulties the collective farms find in transporting their goods to local markets. The individual *Kolkhoznik*, who has to carry smaller quantities of commodities, can reach the market and sell his produce more easily.

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an indemnity from each and every customer paying in hybrid documents; and all other considerations apart, that is hardly a promising approach to the saving of paper.

A Non-Transferable Cheque?

Any solution along these lines must be deemed impracticable, the more so as banking opinion is unanimously and very reasonably opposed to any *ad hoc* amendment of the Bills of Exchange Act which has so well withstood the test of time. That, however, is not necessarily the end of the matter. It may be asked whether, from the viewpoint of the payer, the simple cheque voucher is not itself as good as a receipt. In the United States, though there is no overriding Federal law on the subject, a cheque is universally accepted as *prima facie* evidence of payment and separate receipts are seldom given. In this country, on the other hand, possession of a receipt is deemed to give the holder a superior legal position, and it is not certain that the accountancy profession would welcome, for example, an Order in Council suspending the right to demand receipts

in wartime. A possible compromise might be to require that receipts, where demanded, should be given on the cheque. Provided payment were clearly left unconditional, no amendment would be needed in existing legislation, but the public would have to grow used to putting two signatures on the back of cheques. The remaining, and probably the most promising, alternative would be the substitution of a non-transferable instrument for the normal cheque payable to order. It is now widely recognised that a bill of exchange, with its negotiable character, is an inefficient means of payment under modern conditions, when the vast bulk of cheques drawn never circulate but are paid in for collection by the original payee. Opportunities for conversion of a non-transferable instrument would be fewer, while no question of forgery could arise. The repeated examination of endorsements which is at present necessary could, therefore, be dispensed with, a point which might be worth the consideration of the new Kennet Committee. One difficulty, of course, would be the possible inconvenience to payees having no banking accounts, though bankers would be free to collect at their own risk after suitable inquiries.

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Credit Expansion Resumed

As was foreshadowed by the floating debt movements, the clearing bank returns for May show an expansion of £49.6 millions in deposits to £3,131.1 millions. While this represents an expansion of £307.1 millions on the year, there has been little rise on balance over the past eight months. The present level is still £198.1 millions below the peak of December, 1941, whereas in the corresponding period last year there was a net expansion of £24 millions—clear testimony to the efficacy of the War Weapons Week campaign, and even more of the new Tax Reserve certificates, in draining off surplus deposits in recent months. It

(In £ millions)

	May 1941	Jan. 1942	Feb. 1942	Mar. 1942	Apr. 1942	May 1942
Capital and reserves	140.2	140.3	140.3	140.3	140.3	140.3
Acceptances, etc.	107.8	106.9	101.5	102.0	97.8	95.9
Notes in circulation	1.4	1.5	1.5	1.5	1.5	1.5
Current, deposit and other accounts	2,824.0	3,221.8	3,084.6	3,071.9	3,081.5	3,131.2
Total liabilities	3,073.4	3,470.5	3,327.9	3,315.7	3,321.1	3,368.9
Cash	293.1	330.2	317.8	347.3	318.8	326.4
Cheques, balances, and items in transit	112.7	133.7	120.3	136.8	124.2	125.2
Money at call	128.4	117.6	122.0	136.6	136.0	133.1
Discounts	172.8	157.0	111.5	162.9	258.1	290.7
Treasury deposit receipts	469.0	738.5	645.5	475.5	449.5	470.5
Investments	848.3	1,007.7	1,016.6	1,049.8	1,048.4	1,049.4
Loans and Advances	873.0	811.8	825.6	837.7	821.2	810.7
Investments in affiliated banks	23.8	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	152.3	150.2	144.8	145.3	141.1	139.1
Total assets	3,073.4	3,470.5	3,327.9	3,315.7	3,321.1	3,368.9

may be noted that the outstanding amount of Tax Reserve certificates is nearly £250 millions. On the assets side, the rise in deposits has its chief counterpart in a further recovery of £32.6 millions in discounts and of £21.0 millions in TDR holdings. Investments, on the other hand, are practically unchanged, even though advances have declined by a further £10.5 millions, confirming that the downward trend has not yet been arrested. In consequence, the ratio to deposits of the four liquid assets has risen on the month from 37.7 per cent to 39.0 per cent, while that of the higher earning assets has declined from 60.7 per cent to 59.4 per cent, against 61.0 per cent a year ago.

Motor Insurance Rates

In last week's issue of *The Economist*, mention was made of the decision of the member companies of the Accident Officers' Association—the tariff companies—to reduce by 20 per cent the rates on private cars covering road risks, with effect from July 1st. Similar announcements have now been made by leading non-tariff companies and also by Lloyd's underwriters, with the proviso that Lloyd's policies which are already subject to special rates will be considered on merit, the wartime discount in no circumstances to exceed 20 per cent.

The Interest Factor

The more rapid recovery in market prices, which owed its inception to success on the battle fronts, has continued up to date, but with a gradually changing emphasis. There is a tendency for South American stocks to settle down, at or near their recent highs, after a short bout of profit taking, and the attention of the public has been, in considerable measure, transferred to British industrial equities, and to some extent to the Funds. The movement has been accompanied by a further recovery in the volume of business, and in the ordinary share index of *The Financial News*, to virtually the highest of the year, but this is still well below that ruling prior to December 6th in both cases. The market remains short of stock in almost every section, and the immediate prospect is for further rises so long as all goes well in the theatres of war. The market's explanation of the rise, based in part on the type of orders received,

The French Banques d'Affaires

Under the dual influence of inflation and German occupation, the French banking system is undergoing a remarkable change. The traditional distinction between commercial banks and *banques d'affaires* is gradually disappearing. In the past, the latter specialised in financing the promotion of new enterprise, and retained an active interest in the industries created or reorganised under their auspices. In the changed circumstances, however, the *banques d'affaires* have to confine their activities, like the commercial banks, largely to reinvesting their deposits in bills. The balance-sheet figures of the leading *banque d'affaires*, the Banque de Paris et des Pays Bas, duly indicate this trend. In 1938, bills represented only 35 per cent of the bank's total assets; this figure increased to 52 per cent by the end of 1940 and to 73 per cent by the end of 1941. On the other hand, participations declined from 15 per cent in 1938 to 10 per cent in 1941, while advances to customers declined during the same period from 19 per cent to 6 per cent. The explanation lies in part in the plethora of liquid funds which places industry in a better position to finance itself, and in part in the increasing German control over French industries. German interests have acquired participations in a number of leading French firms, and now look after their financing. Only too many French firms, moreover, are engaged in manufacturing arms for Germany, and these, too, are looked after by German interests. In face of the loss of its normal business, the Banque de Paris et des Pays Bas has sought to increase its deposits. The opening of a number of branches has been under consideration, but until now the only branch—apart from the pre-war branches in Geneva, Amsterdam and Brussels—that has actually been opened is in Marseilles, having been established after the Armistice in order to secure a footing in unoccupied France.

Financial Self-Sufficiency of Crown Colonies

As is well known, the accumulation of large sterling balances on account of the Dominions has materially changed their financial relations with this country. It is less generally known that the situation regarding many Crown colonies is somewhat similar. They, too, have accumulated sterling balances, and in consequence are now able to finance themselves to a high degree. To give an example, in the past the sugar campaign of Mauritius had been financed in London. This year, however, no credits are required for that purpose, as the colony is well in a position to cover its own financial requirements. The same is true to a large extent also concerning the British Crown colonies in Africa. This state of affairs is obviously purely temporary. It is due to the fact that Great Britain is not at present in a position to supply the colonies with manufactures to an extent comparable with her purchases in them. Nor are the colonies able to spend their sterling elsewhere, but are compelled to save a large part of the proceeds of their exports. With the return of normal conditions, however, the replenishment of depleted stocks and the execution of deferred capital expenditure will make heavy demands on colonial sterling balances, and the colonies will look once more towards London for credit facilities.

Investment

is that there is a swing of opinion among investors towards the view that the war will be over this year. This is coupled with a considerable growth in the belief that the Treasury will not be able to maintain a low rate of interest for any lengthy period after the end of the war, although it is admitted that some further fall in the rate paid on short term bonds may be secured. On the former point, there would seem to be very little justification in the present state of the two parties to the conflict, or in the prospective expansion in the power of the United Nations, particularly in the matter of shipping, for so optimistic a view. On the latter, the discussion is likely to continue until the answer is provided by events. It is, however, interesting that views are changing, and that some sections of the market should look for the event to be discounted years in advance. A conservative estimate of the duration of hostilities would seem to be a minimum of almost eighteen months. After that, it is probable that

control of the new issue market will be retained, without revolutionary amendments, for a period of years rather than months. It is, perhaps, not too early to begin to discount the post-war relaxation of EPT and other hindrances to company earnings, but it would seem too early to expect any substantial switch from fixed into variable dividend securities based on the belief that the rate of interest is likely to rise.

Limitation of Dividends

It is a curious commentary on the attitude towards the investor that, at this stage of the war, questions should still be asked in the "House," as happened last week, suggesting the desirability of further limitation of dividends. The reply of the Chancellor of the Exchequer, that he thought the cases of increases were few, but that the need for limiting shareholders' spending power and increasing company subscriptions to war loans remains, is not less curious. Even if it is admitted that, while the reward of labour may be increased during war, it is undesirable that savings should reap an increased reward as a result of it, it is still possible to distinguish between increases in profits caused by the war and those which arise from other causes, and merely happen to coincide with it. The figures published in *The Economist* last week and a fortnight before show that, in general, the effects of EPT have far exceeded the limitation of distributions, and, where earnings have risen, the principle of dividend limitation has usually been observed. Most of the few cases where dividends have increased represent either recovery from acute depression or else the first fruits of nursing a new concern to the profit-earning stage. In the latter case, it would be hard to justify a claim that savings should go without reward for the duration of the war, just because the company happened to be formed in, say, 1938, instead of five years earlier. Unfortunately, in too many cases, this is just what happens, and companies, which had pumped back profits in the early stages of the war to increase their contribution to the war effort, find themselves on the verge of bankruptcy owing to the demands of EPT at 100 per cent. In this matter of the reward of risk-taking, as in so many others, there is great need of clear thinking. It is clearly not desirable that anyone should make profits out of war, but a very large section, who are not investors, do so in money terms. It may even be expedient to apply a differential tax to those who, by abstaining from consumption in the past, have provided the present capital equipment. But it is more than a little anomalous that legislators should appear to find it both natural and desirable that all rewards to shareholders should be kept down to, or even below, their pre-war level.

Bradford Dyers Outlook

The decision of the board of Bradford Dyers once more to postpone consideration of a preference dividend, until the trading results of the year are available, will have caused little surprise. After the marked recovery of 1940, when five years' arrears of preference dividend were liquidated, there was a sharp fall in profits last year. When the full accounts were available, earnings sufficed to cover a further two and a half years' arrears, leaving a balance of £7,500 to be added to the carry forward. The year brought every sort of problem. Not only was there a sharp reduction in total output, for home and overseas markets, but requirements were constantly varying, and the group suffered from shortage both of labour and materials. The current year has certainly brought further limitations on the civilian demand in the home market, and although, for the cotton textile trade in general, this may be more than offset by service requirements, it is doubtful whether the latter will yield any considerable profit to Bradford Dyers. There is, however, another side to the picture. If quantities are reduced, the variety is likely to be curtailed at least as drastically, and the company may be able to reap definite advantage from the increased standardisation and a more regular flow of demand for any specific product. It seems doubtful whether these advantages can fully outweigh the loss of trade, and the quotation for the £1. 5 per cent. cumulative preference stock units which will carry two years' arrears at the end of this month, is only 155. The longer term outlook for this group seems even less favourable than that for some of the other large horizontal combines in the industry, but it should be possible to provide

something for preference shareholders during the war years and the period of post-war re-stocking.

J. Lyons Accounts

The full accounts of J. Lyons for the year to March 31, 1942, contain the customary paucity of information. Profits after tax, except tax on dividends, and all expenses, except directors' fees, have risen from £896,710 to £909,585. This increase is responsible for higher equity earnings at £406,147 against £393,247, representing 23.8 against 22.4 per cent on ordinary and "A" ordinary capital. Ordinary and "A" ordinary shares receive 20 per cent, as in the two previous years, and the surplus goes to raise the carry forward from £320,990 to £355,882. This outline of the profits position permits only one inference, that gross income last year rose ahead of costs and taxation, despite every difficulty presented by war time catering.

	Years ended March 31,		
	1940	1941	1942
Profit	1,024,623	896,710	909,585
Directors' fees	13,171	13,110	13,085
Prof. dividends	462,353	462,353	462,353
Prof. ord. dividend	28,000	28,000	28,000
Ord. "A" ord. and proportional profit shares:			
Earned	521,099	393,247	406,147
Paid	371,255	371,255	371,255
Earned %	33.0	22.4	23.8
Paid %	20	20	20
Carry forward	298,998	320,990	355,882

* On ordinary and "A" ordinary: each proportional share ranks for one-fifth of dividend on an ordinary share.

The reduction in debtors, from £1,377,289 to £928,923, and in creditors, from £2,644,945 to £2,496,987, suggests some contraction in business, while the rise in the value of stock from £3,049,375 to £3,259,214 may conceal a fall in real terms. The only other significant change is the investment of £125,000 in 2½ per cent National War Bonds. In view of the relative stability of retail prices, and such adverse factors as the jump in the cost of crockery replacement, it is most probable that last year's improvement is due mainly to the introduction of new labour-saving methods, such as the replacement of "nippies" by self-service. Whether there remains much scope for further cost reduction is doubtful. With turnover inevitably limited by the shortage of supplies, the maintenance of net profits appears to depend, in the long run, on the ability to raise prices to the consumer. Here, of course, the concern has to meet a new competition from British restaurants. The £1 "A" ordinary shares, at 100s. ex dividend, yield 44 per cent.

Cable and Wireless Payment Maintained

The news that the operating and holding companies of the Cable and Wireless group are both maintaining their total distributions for last year at 4 per cent can scarcely have come as a disappointment to the investor, despite the fact that the market marked the price down 1½ points on the news. As a matter of history, the whole of this rise, and a good deal more had occurred in the past few days, and a considerable proportion of it in the few hours, preceding the announcement. After the fall the quotation is 61, compared with approximately 64 just after the declaration of a year ago. In the meantime, the general level of security of prices has risen very appreciably, but the group is, of course, involved in the Pacific area. The extension of Japanese occupation there will not have affected the results of 1941 materially, but it may well be that the board will have given some weight to the current position in deciding how much to distribute. Prior to the entry of Japan into the war, the ordinary stock had exceeded 70, against a high of 66 in 1940, a fact which suggests that the public had no very grave doubts as to the immediate outlook. In fact, it was anticipated that the increased business in the telecommunications field, coupled with at least the maintenance of earnings in the Marconi group, would more than offset any further decline in revenue from investments, caused by vesting orders and the general limitation of dividends. This year, the price has been down to 47 and, recently at high

as 62½. It will be necessary to wait some days, at least, for the full accounts, which will answer doubts as to last year's results, and the chairman's comments, which, it may be hoped, will throw some light on prospects. At the moment, they appear less bright than they were a year ago, partly because enemy occupation restricts the field of operation as well as depriving the group of physical assets. In general, it is by no means certain that, under conditions of peace, profits will exceed those earned in the immediate past. These doubts are reflected in the yield, which, at the current price of 61 cum dividend, is a little over 6½ per cent.

Forestral Land

Despite an improvement in the balance on profit and loss account from £512,882 to £593,683, shown in the preliminary statement of Forestral Land for 1941, there is a marked decline in the cover for the ordinary dividend. This is accounted for by a jump in the transfer to taxation reserve from £15,543 to £250,000. If, in the previous year, the sum of £20,809 required for redemption of ten-year registered notes is not treated as a charge against profits, equity earnings can be estimated to have declined from £406,197 to £231,732, representing only 12.4 against 20.9 per cent. The total distribution on ordinary capital is maintained at 9 per cent, but there is no transfer to dividend equalisation, against £100,000 in the previous year, while general reserve receives £50,000 against £150,000. A sum of £5,000 has been subscribed to war charities since the date of the last accounts, so that the carry forward is increased from £134,475 to £149,309. Comment on the result must be deferred until the full accounts are available, but in view of all the difficulties, both of transport and of rising costs in Argentina, the results appear not unsatisfactory. Dividend equalisation reserve remains at the adequate total of £500,000, while general reserve is raised to £1,500,000 after the latest transfer. The ordinary payment is still sufficiently covered, and there is no evidence that the situation will deteriorate in the current year. The £1 ordinary stock and shares, at 27s. 3d. ex dividend offer £6 12s. 1d. per cent.

Lead Industries

Full accounts of Goodlass Wall and Lead Industries, the important lead and paint manufacturers, show a rise in disclosed profits for 1941 from £266,425 to £305,346. The increase is, however, more than absorbed by higher taxation, which requires £199,507, against £155,945. As these appropriations include tax on dividends, the preference payment calls for less and equity earnings have increased from £36,434 to £37,150, representing 6.1, against 6.0 per cent. The ordinary shares against receive 6 per cent, and the carry forward is raised from £79,615 to £80,023. This uneventful stability has been achieved despite a further contraction in the export trade, and in the demand for lead exercised by the building trade, and despite the interruption of paint production by enemy action. There was, however, expansion of business in the metallurgical department, and the chairman, Mr Clive Cookson, points out that the relative plenty of lead was favourable to the concern. There has been a severe labour shortage affecting the operation of the Greenside Mine, in which Goodlass Wall is interested, and the Calcutta lead and zinc companies have suffered from the incidence of Indian taxation. In all the circumstances, the results are satisfactory, but the chairman sounds a cautious note in respect of the outlook for the coming year. The consolidated balance-sheet shows some running down of stocks, valued at the customary basic price, which is below market price, from £1,324,408 to £1,072,358. This has partially financed an increase in the cash holdings of £337,050 to £468,845, including the transfer of £150,000 to deposit account. Debtors and creditors are both some £226,000 higher. The directors point out that no adjustment to the balance-sheet total of land and buildings has been made on account of damage by enemy action. General reserve is unchanged at £288,937. The 10s. ordinary shares, at par, offer £6 per cent.

Newspaper Earnings

Accounts for the latest calendar year of a selection of leading newspaper concerns are analysed in the following table. It must be emphasised that the figures are not

comparable between different companies, but only as between the successive annual results of each particular company. The lack of uniformity of presentation of accounts, and in particular in the important matter of showing taxation with or without including tax on dividends, prohibits comparison of the actual sums earned by different concerns in any one year. With this proviso, however, the table indicates a very striking improvement in the earnings of the Press as a whole. In only one case, that of the *Sunday Pictorial*, is there a decline in total disclosed earnings. The remarkable feature of this company's accounts is the decision to raise the ordinary dividend from 10 to 12½ per cent, despite a decline in equity earnings from 16.4 to 11.7 per cent and the fact that there is a consequent draft on the carry forward. The decline in total profits is, of course, partly explained by the fact that they are shown after tax, except £25,000, as usual, transferred to tax reserve, and except tax on dividends. In no other case, however, is there a setback even in equity earnings. *Illustrated Newspapers*, whose sale has been particularly hard hit by paper rationing, again show no earnings on ordinary capital, but six months' preference arrears to April 30, 1941, have been distributed. The remainder, *Allied and Associated Newspapers* and the *Daily Mirror*, have improved their position despite paper rationing and taxation, and the two former have raised equity payments from 6 to 8 per cent and from 12 to 15 per cent respectively. An indication that the present

Company and Date of Accounts	Total Disclosed Profits	Earned for Ord. Div.		June 10, 1942	
		Amount	Rate	Price	Yield
Allied Newspapers* :—					
Dec. 31, 1939	872,223	115,703	7.4	5	
" 1940	939,190	174,275	13.9	6	
" 1941	997,109	196,438	15.7	8	24/98 6 13 4
Associated Newspapers† :—					
Mar. 31, 1940	407,398	334,018	14.5	8	
" 1941	476,292	402,542	17.1	12	14/6 5 3 5
" 1942	541,424	468,424	18.9	15	
Daily Mirror :—					
Feb. 28, 1940	405,439	226,508	16.9	15	
" 1941	289,685	89,545	6.4	10	10/- 5 0 0
" 1942	303,157	128,804	9.2	10	
Illustrated Newspapers :—					
Nov. 30, 1939	107,341	Dr. 22,244	Nil	Nil	
" 1940	37,724	Dr. 57,508	Nil	Nil	1/1½ Nil
" 1941	73,237	Dr. 40,399	Nil	Nil	
Sunday Pictorial‡ :—					
Feb. 28, 1940	204,593	133,643	14.4	10	
" 1941	209,709	138,709	16.4	10	
" 1942	195,497	122,497	11.7	12½	28/- 8 18 7

* After depreciation. † After tax, except tax on dividends and £25,000 to tax reserve for Sunday Pictorial in each year and for Daily Mirror in 1941. ‡ Amount and rate earned on deferred capital. § £1 ordinary shares.

position is not considered discouraging is afforded by market opinion, which is responsible for an improvement in the range of yields on the same five concerns from between £7 5s. 5d. and £13 6s. 8d. a year ago to between £5 and £8 18s. 7d. on June 10, 1942. The explanation is no doubt that reduction in the size of newspapers, coupled with approximate maintenance of circulation and advertising revenue, has actually increased potential profits. The balance-sheets of all five companies show little change. Debtors tend to be moderately reduced, and some investment in tax reserve certificates is common. Stocks are little changed in money terms, there being presumably a certain reduction in real terms.

Consolidated Gold Fields Results

The milling grade of *Robinson Deep* was lowered, and as costs rose, profits fell, and dividends were reduced to 50 per cent to give a present yield of 34s. 4½d. of 10.9 per cent. Development was satisfactory and ore reserves almost maintained. The additional air-cooling plant should shortly be in commission. The mine is very deep, and, although it has clearly passed its prime, has a long life in store. *Simmer and Jack* suffered a series of reverses, the most important being widespread caving in the upper (older) portions of the mine. Milling grade fell severely as the number of available stope faces became inadequate to control the grade of ore to the mill: moreover, owing to the caving, ventilation difficulties arose in the western portion of the mine, so that mining of good grade ore from this large area was restricted. Since costs also rose, profits showed a heavy fall and dividends

were reduced to 36.6 per cent, to give a present yield, at 12s., of 7.6 per cent. The heavy fall in the ore reserves is mainly due to the necessity of eliminating certain blocks rendered inaccessible by the caving. Development footage was increased, and intensive development will be required to improve the ore reserve position, which now represents less than two years' supply. It is solely due to the troubles mentioned above that capacity of 180,000 tons a month was not reached last year. Present disappointments, however, should not be allowed to detract from the great possibilities of the mine. The *Vlakfontein* plant with a capacity of 20,000 tons a month, started up after the end of the financial year. Development results continued good. The last two quarterly development reports show a highly satisfactory improvement both in payability and values. The mine carries the continuation in depth of *Sub Nigel* pay shoots. It starts production with the high issued capital of £3,000,000, to give a

capitalisation of £6,000,000 at the present price of £1. An interesting comparison is the old *Sub Nigel*, with an issued capital of £886,000, which gives a capitalisation of about £11,300,000 at the present price of 6½. The operating results of *Vogelstruisbult* were very similar to the previous year, and dividends were increased to 17½ per cent to give a yield of 6.9 per cent at 25s. 6d. Development results, especially in the north and north-east portion, towards *Daggafontein* and *East Daggafontein*, were excellent, and the ore reserves show a substantial increase in tonnage. After certain initial disappointments the mine is now well into its stride. But it is subject to full taxation and to the Government's share of profits. Consequently, there may be a slight reduction in the current year's dividends. The dividend position after the war should, however, be more than re-established, especially as the mine is ready to increase the plant by 8,000 tons a month when conditions are propitious.

CONSOLIDATED GOLD FIELDS

	Tonnage (000)		Recovery		Costs		Profit (000)		Dividends		Reserves Tonnage (000)		Value (dwt.)		Development Footage Sampled		Payability		Inch (dwt.)	
	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941
Robinson Deep	1,486	1,564	37.7	35.10	21.8	22.6	1,180	999	63.5	50.0	7,060	6,909	4.3	4.3	20,950	22,225	51.2	45.6	282	284
Simmer and Jack	1,738	1,835	35.2	30.10	21.4	25.1	1,024	718	50.0	36.6	4,431	5,559	4.1	4.0	39,190	49,890	54.9	51.1	263	260
Vlakfontein											209	330	9.2	9.0	27,025	22,695	35.1	34.0	437	416
Vogelstruisbult	898	904	43.5	43.5	26.5	27	750	742	161	171	2,604	3,027	5.5	5.5	47,430	38,730	52.8	62.3	267	284

Industry and Trade

Synthetic for Crude Rubber

Even if shipments from Ceylon continue and production in other countries still accessible is increased, it is doubtful whether the United Nations will be able to meet more than one-fifth to one-sixth of their essential rubber requirements from current supplies of natural rubber. True, they hold large stocks of natural rubber, and efforts are being made to reclaim a larger proportion of rubber from discarded articles. But, quite apart from the fact that reclaimed rubber is not equivalent to new rubber, there still remains a big gap between supplies and requirements which can only be bridged by the large-scale manufacture of synthetic rubber. Plans have been made, months ago, for an enormous expansion of production in the United States from oil instead of from coal as in Germany. If these plans can be carried out, the United States will produce 25,000 tons this year, 300,000 tons in 1943 and 600,000 tons in 1944. But there appears to be some doubt about the ability of the United States to adhere to this ambitious schedule; it is now three months since Mr Leon Henderson, United States Price Administrator, said that it would require a miracle to secure 300,000 tons of synthetic rubber in 1943 and 600,000 tons in 1944. True, American industry has already performed many "miracles" of production. But the technical problems involved in a large-scale expansion of the output of synthetic rubber are very considerable and quite different from those involved in, say, the conversion of the motor industry into an arsenal.

In order to carry out a programme of such magnitude, it will be necessary to increase the annual output of the most commonly used basic materials, namely, butadiene and styrene, from a few thousand tons to several hundred thousand tons. In practice this involves the rapid transformation of small pilot or semi-commercial plants into large-scale industries. The production of styrene is dependent upon the supply of benzole, which is already far from plentiful in the United States. Similarly, reports from America suggest that a bottleneck is developing in butadiene, which is at present produced from the so-called C4's. These are hydrocarbon compounds containing four carbon atoms only, and occurring in natural gases and petroleum cracking gases. But C4's are also needed in the manufacture of aviation fuel. While the volume of C4's

calculated to be available may be sufficient to meet all requirements, it is unlikely to be collected in full from tens of thousands of wells, and many hundreds of refineries, few of which possess adequate separation facilities. Discussions before the United States Senate Committee on synthetic rubber indicate that the difficulties are clearly recognised. For example, attempts are now being made to tap new sources of C4's by the fermentation of agricultural products. In view of the doubts about America's ability to meet the essential needs of the United Nations, it has been suggested that the production of synthetic rubber should also be started or increased in other countries, including Great Britain, on the basis of oil supplies from sources other than the United States, and that in view of the time required to provide production facilities, arrangements should be made now. They were scarcely set at rest by Sir Andrew Duncan, who stated in the House of Commons, on Wednesday last week, that the import of the raw materials for the large-scale production of synthetic rubber in this country would impose a heavy additional burden on shipping, and that large quantities were being made in the United States, where the necessary raw materials were readily available.

Welded Ships

Reference was made in *The Economist* of April 11th last to the use of welding in shipbuilding. In America the standardised "Liberty" cargo ships are almost entirely welded; the process is also widely used in the established yards engaged on cargo liner or naval construction. For technical reasons, the introduction of welding in Great Britain has been slow, but, under Admiralty guidance, welding facilities are to be increased until this method of fabrication is used in every case where, with existing layout, it will show a saving in time over riveting. This depends on available labour as well as on the type of joint to be made. It is generally more economical to train welders than riveters, but certain types of joints, hull plates for instance, can be riveted more quickly than hand-welded. One reason why the shipbuilding industry in America decided to adopt welding on such a vast scale was the fact that it had to recruit large numbers of workers with no previous experience in shipbuilding. Another was the progress in that country of welding by automatic machines, which is not only more reliable than the process of manual welding but also more productive; automatic welding largely eliminates the need for special skill which is essential in operations

by hand. Automatic welding plant is seen to the greatest advantage where a large amount of pre-fabrication off the building berths is possible, which is not the case in the majority of British yards. However, efforts are now being made by the Admiralty to introduce these machines into British merchant shipbuilding. They employ a special process known as "Union-Melt" which has been used successfully in American shipbuilding since 1937-8 and in other industries longer than that. The welding plant, supported on a small trolley, is run along the two edges of steel, the weld metal being fed automatically from a large spool; the actual fusion takes place underneath a cover of granulated material poured through a small hopper. These machines are to be imported from America, which suggests that the process has considerable technical merit. This raises the interesting question why the process has made so late an appearance in British industry. The extent to which it will be possible to employ it in British shipbuilding will presumably depend on the suitability of individual yards, the availability of the fairly extensive electrical equipment involved, and the number of machines that can be imported or manufactured here. It appears, however, that at present automatic welding is to be regarded as an aid to production rather than as a departure from existing practice.

Unemployment in May

A drop of 9,515 was recorded between April 13th and May 11th in the number of unemployed persons registered at employment exchanges in Great Britain. The distribution of the total of 117,984 unemployed is given in the accompanying table. The main contribution to the fall came from boys and girls, presumably absorbed into employment after leaving school. The numbers of men wholly unemployed barely changed, but fewer were temporarily stopped and fewer men normally in casual employment were out of work on the day of the count. The number of women

	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
April 13, 1942			
Men	55,365	3,217	3,725
Boys	14,178	64	...
Women	34,509	3,000	245
Girls	12,996	200	...
Total	117,048	6,481	3,970
May 11, 1942			
Men	55,060	2,579	2,945
Boys	10,711	20	6
Women	32,902	3,084	281
Girls	10,290	106	...
Total	108,963	5,789	3,232

wholly unemployed showed a decrease of 1,607, but there were slight increases in the other categories. Men classified as unsuitable for ordinary industrial employment numbered 25,628; 1,505 women were classified as unsuitable for normal full-time employment. These persons are no longer included in the unemployment returns. All the regions except the Eastern and Wales showed decreases in unemployment. The process of eliminating unemployment is slow, but the numbers now involved are small. Nevertheless, further falls can be looked for. The unemployment figures are in a sense a measure of the efficiency with which the Ministry of Labour is transferring workers from one job to another.

Regional Self-Sufficiency in Food

In accordance with the Ministry of War Transport's policy of securing the elimination of cross-hauls and the curtailment of long-distance traffic wherever alternative goods can be secured from nearer sources of supply, the Ministry of Food has worked out a scheme designed to secure economies in the wholesale distribution of groceries and provisions. An outline of the plan, known as the sector scheme, whereby the country has been divided into nine areas within which the highest possible degree of self-sufficiency is to be sought, was published on page 766 of *The Economist* of May 30th. Since then the scheme has been amended in certain respects and its introduction has been postponed from June 29th to August 24th. In general the amendments have been designed to give the scheme

a great measure of flexibility. For example, the scale of limitation of the total number of suppliers on which retailers can draw within their area, issued on May 8th, has been withdrawn. There will be no limitation in the number of suppliers for points goods which retailers, caterers and institutions may nominate. In the case of many provisions, however, the number of suppliers allowed is only one, in some the number is two and in others three. The Ministry of Food is investigating the possibility of securing further economies in transport by extending the scheme to manufactured goods and by reducing cross-hauls within sectors.

Retail Trade

The *Board of Trade Journal* for June 6th contains the retail trade report for April and the Bank of England index numbers of retail sales in that month. The Bank's index number of the average value of retail sales (1937=100) for April was 113, which compares with 112 for March and 112 for April, 1941. The percentage rises for the total sales are shown in the accompanying table. At Easter the index for food usually rises because buying is concentrated into fewer days owing to the Easter holiday, but this April there was a decline from 118 in March to 117. In April, 1941, the index stood at 116, a rise of three points from the previous month. The index of sales of non-food merchandise rose by six points from March to April, to 110, mainly owing to a rise in the clothing component. The rise

PERCENTAGE CHANGE IN VALUE OF RETAIL SALES FROM CORRESPONDING MONTH A YEAR AGO		
	Food and Perishables %	Other Merchandise %
1941 April	+ 0.9	+ 2.9
May	- 4.3	- 2.4
June	- 3.1	+ 6.8
July	- 6.7	- 15.9
August	- 1.9	- 10.8
September	- 0.8	- 8.2
October	+ 0.2	- 23.5
November	- 0.4	- 2.3
December	- 1.9	- 7.4
1942 January	- 1.1	+ 12.0
February	+ 1.8	+ 11.3
March	+ 4.3	+ 5.3
April	+ 0.9	+ 0.8

was smaller than it was in 1941, possibly owing to the approaching end of the clothing ration period. In the various departments the changes in the value of sales compared with the corresponding month a year earlier were generally smaller than in March. They are shown in a table on page 845. The most notable is the decline in sales of men's and boys' wear. The value of stocks at cost showed a tendency to decline. The President of the Board of Trade stated this week that he had asked the Retail Trade Committee to expedite their report. Meanwhile, some voluntary concentration has been achieved. Branch stores have closed some of their premises, and one large chain store firm has reduced its counter footage by nearly one half. Concentration by large firms is a simple matter compared with the difficulties facing the one-man business. It is greatly to be hoped that the Retail Trade Committee has tackled the problem with courage and will produce some solution satisfactory to both shopkeeper and customer.

Apparel and Textiles Control

The Limitation of Supplies (Cloth and Apparel) Orders, 1940, introduced production quotas for textiles and apparel in order to restrict the volume of production for civilian needs and to release labour, raw materials and factory space for war purposes. Since that time the nature of this restriction has undergone considerable change; for example, by the introduction of the utility scheme. The replacement of the provisions of the Limitation of Supplies (Cloth and Apparel) Orders by a new control system embodied in the Apparel and Textiles Order, 1942, which controls, in addition, goods previously controlled in classes 4 and 6 of the Limitation of Supplies (Miscellaneous) (No. 13) Order and the Felt Hat Hoods Order, 1941, merely extends a principle already adopted, of regulating the nature as well as the volume of production. By the Order much more precise regulations have been laid down concerning the goods

to be produced, with a view to obtaining the maximum production of the most essential goods from the resources still available. To this end, the Board's powers of legal control at the raw material and manufacturing stages, rather than at the point of supply, have been more strongly emphasised. A separate direction has been made for each of the main industries controlled by the Order. Directions have been made to cover the production of woven wool cloth, woven non-wool cloth, knitted goods, corsets, footwear, gloves, fur apparel, made-up garments, felt hat hoods, lace, mattresses and quilts. The directions differ from industry

to industry; in general, the tendency is towards the production of more utility goods and the supply of materials to designated firms. Thus under the Woven Wool Cloth Direction (S.R. and O. 1001) there is no quota restriction on supplies by registered manufacturers either of utility or non-utility woven wool cloth. Manufacturers will, however, receive cloth sub-certificates from designated makers-up or indirectly through merchants, and the Wool Control requires that contracts made accordingly will be met in proportion to the raw material released to the manufacturers by the Wool Supply.

INSURANCE NOTES

SUN LIFE; SCOTTISH WIDOWS'; UNITED KINGDOM PROVIDENT; EQUITY AND LAW

CHIEF interest in the Sun Life accounts centres in report on the quinquennial valuation. For without-profits assurances the basis employed was the OM table of mortality with interest at 3½ per cent in calculating the present value of the sums assured and the present value of the net premiums, the net premiums themselves, however, being those derived from the OM table with 3½ per cent interest. The chairman (Sir William H. Goschen, KBE) explained at the annual meeting that, had circumstances permitted, the society would have valued these contracts by using the more up-to-date A (1924-29) mortality table, but that the resulting liability, with 3 per cent interest, would have been less than that emerging from the basis actually adopted. For with-profits assurances the basis of valuation remains unchanged, the OM mortality table being employed, with interest at 3 per cent. On all the society's contracts the liability of £45,927,000 resulting from the valuation is approximately £995,000 greater than it would have been if the bases adopted five years ago had also been used on this occasion. Nevertheless, the margins between the assumed rates of interest and the average net rates of interest actually earned on the funds are tending to narrow, and the decision to postpone any general distribution of bonus, and to carry forward unappropriated surplus of £3,771,000 seems, therefore, to be fully warranted. Interim bonuses are being maintained on a modified basis. In the balance-sheet British Government securities at £15,351,000 show an increase during the year of £1,900,000, and the chairman indicated that the assets, which in the aggregate now exceed £50 millions, stand at less than their market value at the close of the year. Half-yearly dividends of 2s. 9d. per share (unchanged), less tax, were paid on July 1, 1941, and January 1, 1942, respectively.

The reduction in the new business transacted by the Scottish Widows' must be considered moderate, having in mind that about 60 per cent of the male staff are now away on full-time national service, compared with a little over 40 per cent a year ago; a factor aiding production has doubtless been the society's decision to cover civilian war risks under most with-profits policies. Death claims include £126,000 resulting directly from war operations, but the chairman (Mr Kenneth Murray, WS) stated at the annual meeting that the total was below the average of recent years, and that so far the war has not brought any marked increase in the total deaths, although inevitably the proportion of young men among those who have died has risen. In the balance-sheet British Government securities at £10,161,000, representing 27 per cent of the total assets, are higher by £1,284,000. The chairman records that the general

rise in prices over the year has increased the already large margin between the market value of securities and the values at which they appear, and that, as regards house property, which consists almost entirely of the society's branch premises, damage by enemy action has been relatively light.

In the case of the United Kingdom Provident the reduction in new business is more marked, as would be expected in view of the institution's policy of excluding civilian war risks from the cover provided by new policies; in the always interesting review cover provided by new policies; in the always interesting review of the chairman (Sir Ernest J. P. Benn, Bt.) it is stated that these risks are regarded as "a speculation out of keeping with the spirit and practice of mutual life assurance." The triennial valuation was made on the same bases as three years ago—that is to say, with interest at 2½ per cent and using the A 1924-29 ultimate table of mortality—except that for with-profit contracts, which comprise the bulk of the business, the rate of interest has been reduced to the very stringent figure of 2½ per cent; the institution has thus very materially strengthened its reserve position. Assets are carried at the same values as in 1938, there being a substantial hidden reserve so far as Stock Exchange securities are concerned. No general distribution of bonus is being made in respect of the profits of the triennium, but modest interim bonuses are being allowed on policies becoming claims. The valuation surplus carried forward amounts to £1,011,000 and there is an investment contingency reserve of £1,000,000.

There has been some improvement in the position of the Equity and Law in comparison with that disclosed by the triennial valuation a year ago. The chairman (Sir Geoffrey Ellis, Bt., MP) pointed out at the meeting that the recovery in Stock Exchange values during the year was equal to a very substantial proportion of the sum which, by a modification of the reserve basis, it was necessary to release last year in order to write down securities to market values; he indicated that the society would apply any improvement in asset values first to increasing the stringency of the actuarial valuation basis. The composition of the investment portfolio reflects a policy of augmenting the holdings of British Government securities, which are higher by £700,000, although Stock Exchange securities in the aggregate are less by £300,000. No interim bonuses are being allowed. Concerning the figures in the table, the reduction in new business is more than accounted for by the virtual cessation of single-premium business. The net rate of interest earned remains at a level which the society, in pursuing a more conservative investment policy, cannot expect to maintain. Expenses show a marked reduction, although the ratio to premium income is still high. The fees paid to directors, including those paid to them by subsidiary companies, amount to nearly £14,000. The dividend is unchanged at 1s. per share, costing £10,000, less tax.

EXTRACTS FROM LIFE REVENUE ACCOUNTS

SUN LIFE AND SCOTTISH WIDOWS'

	Sun Life	Rise or Fall	Scottish Widows'	Rise or Fall
	(£,000)	(£,000)	(£,000)	(£,000)
New business:				
Net sums assured	7,055	70	2,229	159
		(1 0%)		(6 7%)
Income:				
Net premiums	5,111	92	2,184	24
		(1 8%)		(1 1%)
Net interest	1,436	14	1,208	24
Divid. rate earned	336.1%	103.5%	13.10.7%	10.2.0%
Outgo:				
Claims by death	1,621	102	1,176	32
Claims by maturity	2,095	87	967	116
Surrenders, including				
surrenders of bonus	328	169	164	146
Commission and ex-				
penses	622*	16	258	15
Divid. ratio to premiums	12.8%	0.1%	11.7%	0.8%
Consideration for annuities	100	4	54	15
Annuities paid	75	14	222	5

* Plus War Damage Contributions amounting to £29,000.

UK PROVIDENT AND EQUITY AND LAW

	UK Provident	Rise or Fall	Equity and Law	Rise or Fall
	(£,000)	(£,000)	(£,000)	(£,000)
New business:				
Net sums assured	1,913	705	552	45
		(26 9%)		(7 6%)
Income:				
Net premiums	1,762	42	804	66
		(2 3%)		(7 5%)
Net interest	862	51	981	20
Divid. rate earned	13.7.7%	10.4.10%	14.6.8%	10.0.0%
Outgo:				
Claims by death	937	6	703	68
Claims by maturity	815	178	253	99
Surrenders, including				
surrenders of bonus	177	48	70	37
Commission and ex-				
penses	239†	14	122†	20
Divid. ratio to premiums	13.6%	0.4%	15.8%	0.3%
Consideration for annuities	15	1	206	34
Annuities paid	23		1,084	

† In addition a reserve of £100,000 has been established in respect of war damage contributions (1940 figure—£45,000).

‡ Plus war damage contributions of £35,000.

COMPANY MEETINGS

DUNLOP RUBBER COMPANY

CO-OPERATIVE WAR EFFORT

SIR GEORGE BEHARRELL'S SPEECH

EXTENDED USE OF RECLAIMED RUBBER

We ourselves are doing all we can to ease the position by the extended use of reclaimed rubber, and we are benefiting by the foresight of your board in having established early last year additional plant for the retreading of tyres. It seems, however, that we must be prepared for a substantial reduction of sales, both in the home and overseas markets, and our overseas manufacturing companies will be similarly affected, some more, some less, than ourselves. This situation we are endeavouring to relieve by finding useful forms of manufacture to occupy the floor space which is likely to be left empty and by economising expenditure in every possible way.

There are, I am glad to say, various factors which should assist us in our efforts to meet the difficulties that confront us. According to the provisions of the Excess Profits Tax reduced profits will result in considerable relief from taxation, especially having regard to the fact that our liability is computed on the basis of the results of the entire group of Dunlop companies. In collaboration with the technical heads of the industry we are working in close contact with various departments of the Government, with which relations are excellent.

THANKS TO THE STAFF

We can rely wholeheartedly on the loyalty and good will of our employees, who, you may be sure, appreciate the progressive policy which the company has adopted with regard to pensions, service allowances, and other matters affecting their status, security, and welfare. I would like here to offer them, on your behalf, a sincere expression of thanks for the way in which they stood up to the strain of 1941 and are facing the difficulties of 1942.

We shall be assisted by the improved organisation of the rubber manufacturing industry. In times of national emergency industrial co-operation becomes a vital necessity, and I would like here to pay tribute to the tyre manufacturers' conference which has successfully carried through much co-ordination within the tyre industry and is giving useful assistance in various matters arising out of the control of tyre distribution. The conference is also collaborating with other branches of the rubber manufacturing industry to form a much-needed federation covering all branches.

CONTROL OF TYRE DISTRIBUTION

Our relations with our customers have been gravely affected by recent developments. In particular, the control of tyre distribution has unfortunately resulted in the severance of our company's contact with thousands of traders, many of whom must for the time being suffer a complete loss of their tyre business. This is a situation that we deeply regret, and we deplore no less keenly the interruption of our friendly relations with customers in other important lines of business which we shall have to cut down or, it may be, abandon altogether for the duration of the war. Our only consolation is our confidence that the interruption cannot be more than temporary and that the good will existing between your company and its customers is far too strong to be injured by such a disturbance. We look forward to the time when we shall resume a very pleasant business relationship. Meanwhile, I offer to all our customers a word of thanks for their generous help and sympathy in our difficulties.

We do not know how great these difficulties may be in 1942, though we do know that they must be considerable. The company is, however, well supported by liquid resources and reserves. Its organisation, despite the shocks of the last few months and the absence of over 5,000 of its employees on war service, is strong and efficient. We are a year nearer to the turn of the tide than when I sent out my statement 12 months ago, and your board has every confidence that the company will weather the storm and continue to uphold the great position which it has won for itself in the trade of the world.

The report and accounts were adopted.

The forty-third ordinary general meeting of Dunlop Rubber Company, Limited, was held, on the 10th instant, at the Piccadilly Hotel, London.

The following is an extract from the statement by the chairman, Sir J. George Beharrell, D.S.O., circulated with the report and accounts:—

The year 1941 saw the steadily increasing adaptation of British manufacturing industry to meet the needs of the nation's war effort. Government regulations for the limitation of supplies reduced the volume of our business in certain lines, but the demands for others were considerably expanded. The company's factories were satisfactorily occupied until the end of the year and total turnover increased, though profit margins were lower. In spite of the closing of practically all the company's European markets and steadily increasing difficulties in regard to export licences and transport, our overseas trade resulted in a fair profit. The overseas Dunlop factories outside enemy control showed satisfactory results, the Indian and South African companies and the Dunlop Tire and Rubber Corporation, of America, having record sales and trading profits.

Unfortunately, the extension of the war in the Far East at the end of the year changed the situation and the immediate outlook for your company. This new factor must be borne in mind in considering the accounts and the directors' recommendations, to which I will now briefly refer.

The net profit for the year amounted to £3,186,000, compared with £3,002,000 for 1940. The provision for taxation this year amounts to £1,925,000 for the Dunlop Rubber Company, the increase over last year being mainly due to increased rates for Excess Profits Tax and income-tax. Your board has maintained the policy of providing £650,000 towards the income-tax liability for 1942-43. As regards the subsidiary companies, the rates of taxation have increased considerably overseas as well as at home, and the provisions in the accounts of these companies amount to £1,510,000, making a total of £4,085,000 for the group as a whole.

Last year I told you that for the first time in many years the board had not been able to make any allocation to increase the company's reserves, with the exception of the special income-tax reserve. In view of the changed circumstances, the board feels that a policy of conserving and strengthening the company's financial position is necessary, and has therefore allocated to contingencies reserve the sum of £100,000. A dividend on the Ordinary stock of 8 per cent. is recommended, and, if approved, will be paid on June 22, 1942.

THE OUTLOOK

It is difficult to comment usefully on the outlook, but stockholders must have realised that recent events in the Far East have materially affected the company's position for the immediate future. The Japanese factory, which has earned substantial profits in the past, is, like the Dunlop factories in France and Germany, lost to us for the duration of the war, and our trading companies in China, Singapore, and the Netherlands East Indies have followed certain of our European companies into inactivity. The rubber plantations, which Dunlop Plantations, Limited, and, late, Dunlop Malayan Estates, Limited, had brought to such a pitch of efficiency, are in enemy hands. We cannot look for any profit from any of these properties till after the war. Nor do we know in what condition the assets will be when we recover them, nor what compensation we may recover for any damage suffered.

The rubber manufacturing industry in this country is strictly controlled, and the amount of business which we are able to do will depend on the amount of rubber available. In regard to this, I cannot give any details. Every possible step is being taken by Great Britain and her allies to stimulate the production of reclaim, synthetic rubber, and rubber substitutes, and I am confident that the Dunlop company will be allotted its fair share of whatever may be available.

ASSOCIATED NEWSPAPERS LIMITED

LORD ROTHERMERE'S SPEECH

The thirty-seventh annual ordinary general meeting of Associated Newspapers, Limited (proprietors of the *Daily Mail*, the *London Evening News* and the *Sunday Dispatch*), was held, on the 9th instant, in the Memorial Hall, Farringdon Street, London, E.C.

The Viscount Rothermere, the chairman, presided.

The following is the statement by the chairman, which was circulated with the report and accounts, and was taken as read:—

The trading year which ended on March 31st last presented many difficulties to the newspaper industry; nevertheless, we are pleased to be able to show such satisfactory results and such strong financial resources as are reflected in the year's accounts.

After providing for interest on notes, depreciation and taxation, the accounts show a net profit of £535,424, which is £65,882 more than last year.

BALANCE-SHEET ITEMS

The dividends on the 5 per cent. preference shares and 7 per cent. ordinary shares and an interim dividend of 5 per cent. on the deferred shares have been paid. The directors recommend the payment of a final dividend of 10 per cent. on the deferred shares, payable on July 15th. This will make a total of 15 per cent. for the year, compared with 12 per cent. for last year.

There is very little change in the items on the balance-sheet, as will be seen from the comparison with last year's figures.

On the assets side the principal change is under the heading of investments, and you will notice that debentures in a subsidiary company have been reduced to £200,000. This is, in fact, little more than a book-keeping transaction in connection with a subsidiary company entirely owned by us. The debentures are reduced by the deduction of an investment reserve and the "shares in subsidiary companies" are increased by a similar amount in the balance-sheet.

During the past year we have continued our policy of investing as much as possible in Government loans, and our investments in Government securities now stand at £1,000,000. In addition, we have purchased during the year £250,000 of Tax Reserve Certificates to meet future tax liabilities.

I mentioned last year that full reserves have been made in the accounts in connection with income-tax, newsprint, investments, etc., and this year we have transferred in the appropriation account a further sum of £50,000 to reserve for contingencies.

PROBLEM OF ADVERTISEMENT SPACE

The growing confidence vested in the *Daily Mail* by the responsible public and its unrivalled goodwill in the business world have made still more acute the problem of advertisement space.

Actually, in the small war-time *Daily Mail* the proportion of space for advertisement purposes in relation to space for news has been reduced considerably.

Our policy is to allocate that space on the fairest possible basis, and to this end the *Daily Mail* was the first to introduce the rationing of space as well as the narrower column measure. This lead has since become the general practice.

An all-round smaller size of advertisement space was instituted, thus enabling us to accommodate the largest possible number of our regular advertisers.

The *Evening News* continues its great lead with the largest sale of any evening newspaper in the world. True to its slogan of "First with the News," even in the worst period of the intensive air bombardment, it stands today higher than ever in the esteem of the London public and advertisers who value the London market.

The *Sunday Dispatch* maintains its unique position in Sunday journalism. It has strengthened its position with the public and with advertisers in a manner which promises well for the day when restrictions as to numbers of copies and sizes of newspapers are finally removed.

The *Overseas Daily Mail*, playing its big part every week in the spreading of British news and trade reports to every Allied and friendly country in the world, may be regarded as one of the finest pieces of British propaganda now being sent abroad.

PROVINCIAL EVENING PAPERS

Our provincial evening papers have all maintained a high standard, both in regard to sales and financial results, during the year.

In addition, these provincial offices afford a most valuable stand-by for the *Daily Mail* and *Sunday Dispatch* in the event of interference with our London plants.

During the past year our main problem was, as before, our supplies of raw material—newsprint. Further reduction in consumption by all newspapers was necessitated by the difficulties of importing both paper and pulp, but once again we have all benefited by the arrangements made by the Newsprint Supply Company, which has ensured a fair and equitable distribution to all papers of the raw material available. In this connection I would like to express our appreciation of the part played by the Home Mills in the provision of our paper supplies. The newspapers of the country are at the present time consuming less than 20 per cent. of the amount of newsprint they consumed before the war.

BOARD'S POLICY

The sales of our three newspapers have been well maintained during the year, subject, of course, to paper restrictions, and their popularity and prestige have never been higher. We have continued our policy of presenting the war news as accurately as possible, and of telling the public the truth as fearlessly as possible with one object in view: the speedy, successful and victorious prosecution of the war.

Our volume of correspondence from our millions of readers proves beyond doubt the justification of this policy.

We now have over 1,200 members of our staff serving with the Forces, and it is with satisfaction that I record that since the beginning of the war all of them on joining up have continued to receive a substantial percentage of their salaries from the company.

Newspaper business could not be other than difficult during war-time, and the past year has been no exception. I wish to express a grateful word of thanks to my colleagues on the board, to the staff, and to all those associated with us for their untiring and devoted work for our newspapers.

The report and accounts were adopted, the retiring directors were re-elected, and the auditors, Messrs Lever, Honeyman and Company, were reappointed.

LISBON ELECTRIC TRAMWAYS LIMITED

INCREASED COST OF MATERIALS

The forty-fourth ordinary general meeting of the Lisbon Electric Tramways, Limited, will be held on the 17th instant at No. 4, London Wall Buildings, London, E.C. The following are extracts from the statement of the chairman of the company, Mr A. N. Rye, M.I.E.E., which was circulated with the report and accounts:—

The traffic shows a small increase over the record number of passengers carried last year, the numbers being 144,358,627, as compared with 144,148,222.

The revenue shows an increase of £7,049, on the other hand expenditure has risen by £28,849. The profit as shown at £140,221 is £18,790 less than the previous year. The increase in the expenditure is again caused by the much higher cost of coal and all other materials necessary for the operation of the tramways.

The board now recommends the payment of a final dividend of 2½ per cent. net on the ordinary shares, which, with the interim dividend already paid, will make 5 per cent. net for the year.

Capital expenditure on additional rolling stock and electrical equipment amounts to £8,659. The stock of stores and materials has increased by £19,189 owing to the much higher prices, and sundry debtors by £10,255. The investments are £34,021 less, due to the sale of securities to meet the purchase of the company's debentures. The market value of investments was in excess of the book value as at December 31st last, and they consist principally of British and Dominion Government stocks. The remittances in transit and cash are increased by £40,546. Creditors and credit balances have increased by £51,952. A further £52,900 of the company's debentures were purchased and since the end of the year the directors have given notice to redeem the outstanding debentures on September 30th next.

Up to the present we have been able to maintain a normal service notwithstanding the great difficulty of obtaining imported coal. It should, however, be appreciated that it may be impossible to maintain a full service throughout the current year and any reduction in our service must seriously affect our profits.

EVER READY

REGD TRADE MARK

MANUFACTURERS OF DRY BATTERIES

CELLS, ACCUMULATORS, RADIO EQUIPMENT, MOTOR CAR ACCESSORIES, PORTABLE ELECTRIC LAMPS.

Net trading profit for year to 31st March, 1942 £571,934

Total reserves and carry forward £1,300,547

Dividends on Ordinary Stock 35% plus 5% Bonus

Points from the speech of Mr. Magnus Goodfellow (Chairman) at the Annual General Meeting of The Ever Ready Co. (Great Britain) Limited on June 4th, 1942.

TRADING CONDITIONS

During the past year for the most part the heavy demands for our productions were promptly met, but, although we worked throughout the year to full capacity, there were unavoidable temporary shortages in supply to some of the general consumers. Our production plans for the current year, if all goes well, should enable us to continue to meet the bulk of the requirements of the general trade. The fatigue engendered by the conditions, and the continuous drive for increase in production over a period of two and a half years, has been well sustained by our Managers, Staff and workpeople, and I again, on your behalf, thank them for their efforts. The increase in the total cost of the year's production was not covered by the profit on increased sales, and as a consequence there was a fall in net profit, as shown in the accounts. No provision has been necessary either for Excess Profits Tax and/or National Defence Contribution, as the total of reserves previously created is more than sufficient to meet all tax liabilities to date.

STRONG FINANCIAL POSITION

You will observe that our expenditure on plant during the year was £187,000, the continually increasing demand having made necessary this large expenditure. The financial stability of your Company is more than maintained, the balance of Current Assets over Current Liabilities having risen during the year from £788,000 to £863,000.

GUARDIAN

Assurance Company Ltd.

ANNUAL GENERAL MEETING—8th JUNE, 1942

Extracts from Statement made by the Chairman COLONEL LIONEL H. HANBURY, C.M.G.

LIFE DEPARTMENT.

New Life Assurances were completed during 1941 for a net amount of £809,000, being £15,000 less than the figure for the previous year. Claims by death have been heavier than was "expected" according to the A 1924-9 Tables of Mortality. This loss from mortality on life assurance contracts was largely attributable to the war and has been partly offset by a profit on annuity contracts.

FIRE DEPARTMENT.

There has been an increase of £116,000 in the premium income in this account. The balance transferred to profit and loss is £76,000, representing nearly 8 per cent. of the premium income.

ACCIDENT AND GENERAL DEPARTMENT.

In this account also there has been an increase of £23,000 in premium income. The transfer to profit and loss is over £104,000.

MARINE DEPARTMENT.

The premium income for the year amounted to £452,000, as compared with £393,000 in the previous year. After writing off £550 for loss on exchange and providing £72,000 for taxation, the sum of £15,000 has been transferred to profit and loss, still leaving a considerable balance of profit in the fund.

VALUE OF INVESTMENTS.

The Stock Exchange Securities have been valued at their middle market prices at 31st December last, less accrued interest. In both the Life Assurance Fund and the General Fund the total market values considerably exceeded the book values. Although depreciation no longer exists, the Directors have decided to maintain the Investment Reserve Fund at £222,000 for the present.

PROFIT AND LOSS ACCOUNT AND APPROPRIATION.

£48,000 has been transferred to Staff Pensions Fund and £25,000 applied to increase the General Reserve to £1,925,000.

A dividend was declared of 11s. on each Ordinary Share, leaving a balance to be carried forward of £143,000, greater by £14,000 than the amount brought forward from the previous year.

All the Principal Classes of Insurance Transacted

ALSO

TRUSTEE & EXECUTOR BUSINESS

HEAD OFFICE:

68 King William Street, London, E.C.4

Finance

GOVERNMENT RETURNS

For the week ended June 6, 1942, total ordinary revenue was £49,533,000, against ordinary expenditure of £125,141,000, and issues to sinking fund of £15,000. Thus, including sinking fund allocations of £1,283,155, the deficit accrued since April 1st is £52,791,000 against £68,822,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

	1941	1942	1941	1942
Revenue	£49,533,000	£49,533,000	£49,533,000	£49,533,000
Expenditure	£125,141,000	£125,141,000	£125,141,000	£125,141,000
Deficit	£75,608,000	£75,608,000	£75,608,000	£75,608,000

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Debt	Total Floating Debt
June 6, 1942	1,000	1,000	1,000	3,000

Date	Treasury Bills	Ways and Means Advances	Treasury Debt	Total Floating Debt
June 6, 1942	1,000	1,000	1,000	3,000

Date	Treasury Bills	Ways and Means Advances	Treasury Debt	Total Floating Debt
June 6, 1942	1,000	1,000	1,000	3,000

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Date	Treasury Bills	Ways and Means Advances	Treasury Debt	Total Floating Debt
June 6, 1942	1,000	1,000	1,000	3,000

BANK OF ENGLAND RETURNS

JUNE 10, 1942

	June 10, 1942
Assets	£11,015,100
Liabilities	£11,015,100

	June 10, 1942
Assets	£11,015,100
Liabilities	£11,015,100

	June 10, 1942
Assets	£11,015,100
Liabilities	£11,015,100

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Liabilities	£11,015,100

	June 10, 1942
Assets	£11,015,100
Liabilities	£11,015,100

	June 10, 1942
Assets	£11,015,100
Liabilities	£11,015,100

PROVINCIAL BANK CLEARINGS

(£ thousands)

	June 7, 1941	June 6, 1942	June 7, 1941	June 6, 1942
Working days	5	6	133	132
Birmingham	2,559	3,206	49,865	57,755
Bradford	1,320	1,522	50,815	50,259
Bristol	1,705	2,680	43,866	53,955
Hull	562	702	14,379	26,013
Leeds	706	932	22,625	18,144
Liverpool	4,887	4,829	119,347	107,376
Manchester	10,952	11,827	266,094	276,704
Newcastle	1,387	1,338	29,713	35,324
Nottingham	434	498	10,405	10,881
Sheffield	1,096	1,136	15,184	20,273
Southampton	47	97	2,282	2,785
12 Towns	26,321	29,650	643,719	679,192
Dublin	5,490	5,033	132,766	149,462

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Working days	5	6	133	132
Birmingham	2,559	3,206	49,865	57,755
Bradford	1,320	1,522	50,815	50,259
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MONTHLY STATEMENT		1942	
MAY		1941	1942
Date			

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THE
ECONOMIST

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A NEWSPAPER

ONE SHILLING

JUNE 20, 1942

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The Public's Schools

HOW much real headway is the Government making in its plans for education? It was hoped that some answer to this question would be given by the President of the Board of Education in his speech on the Estimates for his Department on Tuesday. He announced the formation of yet another body to co-ordinate the work of youth movements ; a fresh inquiry into industrial and commercial training and apprenticeship ; and, most piquant of all, the setting up of a committee to consider ways and means of extending the facilities of boarding-schools, irrespective of parents' means. No plan of action, it appears, has yet been drafted ; only the headings have been prepared.

True, Mr. Butler is making the right inquiries. Already since he became President of the Board of Education, he has asked committees to report on examinations and courses of study in secondary schools ; on the recruitment and training of teachers ; and now on vocational training, and, broadly, the use of the public schools. Obviously, he is searching, as most people interested in education have been searching for a generation, for the best solution to the problem of post-primary education. But this matter is not the riddle that these new inquiries might seem to suggest. One of the major achievements of this country in the period between the two world wars was the analysis of precisely this problem in a series of classic reports, which are now part and parcel of the literature of education. The Consultative Committee of the Board of Educa-

tion, with the aid of His Majesty's Inspectors—a body of men whose ability and devotion has been too little realised—have set before successive Governments most of the material that is required to answer the queries which are, very properly, engaging Mr Butler's attention now. The question is, quite simply, what kind of schools and schooling should be provided for adolescent children, in order to provide them with the utmost opportunity to make use of their talents and to enable the community to employ those talents later to the best effect in every branch of national life. The answers are, it is true, still a matter of discussion and controversy. But all the alternatives are now known ; and it should be the Government's purpose, not to re-state the choices, but to put before Parliament and the public a definite plan for education upon which the ultimate decision can be taken. There is a great danger, that reconstruction, in all its forms, will be frustrated by this tendency to repeat interminably the researches which are only the preliminaries to action. In education, perhaps more than in any other department, there has been this tendency to mark time, to announce again and again principles of reform which have become commonplaces, without making any resolute attempt to convert them into actual programmes.

Meanwhile, education remains depressed, even without the devastating consequences of wartime changes. Its material foundations—not in the secondary schools, but

Assets and Liabilities													Preceding Year			
Company	Year	Total Assets	Total Liabilities	Total Equity	Total Assets	Total Liabilities	Total Equity	Total Assets	Total Liabilities	Total Equity	Total Assets	Total Liabilities	Total Equity	Total Assets	Total Liabilities	Total Equity
Breweries, &c.																
Beck's Brewery	1912	179,111	40,000	139,111	179,111	40,000	139,111	179,111	40,000	139,111	179,111	40,000	139,111	387,381	253,336	134,045
Beck (W. H.) & Co.	1912	40,000	11,111	28,889	40,000	11,111	28,889	40,000	11,111	28,889	40,000	11,111	28,889	74,734	11,318	63,416
Carlsberg, Copenhagen	1912	2,142	2,142	0	2,142	2,142	0	2,142	2,142	0	2,142	2,142	0	276,196	128,883	147,313
Coal, Iron and Steel																
Armstrong, Steel & Wire	1912	11,781	1,781	10,000	11,781	1,781	10,000	11,781	1,781	10,000	11,781	1,781	10,000	31,162	11,244	20,000
Beck's Steel & Wire	1912	40,000	11,111	28,889	40,000	11,111	28,889	40,000	11,111	28,889	40,000	11,111	28,889	79,069	33,377	45,692
Carlson Steel & Wire	1912	12,978	1,297	11,681	12,978	1,297	11,681	12,978	1,297	11,681	12,978	1,297	11,681	135,554	115,276	20,278
Manchester Collieries	1912	12,978	1,297	11,681	12,978	1,297	11,681	12,978	1,297	11,681	12,978	1,297	11,681	220,965	23,880	197,085
Noble & Sons, Coal	1912	10,918	1,091	9,827	10,918	1,091	9,827	10,918	1,091	9,827	10,918	1,091	9,827	53,027	32,550	20,477
North's Navigation Collieries	1912	12,978	1,297	11,681	12,978	1,297	11,681	12,978	1,297	11,681	12,978	1,297	11,681	57,811	33,811	24,000
Electric Lighting and Power																
Edison Electric Supply	1912	1,000,000	100,000	900,000	1,000,000	100,000	900,000	1,000,000	100,000	900,000	1,000,000	100,000	900,000	1,002,547	396,101	606,446
Financial, Land, &c.																
Argentine Estates of Brazil	1912	41,190	11,190	30,000	41,190	11,190	30,000	41,190	11,190	30,000	41,190	11,190	30,000	58,379	35,103	23,276
Beck's Land & Co.	1912	40,000	11,111	28,889	40,000	11,111	28,889	40,000	11,111	28,889	40,000	11,111	28,889	67,106	21,701	45,405
Investment Corporation of Canada	1912	15,190	1,519	13,671	15,190	1,519	13,671	15,190	1,519	13,671	15,190	1,519	13,671	17,638	4,401	13,237
Platt Brothers & Co. (Holland)	1912	95,991	9,599	86,392	95,991	9,599	86,392	95,991	9,599	86,392	95,991	9,599	86,392	106,669	88,580	18,089
Prudential Holdings	1912	52,673	5,267	47,406	52,673	5,267	47,406	52,673	5,267	47,406	52,673	5,267	47,406	65,483	1,689	63,794
Rubber & Tropic Trust	1912	5,011	501	4,510	5,011	501	4,510	5,011	501	4,510	5,011	501	4,510	7,129	74,868	67,739
Scottish Liqueur Corporation	1912	73,727	7,372	66,355	73,727	7,372	66,355	73,727	7,372	66,355	73,727	7,372	66,355	83,327	43,591	39,736
Warner Estate	1912	14,903	1,490	13,413	14,903	1,490	13,413	14,903	1,490	13,413	14,903	1,490	13,413	192,795		192,795
Gas																
Imperial Continental Gas	1912	1,000,000	100,000	900,000	1,000,000	100,000	900,000	1,000,000	100,000	900,000	1,000,000	100,000	900,000	170,415	Dr. 73,270	97,145
Hotels, Restaurants, &c.																
Lyons (J.) & Co.	1912	400,000	40,000	360,000	400,000	40,000	360,000	400,000	40,000	360,000	400,000	40,000	360,000	883,600	883,600	0
Rubber																
High Lane	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	151,643	39,799	111,844
Galland Heur	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	1,472	873	589
Haworths	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	92	9,372	9,280
Higgins	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	144	3,361	2,317
Mengelblad (Central India)	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	2,344	23,523	7,649
Ramona Park	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	1,279	12,340	14,985
Rosehaugh (Ceylon)	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	11	40,710	40,699
Shops and Stores																
Jay's Limited	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	25,649	Dr. 17,930	25,165
Marks & Spence	1912	2,218,812	467,196	1,751,616	2,218,812	467,196	1,751,616	2,218,812	467,196	1,751,616	2,218,812	467,196	1,751,616	3,071,174	886,435	2,184,739
Ross Clothing	1912	91,816	17,357	74,459	91,816	17,357	74,459	91,816	17,357	74,459	91,816	17,357	74,459	1,545	168,120	166,575
Wills (Holland) & Co.	1912	20,140	1,229	18,911	20,140	1,229	18,911	20,140	1,229	18,911	20,140	1,229	18,911	36,262	4,166	32,096
Ten																
Anglo	1912	1,137	1,137	0	1,137	1,137	0	1,137	1,137	0	1,137	1,137	0	481	677	1,158
Eastern Producers & Estates	1912	13,733	1,373	12,360	13,733	1,373	12,360	13,733	1,373	12,360	13,733	1,373	12,360	172	45,840	45,668
Holland	1912	1,137	1,137	0	1,137	1,137	0	1,137	1,137	0	1,137	1,137	0	37	860	823
Rosehaugh (Ceylon)	1912	10,000	1,000	9,000	10,000	1,000	9,000	10,000	1,000	9,000	10,000	1,000	9,000	26,921	10,851	16,070
Textiles																
Editha Heur & Co.	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	122,354	11,922	110,432
Galland Heur	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	2,542	200,818	198,276
Haworths	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	823,861	339,749	484,112
Higgins	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	703	7,894	7,191
Mengelblad (Central India)	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	32,813	61,414	28,601
Ramona Park	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	78,051	58,126	19,925
Rosehaugh (Ceylon)	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	258,125	71,323	186,802
Wills (Holland) & Co.	1912	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	100,000	10,000	90,000	261,451	44,686	216,765
Tramway and Omnibus																
British Electric Traction	1912	6,750	675	6,075	6,750	675	6,075	6,750	675	6,075	6,750	675	6,075	8,434	748,552	740,118
London Electric Tramway	1912	6,750	675	6,075	6,750	675	6,075	6,750	675	6,075	6,750	675	6,075	1,497	839,254	837,757
Mackay & Electric Motor	1912	6,750	675	6,075	6,750	675	6,075	6,750	675	6,075	6,750	675	6,075	1,161	416,586	415,425
Trusts																
Consolidated Trust	1912	70,101	7,010	63,091	70,101	7,010	63,091	70,101	7,010	63,091	70,101	7,010	63,091	80,836	40,685	40,151
First Northern American	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	78,241	27,149	51,092
Reynolds Securities Trust	1912	1,111	111	1,000	1,111	111	1,000	1,111	111	1,000	1,111	111	1,000	15,446	10,633	4,813
Trust House	1912	64,067	6,406	57,661	64,067	6,406	57,661	64,067	6,406	57,661	64,067	6,406	57,661	68,396	48,180	20,216
Wilton Investment	1912	20,412	2,041	18,371	20,412	2,041	18,371	20,412	2,041	18,371	20,412	2,041	18,371	212,431	114,686	97,745
Waterworks																
New River Co.	1912	10,101	1,010	9,091	10,101	1,010	9,091	10,101	1,010	9,091	10,101	1,010	9,091	1,801	64,764	62,963
Rochester Water	1912	10,101	1,010	9,091	10,101	1,010	9,091	10,101	1,010	9,091	10,101	1,010	9,091	1,801	70,956	69,155
Other Companies																
Alameda, Ferguson & Co.	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	1,361	17,109	15,748
Alfred Newgate	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	12,482	937,690	925,208
Associated Bank	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	15,044	68,998	53,954
Avoncroft Estate	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	2,211	124,949	122,738
Avoncroft Estate	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	5,623	469,548	463,925
Avoncroft Estate	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	43,525	43,525	0
Avoncroft Estate	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	31,476	31,476	0
Avoncroft Estate	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	43,603	43,603	0
Beck's Land & Co.	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	158,619	158,619	0
Beck's Land & Co.	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	1,212	477,426	476,214
Beck's Land & Co.	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	1,712	105,660	103,948
Beck's Land & Co.	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	67,535	67,535	0
Beck's Land & Co.	1912	1,000	100	900	1,000	100	900	1,000	100	900	1,000	100	900	3,626,763	3,626,763	0
Beck's Land & Co.	1912	1,000	100	900	1,000	100	900	1,0								

(c) 12% on "A" Ordinary and 25 % on "B" Ordinary Shares
() Set aside for Redemption of 5% Funding Certificates
(c) 21% , bringing payments up to October 31, 1939

(b) In full Transfer to Reserve for writing down Cost of Replacement of
 (c) Excludes \$100,000 Provision for War Damage Insurance.
 (d) See years to end of 1941. † Free of Income Tax.

1. Section 170(e)(2)(B)(i)(I) - Charitable Deduction for War Damage
 2. Section 170(e)(2)(B)(i)(II) - Charitable Deduction for Income Tax

which

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in the elementary schools where the vast majority of children begin and end their schooling—are shabby and insufficient. Only one in five elementary school buildings is adequate and suitable for its purpose; and most children break off their education completely and finally at the age of 14. It might even have been better in the past twenty years to have done more in practice to meet this basic need, and to have said less in principle about reforms in post-primary education which have been applied only half-heartedly, and with a depressing unevenness over the country as a whole. The school looks two ways. It looks to the society into which its pupils will pass. But it looks first to the family from which its children come. That is the first essential link. No scheme for diversifying post-primary education or for opening the doors of public schools to children from all classes can have any reality while the foundation, the elementary school where children come fresh from their homes, remains so shoddy and so shameful as it still is.

Nevertheless, the ultimate key to fuller and more fruitful citizenship does lie in the opportunities for education which are given to children between the age when they have mastered the three R's and the age when they become adult members of society. Some people say that the right policy is to provide secondary education for all up to the age of 18; others maintain that the proper line is to provide part-time education for all children after they have left school and when they are tasting for the first time the experience of life and work. Some argue that the best training for all but a few children in the secondary stage is training in arts and crafts which will equip them with skills for their working life; others claim that every child in the later years of schooling has an equal right to the culture and intellectual discipline which reside in the liberal, literary and scientific curricula of the public, grammar and secondary schools. Most people are agreed that the so-called public schools, whose exclusive social cachet in present circumstances is more important even than their great traditions and the high quality of the instruction they give, should cease to be reserved for good families and big bank balances. It is significant that the new committee which is to consider extending the facilities of boarding schools to all those who desire to profit from them was asked for by the governing bodies and headmasters of the public schools themselves.

At first glance, it may seem, there is a confusion of counsel. It is perhaps this confusion which causes yet another President of the Board of Education, this time a sincere and earnest believer in educational reform, to walk again the weary treadmill of researches, inquiries and reports. Perhaps he believes that there is a single right answer to all these questions. If he does, he is almost certainly wrong. It is plain that any programme of reform must combine the best of all these proposals. The solution lies, not in secondary education for all, not in compulsory part-time education for all, not in vocational education for all, and not in an academic education for all, but in the widest possible variety of all these to suit the talents, the interests and the choices of all children—so that there is a round hole for every round peg, and a square hole for every square peg.

More and more, it is evident that every plan for the betterment of this democratic society must be a balance between different ways and aspirations. In industry, it has been said, the task is to combine the maximum use of the state's organising power with the maximum opportunity for individual initiative; this was the issue raised by Lord Reith in the House of Lords on Wednesday when he called for control and management of essential public services, such as transport, by means of public corporations. The same is true of education. On the one hand, the state must lay down and ensure minimum standards of accommodation and instruction for every school in the country, and for every child of every class; it must see that there is made open to every child, regardless of his or her parent's means, the chance to make a free choice between all the various kinds of schooling which are appropriate to different talents and

different temperaments. On the other hand, each school and each teacher, working at the highest level and in the best conditions that the state can contrive, must be left sufficient freedom and initiative to make of the schooling they provide a spontaneous and effective training—such as is too often so sadly lacking in the over-regimented, over-examined, over-ruled and over-regulated schools of the present time. Uniformity of facilities and opportunities there must be, but not a tyranny of rules and orders in shoddy surroundings.

This doctrine of uniformity in diversity is not new. In the literature of educational theory and practice, it is a truism; and the ways to achieve it, too, have been set out many times. It will not be achieved by any single dramatic act. To open the public schools to the best people in the communal sense, and not to the "best people" in an out-moded and exclusive social sense is imperative. It is of the highest importance both that the public schools should be preserved, and that they should be reserved for the children most likely to profit from their training. But the English public schools can no more be multiplied than Wren churches can; and to believe that to open the public schools by itself will solve the problem of secondary education is dangerous nonsense. They are limited in numbers. The bottleneck will still remain grievously narrow. What is most needed, if the exclusive entrée to public life provided by the public schools is to be ended, and if all children everywhere are to be given an equal chance of education and an equal chance to contribute by their work to the nation's profit afterwards, is a whole chain of new schools; and these should neither be mock Eton nor ersatz Arnold—in the aping style which in so many other ways, in dress and manners, in thought and in deed, so painfully reveals the present bankruptcy of taste and culture. The tradition of England did not end with the public schools. There are grammar schools with a different but not inferior record. Here and there, in modern secondary schools, a new achievement is already being worked out. The new schools should be the public's schools.

The problem of democratic society, at every point, is to use the nation's talents. In politics, there is a lack of honest, able men. In the Civil Service there is a lack of adventurous spirits. In teaching itself, the only profession for which training is freely subsidised from public funds, there is—beside the devoted labour of many thousands of individual teachers in soul-destroying surroundings—a lack of missionary zeal and first-rate competence. In industry, there is a lack of vision and courage. There is, too often, a lack of pride, enthusiasm, and capacity in the home itself. Everywhere the task is to open the door to the men and women who can best serve by their boldness and ability—and to give them room in their public work, and in their private lives, to carry out plans of action and to take responsibility. It is the function of the nation's schools to furnish the channels along which these men and women will pass; and only by making the schools themselves open to all equally, and at once uniformly well-endowed in equipment and personnel and infinitely diverse in their freedom to develop, can this be done. Talk in terms of abstractions does not help and is dangerous; leadership with a capital L and Youth with a capital Y are words which befog the issue and bemuse goodwill. What is needed is a practical, positive plan to provide the schools and the schooling that all reformers, in their different ways, are agreed should be provided. This is Mr. Butler's opportunity. The call is for action. He and his colleagues in the Government must say, with Cromwell, "Truly our business is to speak Things."

The AMERICAN SURVEY (which appears this week on pages 859 to 861) includes articles and notes on:—

New Highs in Output
Morale in Buffalo
Primary Politics
War Information
The Price Squeeze

Japan's Empire

IT is now clear that the battles of the Coral Sea and of Midway Island were a serious setback for the Japanese. For the first time, their progress has been definitely checked. It would be unwise, of course, to assume that anything like a decisive victory has yet been won by the Allied forces. But these successes in the Pacific are a warning to Japan that time to consolidate its spoils may be short.

The first phase of the Far Eastern war ended with the Burma campaign. After this victory, the Japanese, with the exception of Free China, virtually rounded off the conquest of the Co-prosperity area whose inception was announced some two years ago by Mr Hachiro Arita, then Japan's Foreign Minister. The Japanese are now engaged in consolidating their gains. The whole of China is very far from being conquered. Operations are by no means complete in the Philippines and New Guinea. But the Co-prosperity sphere is now a fact.

Plainly the conquered territories, even if rounded off by a complete victory in China, would not represent the limit of Japanese ambitions. The Co-prosperity area is the base from which Japan hopes to launch increasingly powerful and far reaching blows against Allied territory. The threat to India, Australia and New Zealand is already obvious, and there is no reason to suppose that even these are the ultimate objective. Japanese plans have failed to mature in one vital particular—that the assault upon the Malay Archipelago had to be undertaken before China had been subjugated. More than ever it is clear that the desperate resistance of the Chungking Government has so far provided the most serious obstacle to Japanese Imperialism. Thus, it is wholly consistent with Japanese policy that, after the successful termination of the Burma campaign and the closing of the main supply route into China, a fresh attempt should be made to eliminate Free China from the war. Without its conquest, the Co-prosperity sphere is incomplete. The success of General Doolittle's raid on Tokyo showed how insecure the swollen Japanese empire remains. Thus, the campaign is renewed in Chekiang and, by the back door, in Yunnan.

And in the occupied territories, development is proceeding very fast. Politically, insistent propaganda is attempting to win the support of the native populations for Japan. It is a propaganda based on colour; it suggests that the white races are inherently inferior to the Japanese and in no way superior to the Indonesians, Malays or Burmese. The attempt to demonstrate this racial theory is no doubt the true explanation of Japanese atrocities. For years, Japanese propagandists in the Malay Archipelago have been pointing out, and emphasising, specific defects of white rule. Now the conquerors are busy glibly offering

juster rule or eventual liberation, according to the temper of the local population. At worst, it is argued, the natives have changed their masters for the better; at best, pseudo autonomy under quisling rule is only just round the corner. The treatment is not uniform, because aspirations to self-government exist in very differing degrees. Strongest among the Siamese, who were independent, among the Burmese, who aspired to dominion status, and among the Filipinos, who were due to attain self government, the aspiration is weakest among the Malays, whose political apathy is their outstanding characteristic. In the Netherlands East Indies, the desire for freedom is marked among the more civilised Javanese, less strong in Sumatra, and virtually unformed among the backward natives of New Guinea. It is significant that the Dutch Government has recently appointed the first Javanese Minister in the Cabinet. Yet, the Japanese have adapted their psychological approach with skill. In every case, there has been a very definite attempt to impress the merits of Co-prosperity upon the native population, and to rule out any conceivable return to government by the white races. In Burma, the position is complicated by the inclination of the Burmese to support the cause of Free China while opposing British rule. Throughout the conquered territories, the victimisation of local Chinese populations has been an outstanding feature.

Economically, the process of integration and reorganisation is in full swing. The first step is to repair the results of scorched earth and war damage. The local populations have been pressed into service. Important progress is reported to have been made in the reconstruction of bridges, roads and harbour installations. The repair of machinery presents more serious difficulties, which must considerably delay the date when full development will be possible. An organisation for planning the reconstruction of the region and for taking over British and American commercial and industrial enterprise has, however, already been formed. It appears to be presided over by the official Council for the Reconstruction of Greater Eastern Asia, of which Premier Tojo is chairman. Under its aegis, specialised raw materials boards are said to have been set up for particular schemes, such as the exploitation of chromium and manganese in Malaya and the Philippines and the development of bauxite, tin and nickel in the Netherlands East Indies. Finance is to be provided by the newly formed Bank for the Development of the South Sea Territories, which has a capital of 100 million yen, and in addition has the right to draw further sums through the supplementary military budget. A more detailed account of financial measures in the Co-prosperity sphere is provided in an article on page 862. Forestry and agricultural policy is to be investigated by a committee

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formed by the Central Council of the Nippon Industrial and Provident Societies, which is said to have distinguished itself by including Australia and New Zealand within the scope of its investigations. While these bodies are deliberating, the purchase and sale of important materials—of which a census has been taken by the military authorities—has been banned. The list includes textiles, iron, cement, phosphates, rice, maize, quinine, hides, copra and palm oil. It is believed that the reconstitution of former Allied enterprises will be entrusted to private firms under the supervision of the military authorities. Thus, all mines will be privately worked and all their production bought by the army. The Japanese Government apparently does not wish either to own or to operate the means of production. The result, as in occupied China, is considerable friction between the military authorities and industry.

Economic policy in the Co-prosperity sphere is, of course, at several different stages of development. In Northern China and Manchukuo, the population is about to be embarked upon the rigours of a Five Year Plan; the absorption of British and American business has been completed by the affiliated concerns of the important Northern China Development Company. In Siam, a similar undertaking, the Thailand Company for the Development of Industry, with a capital of baht 12,000,000, has only just been formed; its work lies ahead of it. The assimilation of industry in the newest conquests has not yet taken place; but banks and post offices in Java were reopened in April under new management. It is reported that the immediate programme for the latest beneficiaries of Co-prosperity includes the development of iron ore deposits to make Japan independent of United States scrap and a switch over in the Philippines from the production of sugar to the production of cotton.

It is useless to deny that Japan's raw material position has been vastly improved by these conquests. Colonel Okada, head of the munitions department of the Ministry of War, stated in April that there was no longer any difficulty in supplying Japan with oil; and there is no reason to doubt the accuracy of his pronouncement. The refineries in Japan and Manchukuo are probably adequate for war purposes, and there are some grounds for believing that a fairly high percentage of the oil fields in Sumatra may have been captured undamaged. The production of tin and rubber in Malaya has been resumed, and output is said to be rising steadily, although it is not clear on what scale. The food problem, which at one time was the dominant concern of Japanese economic policy, has been solved by the control of all but a fraction of 1 per cent of the rice normally entering into international trade. The addition of the rice surplus of lower Burma to the supplies available in the Yangtse basin of China, Indo-China and Siam brings the total available for Japanese colonial and occupied territory to some 78 millions quintals a year. The Japanese occupation of these territories came after the harvest, and it is believed that substantial destruc-

tion of stocks can only have taken place at Rangoon. The 1941-42 harvest in Burma is expected to be large since there was a marked increase in the area sown last year. It may be presumed that, after the needs of the rice deficit areas, including Malaya, the Netherlands East Indies, and Borneo, have been met, there will be some surplus which the Japanese can use for starch, alcohol and fuel.

The Co-prosperity sphere, however, is not without difficulties. The greatest of these is undoubtedly shipping. In order to reap the full benefits of integrated development in this wide-flung region, it is estimated by M. Matsukuma, the director of the important Japanese shipping company, Nippon Yusen Kaisha, that 10 million tons of merchant shipping are required. The greater part of shipping within the Co-prosperity area was formerly in the hands of Dutch and British concerns, and the tonnage which they operated is fortunately not available for the Japanese. A large construction programme has been launched to produce a standard wooden junk for coastal shipping and a type of "utility" vessel, known as a "wartime" ship, in which the use of steel is minimised. There is no doubt that the Japanese authorities intend to make use of the shipbuilding yards at Hong Kong, Shanghai and Singapore. At present the shipping bottleneck is very narrow and is responsible for drastic reductions in the import of foodstuffs to Japan and a marked curtailment of fishing.

A further and outstanding obstacle to development is the shortage of real capital—machines and industrial and agricultural equipment. The supply of capital goods to the conquered territories used to be almost entirely in the hands of the Anglo-Saxon nations. Equipment and machinery, now urgently needed by Japan, formerly came from England and America. The difficulty is not mainly one of finding monetary capital. It is the hard fact experienced by Germany and Russia; an adequate supply of capital goods cannot be produced without very serious privations for the Japanese population, as well as for the inhabitants of the occupied territories. The invader has not only to screw up production to totalitarian levels. He has also to make good the destruction of machinery for which the Allies were responsible. The conclusion must be twofold: development must be delayed; but time is on the side of the Japanese unless they can be evicted.

The political and military implications of this situation were pointed out by Dr. Van Mook, Lieutenant Governor of the Netherlands, shortly after his return to this country. The Japanese are now in possession of immense potential resources. Their future military progress may be conditioned by the extent to which these resources can be exploited. Full exploitation will take time; and, in this interval, the initiative must be retaken and used by the Allies. Very much more than the future of the Co-prosperity area hangs on the ability of the United Nations to see that these Asiatic and Pacific lands are developed only by peaceful nations in the interests of world prosperity.

Production to the Hilt

IN his broadcast in the United States last week, Mr Lyttelton lifted one corner of the curtain covering British war production. The picture was one of immense achievement. The production of weapons of war in Britain has doubled in a year. In his presidential address to the Amalgamated Engineering Union on Monday, Mr Jack Tanner, too, spoke of a tremendous increase in production during the past six months. Until this summer, when British production was overtaken by the output of American factories, this country was, overwhelmingly, the main arsenal of democracy. War output per head of the employed population is still much greater than in any other country.

Britain is all but fully mobilised. Two-thirds of its population between the ages of 14 and 65 are working full time in industry, in the armed forces, or in civil

defence. But there is no room or reason for any relaxation of effort or of ingenuity. The task now is not to bring in fresh industrial resources, but to extract the last ounce from the resources already harnessed in the war factories, and to make swift and shrewd adjustments in the disposition of resources, as the need arises, to meet changes in strategic requirements.

Mr Lyttelton was appointed to oversee precisely these tasks. The making of output programmes is more important than ever. Together, under Mr Lyttelton's direction, the plans of the supply departments must aim to make the most effective use possible of the productive resources available, and they must promise, for the right dates, the kinds and quantities of weapons and equipment that will be wanted on each battlefield. The Minister of Production has gone to the United States to extend these

principles to the combined field of Anglo-American manufacture. At home, he has the duty, in addition to the moulding of programmes, of securing the utmost technical efficiency and the utmost flexibility in the use of resources.

There is still scope for an appreciable expansion in the "yield" of finished war equipment per man-hour. In one respect, the output of munitions per worker will go on rising, automatically, as the proportion of labour, materials and plant employed in the preparatory work of constructing new factories and manufacturing equipment is reduced. The building and civil engineering industries, for example, should be able to release many workers during the next twelve months. But in the main the increase in the yield per man-hour must come through an actual increase in the efficiency of work. Primarily the problem is one of management, not only in the individual factory, but in the general disposition and utilisation of resources. The test between now and the end of the war, Mr Bevin has said, is of managerial ability.

It would be quite wrong to say that war production at present is inefficient. It would be equally wrong to say that there is no room for improvement. Industrial mobilisation had to be carried out quickly, and often in difficult conditions. The existence of loose ends and ragged edges is not surprising. Some of them have been set out in a memorandum prepared by the Amalgamated Engineering Union, on the basis of investigations carried out in engineering shops and shipyards during August and September in 1941, and February and March in 1942.

The list of defects compiled by the AEU from their latest inquiry (analysed on page 873) is not unfamiliar. It includes shortages of work; idle machines; shortages of materials, components, tools and suitable equipment; delay or discontinuity of orders; shortage of labour; misuse of labour; a wrong attitude of managements towards workpeople; faulty planning and organisation; inefficient progressing; working to too fine limits; unsatisfactory labour conditions; inadequate transport facilities; dissatisfaction with piece-rates or earnings; bad time-keeping or absenteeism; and the inefficiency of women and other inexperienced recruits. For the most part, the complaints of the AEU, not unnaturally, relate to faulty management and lack of collaboration between managers and workers. Compared with the complaints lodged during the first inquiry last year, there has been a substantial improvement. The setting-up of production committees, in particular, appears to have led to better relations in the factories. They had been established in about a quarter of the establishments that reported to the AEU during the second investigation. The practice of joint consultation has tended to increase the interest of workers in their jobs and their sense of responsibility towards their duties. By their technical knowledge and constructive ideas, workers have been able to make valuable contributions to the solution of production problems. The AEU inquiry was completed before the agreement to extend the system of production committees could be reflected in the returns, and further improvements in collaboration must have taken place.

Shortage of work and idle time are, to a point, inevitable when there is virtually full employment. In part, they replace the reserve of short-term unemployment which is the industrial buffer in normal prosperous times. They could only be obviated altogether by a perfection of liaison and of timing throughout the industrial system which is inconceivable. Very often, though, they are due to faulty management or faulty planning. The AEU found fewer this year than last. Workers were still dissatisfied with what they regard, sometimes rightly, sometimes wrongly, as the misuse of time, labour and machinery. New machinery is frequently not set up; some men are still working with obsolete machine tools; working hours are often not fully used; and there is some evidence of machines standing idle with plenty of workers at hand. Sometimes these frictions are unavoidable, sometimes blameworthy. Deficiencies in components and spare parts, most marked in the aircraft and tank industries, are still attributable to lack of co-ordination between main and sub-contractors, to other unsystematic methods of

placing orders and to conflicting priorities. Any suggestion that managements are planning, or actually executing, orders with an eye to the post-war period has a disturbing effect upon workers. The attitude of many managements is cited by the AEU as a serious impediment to maximum efficiency, though the increase in complaints under this heading is probably due to the increased interest of workers in production problems, rather than to any deterioration in the quality of management. Like the Citrine Committee, the AEU suggest that the contribution of the regional boards to the solution of production problems has until now been small. Where problems have been referred to the boards through trade union channels,

the results have been nil or have been followed by an inspection by a Supply Department affording no redress to the actual shortage or difficulty.

Whether the advent of Mr Lyttelton's representatives into the regions—to bring together the representatives of the departments, of industry and of labour in concerted work—will remedy these defects has still to be seen. It is easy to exaggerate these shortcomings of management—the AEU is unlikely to understate them. But these complaints do illustrate the ways in which improvements must be sought if the output per man-hour is to be increased. There is need for a bold lead from the Minister of Production to remove inept and unsympathetic managers, to end faulty planning and muddled ordering and to impose the highest standards of productive technique.

The task of securing flexibility in the disposition of industrial resources in the light of changing military needs is again the responsibility of the Minister of Production. Conditions must be created in which men, machines and materials can be transferred from the manufacture of one category of equipment to the manufacture of others more immediately needed and, within particular categories of equipment, from the production of one type to the production of another. Big changes cannot be made in a few days or even months. But, within limits, a good deal can be achieved. Already, some redistribution of workers has been planned by the Ministry of Labour to speed up the output of aircraft, tanks and ships, though there is as yet no evidence of much progress in effecting the transfer.

Looked at in the round, Britain's achievements in the production of arms, in the past two years, have been very remarkable. The fact that America's output is now moving rapidly ahead must be a further spur. To build up the strength needed to defeat the enemy, only the maximum output of both countries will suffice. Nothing less than "production to the hilt," as Mr Lyttelton has called it, would either do justice to the ability of British industry or measure rightly the ordeal that still lies ahead of the United Nations.

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domestic consumption because of increasing purchasing power with gross inequities reflecting differences in income: it is desirable that rationing should be introduced when it can be mild and done without hardship even to the poorest: it is necessary to provide ahead for 1943 as well as 1942, because the demand for coal, as the war effort grows, is bound to rise. [*The Economist*, May 2nd, page 596.]

If there is to be public discussion about rationing, then it is a political scandal that these arguments are not being stated by those politicians who have special personal and party responsibility for ensuring that the interests of the community at large should not be overridden by special pleading. Small houses as well as mansions have a right to be heard.

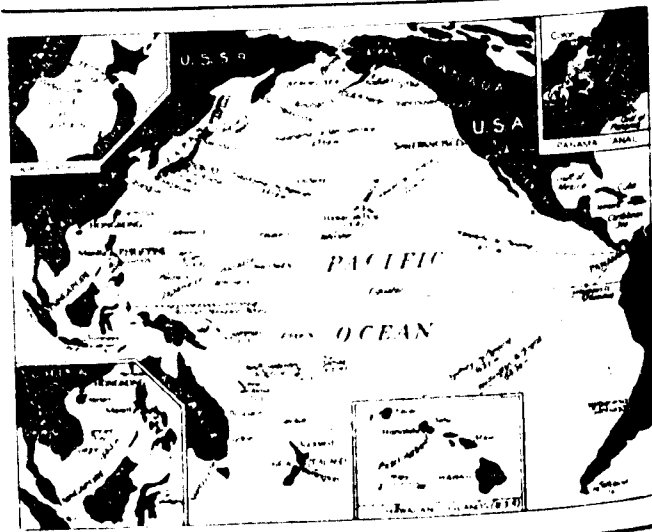
Family Allowances

Family allowances have now been debated in the House of Lords, but not yet in the House of Commons—though an early opportunity for discussion of the subject there has been promised by the Lord Privy Seal. Nothing very new was said in the Lords last week. The debate was chiefly marked by the moving "maiden" speech of the Archbishop of Canterbury, and by the degree of unanimity expressed in favour of the introduction of some scheme of allowances. This unanimity of opinion was a reflection of the wide measure of support which the principle of family allowances is now receiving throughout the country from persons of all shades of political opinion. The Liberal party has long been in favour of the proposal, and so have some sections of the Conservative party. The Labour party carried a resolution in support of the scheme by a large majority at their Whit-sun Conference; the Co-operative Conference also pronounced in its favour, it is expected that considerable support will be forthcoming, as well as some strong opposition on traditional lines, at the Trades Union Congress in September. Lord Southwood, who moved the motion on family allowance in the Lords debate, was rebuked by the Lord Chancellor for having drawn a comparison between the cost of the war and the cost of the social services. Nevertheless, his statement that ten or eleven days of war expenditure would pay for an allowance of 5s a week (which, incidentally, is a meagre and insufficient sum for any effective scheme) to every child of 15 or remaining at school beyond that age cannot be ignored; carrying the analogy further, the total sum spent on social services, including education, in the year immediately before the war, would be represented by 42½ days of war expenditure. The value of such a comparison lies in the argument it presents to those who hold that financial considerations should not be allowed to impede social reform. The Lord Chancellor was sympathetic, but non-committal. He explained that he could give no intimation of Government policy, first because the financial questions involved were a matter for the Lower House, and, secondly, because any decision on family allowances must wait upon the presentation of Sir William Beveridge's Report. "Wait for the Beveridge Report" has now become the stock reply to all requests for information about the Government's intentions in regard to social questions. It was given again in the Commons on Wednesday in relation to old age and widows' pensions, though the Government did agree to make a special inquiry into these payments. Meanwhile, the public is kept guessing and hoping that, when it does come, the Beveridge Report will contain proposals for a bold and comprehensive scheme for social reform, and that the necessary legislation will then follow at once, whether the war is over or not.

Pacific Victory

With astonishingly small losses to themselves, the Americans have disposed of a sizeable proportion of the Japanese navy in the engagements in the Coral Sea and off Midway Island. In both battles, the Japanese appear to have been caught unawares by the ship and shore-based American aircraft. At Salamaua and Lae in New Guinea, their ships were smashed in harbour before putting out to court further disaster on the high seas. A feature of both battles was the predominant part played by the naval bomber. These sea battles were, in fact, fought out in the air. The days of naval engagements, in which the surface ships are the chief protagonists, seem to be drawing to a close. It is no longer simply a question of air cover. The chief offensive weapon is the dive-bomber and the torpedo-bomber. The latest Mediterranean convoy battle illustrated the same

point. It appears that surface ships were not engaged at all. They were only attacked—from the air. The Pacific battle has led, inevitably, to over-optimism—"the back of the Japanese navy has been broken." The Japanese navy has lost four or five aircraft carriers, light and heavy cruisers, and a number of destroyers; but no modern battleships have yet been sunk, and the Japanese are known to have concentrated on the building of aircraft carriers. Their chief difficulty now is the vast geographical extension of their commitments—to which, by taking the westernmost Aleutian Islands, they



have considerably added. Japanese ships are in Kiska harbour, Attu has been occupied. The fog and stormbound islands make a poor base for offensive operations, but they are the land link between America and Russia, which, whether the Japanese decide to strike at Siberia or Alaska, it is in their interests to break.

Japanese Strategy

The Japanese are keeping up their pressure in Chekiang and the severe fighting has developed into a battle for the railway which links this province with the province of Kiangsi. Their successes in the past week, since the fall of Kiangsi, have been modest and local, but the pressure is being maintained. The attack takes the form of a pincer movement, with troops in Chekiang and in Kiangsi attempting to encircle the Chinese forces in the gap. This smaller pincer operates within the area of the grand strategic operations is the real centre of immediate Japanese activity in the Far East. There has been more news of enemy movements in Inner Mongolia, and reports are circulating that an attack on Siberia is contemplated in the early future. The possibility has received serious consideration in the Chungking. It is, perhaps, given added plausibility by the recent attack on the Aleutian Islands. If Japan were to attack Russia, an effective base on the roof of the Pacific would be an important asset, if not a necessity. The control of the neutralisation of Dutch Harbour, the American base, would make it possible to cut the supply lines between the United States and Russia. Nothing is yet certain about Japanese plans for the summer. The possibilities range from Siberia to Australia and from the Mid-Pacific to the Indian Ocean. For the moment they are centred on China.

Mr Gandhi's Return

Early next month the Working Committee of Congress is to meet to consider another set of proposals. This time they come not from the British Government, but from Mr Gandhi. Sir Stafford Cripps's visit to India was to offer the means of constitutional independence and to secure co-operation in the war effort. Mr Gandhi's offer is quite different. So far as can be discovered, his programme is twofold: to meet Japanese aggression by complete non-violence and non-resistance; and, in order to make this possible, to secure the departure of the British. There can be no clearer sign of the impotence and aridity

into which Indian politics has fallen than the fact that Congress is apparently prepared to take these proposals seriously. The first result of the failure of Sir Stafford Cripps's mission was to give added strength, temporarily, to the moderate group in Congress and elsewhere which sought a settlement between Congress and the Moslem League, in order to secure a united front in the defence of India. But Mr Rajagopalachari was disowned by the Congress Working Committee, which has now sent out instructions into the provinces that Congress groups must be purged of his supporters. The pendulum has now swung back to the old frustrated intransigence. Mr Gandhi is listened to not only because of his personal hold upon the millions among the peasant masses, but because he is the only Congress leader, outside the Rajagopalachari group, who has a programme to put forward. Pandit Nehru, too, has asked the British to "get out"—though he apparently means the phrase politically, and not physically as Mr Gandhi means it. All this contrasts astoundingly with the claim of Pandit Nehru that

if the Indians could be convinced that this is their war and that this was for the freedom of their country, they could, like the Russians, the Chinese and the Americans, put their full weight into the cause of democracy.

It is a direct denial of the plain interests of India and of the Indian people. It is an attempt to use the confusion of Indian opinion to convert India to complete mass pacifism at a moment when such a step would be suicidal. The President of the All-India Peasants' Conference has said, without over-statement, that the principle of non-violent non-co-operation at this juncture is completely futile, and, significantly, he has called for an anti-Fascist front. Russian broadcasts to India have started, and they, too, are calling for an anti-Fascist front. At the moment, there is no sign which of all these appeals—the British appeal, the moderates' appeal, the pacifist appeal or the popular front appeal—will have the most success. All that can be done as the days pass is to press forward reinforcement and recruitment with the utmost speed, regardless of the political mêlée. Yet, in the last resort, the Indians must decide. Every effort to win back the trust and confidence that have been lost in the course of years should be made—if only to save India from the self-destruction which is being preached by India's own politicians.

New Ministry

It has taken a major coal crisis to convince the Government of the long-standing need for a Ministry of Fuel and Power. Even before the war it was unquestionable. The coal-mining industry, though undergoing rapid technical changes, was slow in adapting itself to new circumstances; distribution was known to be inefficient; electricity was rapidly encroaching upon gas; and crude oil had become a vital source of power. While coal, electricity, gas, and oil took up a good deal of Parliament's time during the inter-war years, there was no conscious direction of development. True, there was the Mines Department of the Board of Trade, concerned with coal-mining, and a small staff keeping watch over the gas industry. But electricity was the job of the Ministry of Transport. The one farsighted and constructive development sponsored by the Government was the provision of the electric grid system which, besides achieving economies, has stood the country in good stead since the outbreak of war. Now that the Government has decided to set up a Ministry for the immediate purpose of administering its coal plan, it is to be hoped that there will also be a genuine fuel policy. The selection of Major Gwilym Lloyd George as its first Minister is a reward for proved merit in administration. Mr Grenfell, Secretary to the former Department of Mines, has been dropped. But without any very obvious reason, Mr Geoffrey Lloyd, head of the Petroleum Department of the Board of Trade, has been retained; he and Mr Tom Smith are to be joint Parliamentary Secretaries to the new Ministry. Sir Frank Tribe, Deputy-Secretary to the Ministry of Labour, has been appointed Secretary to the Ministry, with Mr. W. G. Nott-Bower, hitherto Under-Secretary to the Mines Department, as Deputy Secretary. Sir William Brown has been seconded for duty in the Ministry's Petroleum Branch. The key post of Controller-General at the Ministry has been entrusted to Lord Hyndley, hitherto Controller-General of the Mines Department. This appointment, together with the retention of Mr. Geoffrey Lloyd, suggests that the old order is to be embraced within the new, which may or may not be a good thing.

Blockade and Neutrality

The German threat to blockade the coasts of the United States and sink indiscriminately all merchant ship bound thither raises in an acute form the problem of neutrality in Argentina and to a lesser extent in Chile. The share of the United States in the foreign trade of both countries has risen enormously—in Argentina from 12 to 36 per cent in one year. With the cutting off of their European markets, they are both dependent upon the United States for vital supplies. Chile's position is easier, for its ships can use the west coast route and slip through the Panama Canal to New Orleans. The Battles of the Coral Sea and Midway Island have also calmed the nerves of the Chileans. The chief obstacle to collaboration with the United Nations—the length of Chile's coastline—looks less serious, now that several Japanese aircraft carriers have gone to the bottom. Argentina's position is much more delicate. Argentine merchantmen must use the exposed Atlantic route—the tanker *Victoria* was sunk recently as a portent of things to come—and twelve ships (50 per cent of the entire Argentine merchant fleet) are already on their way to the United States. Argentine ships can use New Orleans, but the Mexican Gulf is U-boat infested. If Germany persists in its policy of "total blockade," Argentina will have to choose between losing its foreign trade or accepting the risk to its neutrality. The issue is certain to divide official and private opinion sharply. It is unfortunate that it has arisen at a time when the last hope of securing the return of Dr Roberto Ortiz—the Radical President, who was friendly to the democracies—seems to have disappeared.

In July, 1940, Dr Ortiz, on the grounds of ill-health, delegated his mandate to Vice-President Castillo and went into retirement from active politics. His return, conditional upon his restoration to health, has since been largely a matter of conjecture. In office, Dr Ortiz gave convincing evidence of his determination to ensure cleaner elections. Since the Conservative *coup d'état* of 1930, the Conservative oligarchy had ruled Argentina; and rigged elections were indispensable

THE ECONOMICS OF PRICE DETERMINATION

By C. C. Saxton

10/6 net

This book is intended to be a logical outcome of the methods of economic analysis of the theory of monopolistic or imperfect competition, propounded and developed by modern economists, particularly Chamberlin and Mrs Robinson. It will be of interest not only to academic economists and those having a fair knowledge of economics, but also to the larger industrialists who are concerned with the formation of prices for the products of industry.

REFLECTIONS ON GOVERNMENT

By Ernest Barker

21/- net

This book is concerned with the general movement of political ideas in Europe during the last quarter of a century. It is addressed to what may be called the "problem of liberty in Europe." It is a study of ideas rather than of institutions, and the ideas with which it is concerned are ideas of national (and not of international) government.

Oxford University Press

the 1941 income taxes, which proved steeper than he thought; and the newspapers have brought home to him the fact that the 1942 taxes are going to be steeper still. He is buying war bonds in ever-increasing quantities, with voluntary pay-roll deductions for bonds beginning to snowball.

Mr Average American has now become reconciled to the thought of American troops fighting in any corner of the world, no matter how distant; the fight which raged in Congress last year over whether to permit the National Guard to serve outside the Western Hemisphere is now inconceivable. He generally has confidence in the Government's prosecution of the war. But he is not convinced that the Government has enough confidence in him, because he does not feel that the Government is giving him sufficient information. He also thinks the Government is doing better on the war front than it is on the home front, with special groups, including labour and agriculture, having too much sway at the White House and the Capitol. He has become bitterly critical of Congress. Congress, of course, has been for generations the legitimate butt of any American joke. But in recent years more faith in Congress has been lost because of Congress's own partial abdication of its powers in favour of the President.

Finally, Mr Average American, even in the midst of war, is receiving daily proof of the fact that the United States is a vital part of the world. A resolve is growing that, when the war is over, the USA cannot become the United States Absent, but must take its share in world affairs, even though the cost be high. If America's participation in a world organisation such as the League of Nations were put to a vote now, the majority in favour would be overwhelming. The reaction of isolationism may indeed come when the fighting is over. But its chances should be far less than they were in 1919 and 1920.

American Notes

Primary Politics

The primary elections are now under way; they have already taken place in eight states. Under American law, candidates for office are selected by the vote of registered members of each political party. In some cases, particularly in the South, where the Democratic party has practically no opposition, victory in the primaries is an almost certain guarantee of election. In all states, the primaries determine the quality of the candidates to be offered to the voters in November, and give an indication of the issues and the temper of the electorate. Since the United States became a belligerent, there has been a considerable outcry against the low calibre of the present Congress. An organisation called the Union for Democratic Action has been formed to fight for better candidates against the party machines, and in particular to secure the defeat of notorious obstructionists and isolationists. Magazines as far apart as *Fortune* and the *New Republic* have urged on voters the importance of taking part in the primaries. The returns which have come in so far suggest that this campaign has met with little success. The primary vote has been light in every case, and they have provoked little interest. Campaigns have been fought on local issues; there appears to have been no response to the cry to elect men on their attitude to the war and to international collaboration. An isolationist record, particularly in the Middle West, has proved no obstacle to re-nomination. In some cases, it has been an asset. Illinois Republicans returned Day and Brooks. The former's isolationist record was so black that he did not even receive organisation support; nevertheless, he won by a small margin over his opponent, a supporter of the "Fight for Freedom" Committee. Indiana has continued its traditional isolationism; the pacifist Ludlow has been renominated. In Oregon, where labour issues were pre-eminent and foreign policy played only a negligible part, Senator McNary was renominated without even having to leave Washington. In South Dakota, Senator Bulow, an outstanding isolationist, was defeated in the Democratic primaries, but his Republican opponent will be Governor Bushfield, a pre-Pearl Harbour isolationist; and Karl Mundt, a notorious American-Firer, scored a 6-1 victory over his New Deal opponent, perhaps because of a last-minute *volte face*. In Iowa, the Willkie Republican, Mark Thornburg, was defeated by the choice of the *Chicago Tribune*, Governor Wilson. Because of the apathy of the voters, the influence of the political machines has been dominant. It is probably

natural for interest in elections, particularly in an off-year, to ebb during a great war which is bringing immense industrial and social upheavals. But there must be disappointment that the course of the elections so far does not suggest that the President will enjoy the aid of a conspicuously abler Congress next year. Nor are the omens very happy for the peace, should it occur within the life of the new Congress.

War Information

The consolidation of the Government's information agencies, which has been foreshadowed for several months, was accomplished last week by an executive order establishing an Office of War Information, with Elmer Davis, well-known liberal journalist and radio commentator, as its Director. The preamble of the order states that the re-organisation is made

in recognition of the right of the American people and of all other peoples opposing the Axis aggressors to be truthfully informed regarding the common war effort.

The new office supplants and takes over the duties of Archibald MacLeish's Office of Facts and Figures, Lowell Mellett's Office of Government Reports, the foreign information service of the Co-ordinator of Information, and the division of information of the Office for Emergency Management. Latin-American information services remain the province of Mr Nelson Rockefeller; and the Office of Censorship remains independent, although it is to collaborate with War Information. The most sweeping and promising powers are given to Mr Davis to order stiff-necked departments, such as the Army and Navy, to make available to him such information as he deems necessary, and to issue directives to the various departments and agencies concerning their information policies. He may require that their releases should be approved by the Office before dissemination. Mr Davis also has the power to curtail or eliminate any information service which he considers wasteful or not directly connected with the prosecution of the war. Besides ending the wasteful and confusing duplication which has irritated the public, the press, and the economy bloc in Congress, Mr Davis has the opportunity and the authority to create and carry out the imaginative and consistent information policy which is so badly needed, and has been conspicuously lacking. It is unlikely that this will be accomplished without a struggle, particularly with the Services—and with the State Department, of which Mr Davis has been a vigorous critic, particularly in regard to its attitude toward Vichy. But he will have the support of the President and other liberal elements in the Administration.

The Price Squeeze

Retail and wholesale prices have been frozen for the past month, retail prices since May 18th, wholesale since May 11th, both at the highest levels charged by each firm in March. These ceilings constitute the maximum that may be charged; lower prices are permitted. An odd feature is that two retailers may have conspicuously different ceilings for the same product, if the prices they charged in March varied. The staff to administer the scheme, estimated at 90,000 by Mr Henderson, has yet to be assembled, and among them is the plight of 2,000,000 retailers, who are "squeezed" between their price ceilings and the increased cost of replacing their stock. They claim that their March prices often did not reflect the current increase in wholesale prices, and that the freeze disastrously reduces their profit margins. The "squeeze" will evidently work the greatest hardship on those retailers who co-operated with the Government by trying to keep prices low; on those whose turnover has been greatly cut by the elimination of many consumers' goods, such as refrigerators and radios; and on "independents" as opposed to the chains which can make an equitable division of profits between their wholesale and retail departments without waiting for Government action. The Office of Price Administration has been sympathetic, but has made it clear that no arguments will move it to "puncture the price ceiling." It is hoped that economies in distribution and the elimination of frills will do much to restore profit margins. Where this is insufficient, the OPA is at work on the "rollback," that is, a readjustment of prices at the manufacturing and wholesale level to assure a juster distribution of the total profit. If an industry is

still unable to make ends meet, subsidies will be resorted to; but they are unlikely to provide peace-time profit margins, and would only be granted after the strictest Government investigation. It seems improbable, however, that the Government will be able to prevent, or desirous of preventing, a great concentration of distribution. As in Britain, the retailer will become one of the casualties of total war on the home front.

Seward's Folly

In 1935, the late General William Mitchell called Alaska "the most important strategic place in the world." Events are proving him a true prophet. The recent Japanese attacks on the Aleutians show that they are fully aware of the threat from American bases; and the value of the Alaska-Siberian route for supplying Russia and China is not being neglected. It is a striking fact that, as the bomber flies, Fairbanks in Alaska is almost equidistant from Chungking, Moscow, Berlin, and London; the distances are 3,740, 3,350, 3,480, and 3,390 miles. Kodiak, the Navy's big base in the Panhandle, is 900 miles nearer Tokyo than Pearl Harbour. In the past two years, Congress has appropriated \$150 millions to improve Army and Navy bases at Anchorage, Kodiak, Sitka, and Unalaska. There has been such a big boom that, in Sitka, even the jail is reported to charge \$3 a night for accommodating travellers. Transport has proved the main obstacle to the fortification of Alaska, as well as to its peace-time development. The Canadian Government has established a chain of air-ports across the North-west Territory, but supplies have had to be sent by sea, in addition to the food imports on which Alaska depends even in normal times. Since March, American engineers have been at work on a highway running from Edmonton to Fairbanks along the line of the airports. Agreement between the United States and Canada was reached under the auspices of the Joint Board of Defence; the United States is to build and maintain the road until six months after the end of the war, when it will become part of the Canadian highway system. The technical difficulties of building the road across swamp and in temperatures varying from 50 degrees below zero to 100 above in the summer are enormous; it has been estimated that a road-

bed of sorts will be completed in the spring of 1943, and that a temporary road may be available before the end of 1942. When the proposals for the road were shelved, before the war, it was considered unnecessary and too expensive—rather like the original purchase of Alaska for \$7,200,000 by Secretary of State Seward in 1867. For years, Alaska was referred to scornfully as "Seward's Icebox," or alternatively "Seward's Folly."

Shorter Notes

President Roosevelt has announced the beginning of an intensive 2-weeks' drive throughout the nation to collect scrap rubber. If sufficient is received, nation-wide petrol rationing may be cut off. The campaign will run from June 15th to June 30th. The oil companies, who are anxious to forestall further petrol rationing, have arranged that the country's 400,000 filling stations shall serve as collection depots. The President has pointed out that the Army and Navy have already cut their use of rubber by 25 per cent.

The War Production Board has approved the immediate construction of an oil pipeline from Texas to Illinois. The project has been turned down several times in the past because of the steel it would require. Presumably the shortage of petrol and fuel oil on the East Coast has led the WPB to revise its opinion that it would encroach on steel deliveries for the Army Navy, and Maritime Commission. The pipeline is to be completed by December 1, 1942.

General Motors has been ordered to refrain for three months from manufacturing any non-functional replacement parts for automobiles, lorries, or buses, as a penalty for the improper use of chrome steel and aluminium on automobile trim and hardware. The penalty appears disproportionately light, and what is harder to understand is why the manufacture of non-functional replacements is permitted at any time.

THE WORLD OVERSEAS

Air Training

(From Our Ottawa Correspondent)

May 28th

CANADA'S position as the chief air training centre of the British Commonwealth has been re-affirmed in the renewal, with amendments, of the agreement covering the Commonwealth Air Training Plan. The Ottawa air training conference, which resulted in the formation of the Combined Committee on Air Training in North America, preceded the negotiations between the partners in the Commonwealth plan. The conference of United Nations interested in air training in North America included Canada, the United States, the United Kingdom, South Africa, Australia, Belgium, China, Greece, Norway, New Zealand, the Netherlands, Poland, Czechoslovakia and Yugoslavia. An observer of the Free French committee was present. The conference opened the prospect, so it seemed, to some future United Nations' air training plan concentrated in the safe, open spaces of North America. Talk of such a plan is premature. Nevertheless, Canada, home of the multinational Commonwealth plan and haven of training stations of Norway and of flying students of several other countries, has begun to think in terms of genuine internationalism in air power. If an international police force of the air emerges in some future settlement of the world, its genesis may be traced to the Ottawa conference of 1942.

The Combined Committee, the latest device of United Nations collaboration, provides for pooling of knowledge and experience at the level where efficiency in air operations begins. One result, as an official announcement said, will be the closer approach to standardisation in air training methods than was previously possible. The Combined Committee consists of representatives of the United States, the United Kingdom and Canada, sitting in Washington under an American chairman. Its functions are advisory:

1. To exchange information on air training;
2. To initiate advice on training methods;
3. To advise on measures to secure the most efficient use of North American facilities.

Unusual precautions were taken to maintain secrecy about the activities and conclusions of conference committees. But it was safe to assume that the delegates, in surveying airman-power, the capacity to create training facilities and to build aircraft, examined the foundations of permanent world supremacy in the air. Mr Power, the Canadian Air Minister, forecast confidently that there would be no "bottleneck" of trained airmen to fly the machines coming from the aircraft factories of the democracies.

Renewal of the Commonwealth agreement came after the partners to it—the United Kingdom, Canada, Aus-

tralia and New Zealand—had reviewed progress and planned for the future. The original agreement, signed in Ottawa in December, 1939, would have expired in March, 1943. It has been replaced by a new agreement extending from July 1, 1942, to March, 1945. The success of the continuing plan drew the admiration of President Roosevelt, who, in a message to the Ottawa Conference, described Canada as "The Airdrome of Democracy."

The CATP was originally designed to achieve full production in April, 1942. Construction and training began in April, 1940. The first students were graduated in November, 1940. But in that year of blitz in Britain, not only was the construction of airfields and training stations greatly accelerated, but the scope of the plan itself was expanded by 25 per cent. Full production, including the increase, was reached on December 15, 1941.

Subject to secrecy about the number of graduates and the rate of graduation, there are several indications to judge the change that has occurred in the supply of airmen. The claim is heard in Ottawa that Canadians will soon form the largest national group of operational airmen in the RAF. Canada is now beginning to fill out its home defence force, and a substantial programme of construction of operational air stations is now under way. Final stages of air training are being completed in Canada, a change from the days when graduates were rushed to England to complete the last 25 hours of their training.

The Cost

Operating costs of the Commonwealth plan this year are 37 per cent higher than last year:

	(Canadian dollars)	
	Estimates 1942-3	Actual 1941-2
Pay and allowances	106,217,454	69,222,745
Construction and improvements	25,966,199	39,537,408
Aircraft, engines, etc.	36,785,986	42,044,147
Clothing and necessities	15,081,560	10,050,689
Stores	12,083,550	9,191,396
Rations	14,063,883	9,951,399
Bombs and ammunition	10,845,950	1,967,722
Gasoline and oil	16,771,610	3,000,775
Overhaul	27,206,609	3,975,775
	264,915,806	194,416,510
Expended to March 31, 1942	447,000,000	
	711,915,806	

Contributions in kind from the United Kingdom Government are listed at \$193,000,000; contributions in cash, Australia \$51,000,000, and New Zealand \$36,000,000. The aggregate three-year cost of the plan, to March 31, 1943, will be \$992,000,000.

Mr Power has become an exponent of "Canadianisation" of the Royal Canadian Air Force. He has advocated that Canadian airmen should be grouped together more than they have been in the past, when thousands of Canadians lost their identity within the RAF. The RCAF has 22 squadrons of its own in the RAF, with several more in process of formation. Less dispersal of Canadians in the RAF will not mean, in Mr Power's view, any dissent as far as Canada is concerned from the direction of air operations at the higher levels by the RAF.

The chief bone of contention for Mr Power is what he described as "the British passion for anonymity." Canadians, he said, "are in every raid, in every sortie; they are in every attack on Germany." Canadians were serving in the RAF, not only in Britain, but in the Middle East and the Far East. Speaking of home morale, Mr Power said the Canadian people should be kept informed of the latest possible news of the deeds of their airmen.

Finance Under Co-Prosperity

[BY A CORRESPONDENT]

THE financial organisation of the "Co-prosperity Sphere" in East Asia is based on the use of the military yen in a number of currency alliances between Japan and Nanking-China, Indo-China and Thailand, on the model of the German central clearing system. In Thailand, a central bank has been founded and the baht linked to the yen at a new parity. In the conquered territories, the

military yen has been introduced; but in occupied China it has been impossible to make this an effective currency. When Japan was unable to intervene in Shanghai, the rate of exchange fluctuated violently. After Shanghai was occupied, dollars and pounds sterling were burned, the gold standard abolished and Japanese exchange control abolished. The last connections with the dollar and pound sterling were severed on January 1, 1942, and exchange rates are now fixed by the Japanese Ministry of Finance.

The military yen is already in circulation in Burma, Malaya, the Dutch East Indies and the Philippines. The circulation of the yen is confined to Japan proper, and military notes are the only currency in legal circulation in the conquered territories. Transfer of the yen to these regions is prohibited. The military yen is issued by military order, and the supplementary military budget is its doubtful cover. Thus, it is only nominally equivalent to the yen. The military yen is to be exchanged against all local currencies, the cover for which was, however, generally withdrawn when the territories were evacuated. The rate of exchange between the yen and the military yen is fixed separately for each occupied territory. The true value of the latter is indicated by a statement from Tokyo that Japan safeguards its own currency by the issue of the military yen, which is to finance the reconstruction of the conquered territories. In the long run, however, the Central Bank of Japan is intended to be the only Central Bank in Greater East Asia.

Stamps for Portugal

[FROM OUR LISBON CORRESPONDENT]

June 6th

DURING the last twelve months there has been a boom in philately in Portugal. The cult may now be said to have reached the masses. Almost every second shop dealing in oddments, especially stationers, tobacconists, lottery dealers, bazaars and so forth, now give up much of their window space to approval sheets of foreign stamps. These sheets are made up on most businesslike lines, the stamps being mounted against a black background, prices clearly marked in white ink, and the whole card covered with cellophane. Closer inspection shows that the bulk of these wares is composed of finely printed and unused examples of stamps issued by the German Reich, by occupied Poland, by Italy and its African colonies, including Somaliland and East Africa and Eritrea, and by stamps purporting to be issued in occupied and protected countries at present under Axis oppression.

There has been a regular spate of designs in which the idealised portrait of the Führer, wearing a sort of staff captain's cap, fills almost the whole space. There is another stream of stamps from Italy, where the same picture of Hitler halves the oblong space with a fierce presentment of Mussolini wearing a tin helmet. As for the other designs, their variety surpasses one's powers of description. In one thing they all agree. They are finely produced, and not one of them is ever to be seen with a postmark of any kind whatsoever.

Latterly, there has also been a trickle of similar stamps, apparently similarly mass-produced for foreign consumption, purporting to represent the postage needs of the French African colonies. Can it be that, in this new development, there is another proof of Germany's plausible inventiveness and skill in selling nothing for something, and that "something" doubled in value by being thereby placed in foreign currency? Remembering the interesting and valueless *Kassenscheine* of Germany's cities after 1918, one has one's doubts about the ultimate value of these very pretty little productions.

A New Loan

Barely eight months ago, the Portuguese Government successfully issued 500 million escudos of Internal Consolidated Bonds paying 3½ per cent. It was absorbed almost at once, chiefly in large blocks. A further loan has been thought necessary to reduce the superabundance of liquid funds in the market. The issue has been decreed of a further 1,000 million escudos, in series of 100 millions each, interest being 3 per cent in this case, payable quarterly. In its preamble to the decree, the Government states that, as was the case previously, the issue is planned to absorb surplus funds which, lacking other outlets, are again increasing with dangerous rapidity.

RUBBER SOLES AND HEELS IN WARTIME

Three paramount needs face the country to-day—

- (a) SHIPPING SPACE
- (b) MAN-POWER
- (c) ECONOMY

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German Europe

The Agricultural Dilemma

The comfortable margin of foodstocks available in Germany at the beginning of the war disappeared during 1941, in spite of considerable imports. German food supplies now depend mainly on current production in Greater Germany, which must be maintained if the food disaster of 1917-18 is to be prevented. The real state of affairs in German agriculture is suggested by the fact that, here and there, German peasants have already unofficially opened the harvesting season of 1942 by cutting part of the young cereal crops to use as feeding stuffs. This was stopped at once, however, by special decree. The situation is that peasants face a dilemma. If they maintain the number of livestock, the output of cereals and root crops is not sufficient for human consumption. If their crops are taken for human consumption, the number of livestock must be reduced. Before the war, the policy of agricultural self-sufficiency attempted to solve this dilemma internally by the expansion of root crops and by imports of feeding stuffs, fats, and dairy products.

Superficially, the present difficulties in Germany's agriculture seem to be mainly the result of unfavourable weather conditions in 1940 and 1941. Shortage of labour and reduced supplies of fertilisers, however, are really at the root of the problem. German official sources estimated that there was a shortage of roughly 600,000 workers at the beginning of this season. The labour dictator, Sauckel, therefore appointed a special dictator for the supply of agricultural labour; Goering had already introduced compulsory labour on the land on the model of compulsory labour in the armament industry. Prisoners of war and Russian civil prisoners will be employed in greater numbers on the land. A new drive for voluntary harvest helpers, who already numbered a quarter of a million last year, is to be started this year, and schoolchildren will be sent to work during the whole harvesting period. At present, the number of foreign workers employed in Germany's agriculture, that is to say, civilians as well as prisoners of war, is probably about two and a-half million. In actual numbers, they may have replaced the total of peasants and agricultural workers called up.

At the beginning of the war, German agriculture employed 10.9 million people in about 3.9 million farms. But 97.2 per cent of the farms comprised only 53.8 per cent of the total agricultural land; German agriculture is still mainly peasant farming. The small holdings prevent the effective use of modern machinery. There are only 100,000 tractors in use in the whole of German agriculture, and three-quarters of them are owned by farms exceeding 20 hectares in size, which themselves amount to only 18 per cent of the total number of farms. The outbreak of the war interrupted the programme of mechanisation. Now petrol shortage prevents the full use of even the present relatively small number of tractors. These facts are much discussed at present in Germany. Some sections of the press suggest the concentration of small farms into bigger units, which would make the effective use of modern machinery possible. Others, traditionally representing the view of the big landholders, think that the era of peasant farming will automatically end because of modern machinery and modern methods of farming. The authorities are afraid of changing their attitude towards the peasants and are endeavouring to improve the co-operative use of machinery. At the same time the co-operatives—that is, the credit, trading, and production co-operatives—which made peasant farming possible under modern conditions—have been subjected to a process of centralisation and unification. The aim is one unified co-operative for each district.

Pigs or Men?

More than 60 per cent of the total sales receipts of German farming is derived from the sale of dairy and livestock products. The peasant farms are responsible for the greater part of this output. The big landholders, on the other hand, have preferred the production of cereals and root crops. Concentration would undoubtedly favour the big landholders. Since the beginning of the war, competition has gone on between pig feeding and human consumption for potatoes and other root crops. The rationing of bread, meat and fats increased the human consump-

tion of potatoes by about 100 per cent. At the same time, shortage of imported feeding stuffs forced the pig breeders to use more potatoes to maintain the number of pigs. Silage, sugar beet tops and so on were reserved for feeding cattle. Milk production had to be maintained at any cost because of the shortage of fats. In normal periods, 45 per cent of the total fat consumption was imported.

Here are the reasons for the vicious circle in German agriculture. Only if imports of feeding stuffs and fats are adequate, can the home production of cereals and root crops be sufficient for all requirements. The expansion of oil-seeds and root crops before the war could not change the fundamental structure of Germany's agriculture, and it was sufficient for only a small increase in the number of livestock. At present, a considerable increase in the cultivation of these crops is necessary if the number of livestock is to be maintained. Yet lack of labour and, particularly, reduced supplies of fertilisers are causing a steady decline in the yield of cereals and root crops per hectare, apart from the adverse effect of bad weather conditions. The supply of phosphates has been reduced to 33 per cent of normal supplies and of nitrogen to 76 per cent. Only potash is available in normal quantities, and it is doubtful whether these quantities were delivered during the 1941-42 season because of transport difficulties.

The main problem at the moment, undoubtedly, is how to maintain the number of pigs, which used to provide 43 per cent of the home production of fats and more than 50 per cent of meat supplies. Pig breeding has been made compulsory for big farms, and producers' prices have been increased by the repeal of the slaughter tax. Since last autumn, the slaughter of pigs has been steadily on the increase; and the acute shortage of potatoes, because of winter losses, will probably force peasants to continue cutting down the number of pigs.

German agriculture is probably the most heavily subsidised agriculture in the world. All products are covered by high protective duties; the more important crops which are to be expanded usually get cultivation premiums; and the prices of a great number of products are directly subsidised. In spite of the exaggerated price level, there is a constant demand for substantial price increases in order to raise the total sale receipts of farmers by 40 per cent. The *Reichsnachstand* maintains that agriculture, compared with industry, is underpaid. Dr Reischle, one of the agricultural leaders, thinks that higher prices for foodstuffs would reduce the dangers of excessive purchasing power. The price commissar has made it clear, however, that food prices cannot be increased. In fact, the prices of vegetables and fruit, which were in very short supply during the winter and spring, show considerable advances since the beginning of the war.

Food Distribution.—Since the cut in the food rations in March, several less spectacular changes have taken place in the distribution of foodstuffs in Germany. The press admits that individual attempts to get more foodstuffs than the official rations will probably increase the longer the war lasts. Pigs, goats, poultry and rabbits are kept in great numbers by the inhabitants of big towns. Officially, people are only allowed to feed kitchen waste to them, but considerable quantities of rationed foodstuffs seem to have been used for this purpose. People slaughtering pigs must hand in their meat cards, but this is frequently evaded. Allotment gardening, on the other hand, is officially encouraged and supervised by expert gardeners. Roughly one-third of the total crop of vegetables is produced in allotment gardens; this year, an increase of 20 per cent is the official aim.

The potato shortage in big towns is likely to continue well into July. Rations have been fixed locally, and are sometimes extremely small. A weekly ration of 4½ pounds is far below the normal consumption. The acute shortage of vegetables could only be relieved by the distribution of dried vegetables and sauerkraut, which is a staple vegetable.

The most interesting sign of growing food difficulties during 1941 was the increasing direct purchase of fruit and fruit from the producer. The collection of fruit and vegetables by the marketing organisations decreased during 1941 by roughly 50 per cent compared with 1939-40. At the same time, fruit growers used their products to barter for other commodities in short supply. These direct pur-

chases have now been prohibited. The entire crops will be collected by the marketing organisations.

The standard bread is now of a very dark colour. Almost all the grain is used for making bread, and only small quantities of finer flour are provided for making cakes. Baking methods have had to be changed and special regulations were issued to all bakers. These regulations were prepared in several languages, because of the great number of foreign workers employed in the industry.

There are many signs that shopkeepers are frequently unable to supply the rations to which customers are entitled

Russia at War

The Aftermath of the Treaty

THE announcement of the conclusion of the Anglo-Soviet Treaty and of the Soviet-American Agreement was hailed throughout the USSR with an enthusiasm which far surpassed any similar manifestations in that country. This time no official inducement was needed for the innumerable meetings held in every factory, collective farm and army unit. The feeling that May 26, 1942, marks a historic turning point for Russia in its relations with the "outside world" was reflected in press comments as well as in resolutions passed by the meetings.

The Treaty [said *Izvestia*] signed on May 26, 1942, in London is noteworthy in that it is not confined, like that of 11 months ago, to establishing the military alliance, but goes further in expressing the firm desire of those countries to continue close collaboration in the peace settlements and in the post-war period of reconstruction in Europe. The very term of operation of the Treaty—20 years—and the procedure for prolongation prove the desire of the great States which participate in it for close friendly collaboration and mutual aid as a basis of a new order.

The significance and the implications of the Treaty can be gauged only against the background of Soviet foreign policy since 1917. During all that period, the notion of "hostile capitalist encirclement" weighed upon the mind of the Soviet people. Relations with foreign countries were taken up; treaties and agreements were concluded. But, at bottom, there always remained distrust of the "outside world," which gave a sort of an isolationist touch, not only to official policy, but also to the attitude of the average Soviet citizen. None of the previous diplomatic pacts was able to dispel that feeling. None of them covered a period of two decades. None of them covered so wide a field of co-operation as the Anglo-Soviet Pact. Now at last, in the middle of a war and in spite of its devastating effects, the average Soviet citizen can feel for the first time since 1917 that fear of the "capitalist world"—the term conditionally included Britain and the USA as well as Germany—has become groundless. And again, perhaps for the first time since 1917, the conception of a "new order" has been expounded by the official paper, not in ideological terms, but explicitly in terms of "collaboration and mutual aid" with Great Britain and the USA.

All this may mean a tremendous psychological breach in the wall of Soviet "isolationism." The Soviet people have, no doubt, grown weary of their long isolation. In terms of everyday life, this entailed the heaviest sacrifices in their standard of living in order to ensure the defence of their country. The promise of post-war economic collaboration with Britain and the USA implies the prospect of better living conditions after the war. It gives the average Soviet citizen the hope that in rebuilding the ruins of his country he will be assisted by the industrial power of the Anglo-Saxon world.

Second Front

The main point, however, which has impressed Soviet public opinion even more than the prospects of post-war co-operation is the "agreement on the urgent task to open up a second front in Europe in 1942." The press has naturally enough abstained from any specific comments. But the point has been presented in a way which leaves no doubt about the manner in which the Soviet public is bound to interpret that promise. Distinctions between the various kinds of fronts—by naval, air or land warfare—are entirely outside the scope of that interpretation. With the test of a cold and hungry winter behind them and the ordeal of the summer campaign in front of them, the

according to their coupons. Special regulations have been issued which define the status of regular customers. War workers and families with children are now regular customers, and shopkeepers must give them priority if rationed foodstuffs are in short supply. Finally, the variety of meals in restaurants has been cut down. On two days there is only a field-kitchen meal and on two more days no meat may be served. The situation will probably not be changed until the new harvest is brought in. But the arrival of early potatoes and fresh vegetables may ease the situation temporarily.

Russian people have found in the announcement about the "second front in 1942" an additional tonic for their endurance and willingness to sacrifice. *Pravda* summed up the popular reaction in the following words:

This year, 1942, must be the year of Hitler's final defeat. This thought runs through all the speeches at the meetings in the front line and in the rear, through all the resolutions adopted by the workers.

The point about the "second front" is also being widely referred to in the present drive in industry. Pledges to increase and exceed production quotas have been made at all the meetings called to celebrate the Treaty. And the Soviet workers are promising to make their utmost productive effort in the hope that relief from pressure will come sooner than might have been anticipated before. Soviet propaganda to Germany and to the occupied countries has also linked the call to revolt with the immediate prospect of Germany's involvement in a two-front war.

First reports from the occupied countries show [as a Moscow broadcast has put it] that the peoples are actively preparing to support the armed forces of the anti-Hitler coalition when a second front is opened in Europe.

Tank Production in May.—Reports on tank production in May were very optimistic. It is said that the May output exceeded April by a considerable percentage. The Kirov plant—the biggest Soviet tank factory, which has been evacuated from Leningrad to the Urals—exceeded in programme by 17 per cent in the production of the heavy K.V. tanks; and it turned out 43 per cent more engines than in April. At the same time, however, it has been disclosed that a number of evacuated tank and engine factories did not restart work earlier than in April. In spite of this delay, it is claimed, they are now turning out many more tanks than they did on their old sites.

Much attention has recently been paid to the intensification of the rationalisation of labour in tank factories. In many plants the 24-hours control graph has been replaced by an hourly graph, which makes it possible to check every fraction of working time.

Food Industries.—The People's Commissariat for Food Industries has published an appeal for "socialist emulation" in its factories. The position in the food industries has been described as satisfactory on the whole. But some "bottlenecks" have also been discussed. One of them is in the sugar industry, which has to make good—at least partly—the loss of the Ukrainian sugar output. The areas under sugar beet have been considerably extended in Kazakhstan, Central Asia, Siberia and Altai. But the building of sugar refineries has lagged behind; and the Commissariat is urging the refineries to start this year's campaign a month earlier than usually.

In the meantime, the shortage of sugar has been acute. The same applies to soap. Managers complain about the lack of soda, which holds up production. Cigarette paper, too, has been very scarce. There have also been difficulties in meat and fish industries. The usual complaint of factory managers is lack of fuel and other supplies. Railways are said to hold up supplies for food factories, on the ground that these are not essential branches of war economy. *Pravda* had to take the food producers under its protection. A special feature in food industries is the production of concentrates and canned food, a novelty introduced only recently into Russia. Concentrates and tinned foodstuffs are reserved almost exclusively for the Army; they have brought about a basic change in the diet of the Russian soldier, which until recently consisted of fresh food only. The economy of transport space seems to have been the main motive for this departure from the old Russian manner of feeding the Army.

parity to the final exchange rate of 2 to 1. Instead of effecting this devaluation at one stroke, they carried it through in several stages. The result was a flight from the Chungking dollar, mainly assuming the form of a sweeping and indiscriminate demand for goods. This brought about a sharp rise in prices, not only in terms of Chungking dollars, but, owing to the depletion of supplies, also in terms of Nanking dollars and military yen. Consequently, the Nanking authorities and their Japanese masters suffered grave disadvantages. Not only did they have to pay higher prices for their supplies; they also found it more difficult to secure the supplies they needed. A large number of holders of Chungking dollars have undoubtedly preferred, in anticipation of an Allied victory, to hold on to that currency rather than to exchange it for Nanking dollars.

Cheques as Receipts

In reply to a Parliamentary question, the Chancellor of the Exchequer has ruled that it would not be feasible "to recognise endorsed cheques with receipt stamps as full receipts of payment," on the ground that it would not be possible to make a general provision for this practice without at the same time legislating to maintain the position of the banks under the Bills of Exchange Act. The practical difficulties, in Sir Kingsley Wood's view, were such as to outweigh any gain that might result from the saving in paper supplies. This decision is incontestable as an answer to the specific question put to the Chancellor. But it is to be regretted that this question was framed in terms which ignore the possible methods, discussed in these columns

last week, of avoiding the legal obstacle in question. The answer will not satisfy those who would like to see the simple endorsement recognised as a receipt, though the analogy with American practice on which this suggestion is based may be misleading in view of the different legal background in the two countries. Still less will the answer satisfy those who regard the adoption of a non-transferable cheque as the means, not only of eliminating the unnecessary posting of receipts but as the key to more important economies through the simplification of banking transactions. A non-transferable cheque, it may be repeated, would not require endorsement and therefore would not require the repeated scrutiny at present necessary for trifling irregularities which might deprive the banks of their statutory protection. In presenting such a cheque for payment, the collecting banker would in effect guarantee that it had been credited to the payee's account, but this should involve little practical risk except in the case of cheques collected for new customers, where caution is in any case necessary under the present system. On balance, the legal position of the banks would probably not be prejudiced, while the simple cheque voucher would become effective evidence of payment. Since the bulk of the banks' staffs, as Lord Wardington has pointed out, are engaged in handling cheques, an appreciable saving in manpower might become possible. No doubt the matter will not be allowed to rest, though it must be borne in mind that the Treasury is not altogether an impartial judge of the desirability of such changes, in view of the possible dual loss of revenue from receipt stamps and the postage of receipts. It hardly needs pointing out that, other things equal, real resources should not needlessly be employed simply as a means of collecting revenue.

Investment

A Minor Relapse

The past week has brought to the stock market the reverse which seemed inevitable, on the assumption that the rise was based on military events, and in particular on hopes of an early end to the war. Just when a reaction from the rapid rise was due, events in Libya took the course which seemed only too probable, in view of the relative ease with which the Axis forces can be strengthened; and the setback might have been serious, but for the news of the Anglo-Russian treaty and the confirmation of America's successes in the Coral Sea and off Midway Island. As it is, the total extent of the fall is still moderate, there are signs of a halt in the decline, and the fact that industrial equities have been almost the firmest market suggests that the rise there was based, less on prospects of early victory, than on considerations of yields and the rate of interest. This is as it should be, but it is not improbable that holders have a difficult period ahead of them. The trend of *The Economist* profits index, published a fortnight ago, was still downwards, up to and beyond the beginning of this year, and the hopes that EPT at the full rate had exhausted its effects promise to be rendered out of date by the stringency of the conditions imposed by new Government contracts, and by the need for ever increasing depreciation, where works are fully employed. Unfortunately, the uninformative character of most published accounts makes it difficult to be dogmatic on the matter, but it is not improbable that the fall in net earnings, if not in dividends, will continue; and many recently published figures tend to confirm this supposition. At the same time, investors who have held through the troubles of recent years are not likely to sell equities at this juncture, except under the pressure of absolute need of money. There will probably be a considerable resistance to any material relapse, except possibly of quite short duration. At a little over 5 per cent, the average return on equities already discounts some measure of post-war recovery. Granted a belief in final victory, any development of policy, suggestive of progress towards a solution of post-war problems, may prove an even stronger "bull" point for ordinary shares than military successes.

Lower Shipping Earnings

Two of the smaller shipping concerns, *Clan Lines* which is a liner company, and *Court Line*, which despite its name is mainly a tramp undertaking, have just presented

results for 1941 which contain some points of interest. *Clan Line* income is down from £540,953 to £397,620, but the cut in depreciation, on a smaller fleet, from £374,400 to £243,000, is almost as great. In view of rising costs, the board has, however, transferred £50,000 to fleet replacement, against nil in 1940, and, although the transfer to pensions is down from £50,000 to £12,000, the ordinary dividend is cut from 20 to 15 per cent, and the carry forward slightly reduced. The fall is evidently due, in no small measure, to loss of ships, for the fleet valuation, after depreciation, is down by £958,300 to £2,189,800, while book value fell short of realised value by some £580,300, which is added to reserve. This fund has also been strengthened by crediting a further £286,400 in Government tonnage replacement account. Despite the resultant fall in business, placement account. Despite the resultant fall in business, creditors are up by over £1,000,000; but there are increases of £728,000 in debtors and cash and of £2,150,000 in investments, while subsidiaries have effected net repayments of £188,000 to the parent. Meanwhile, the accounts of the much smaller *Court Line* are complicated by a change in the basis of preparation, to which no reference is made. Comparable figures of profit appear to be £134,514, against £152,909 in 1940, before tax on the ordinary dividend in each case. Depreciation is unchanged at £40,000 and the distribution is maintained at 15 per cent. The directors complain that profits earned under the requisition agreement yield only 5½ per cent on the basic value of vessels as determined by the Ministry of War Transport—the agreed rate was 10 per cent. This company, too, seems to have had considerable losses, suggesting a further decline in earning power during the current year. The fleet valuation is not much more than half that of a year earlier, at £264,800. Government securities are up by £129,000 and cash and debtors by £613,000, against a rise in creditors of only £160,000. Fleet replacement account receives £324,000, in addition to £37,500 added to the Government tonnage replacement account. In the case of both companies, gilt-edged holdings now substantially exceed balance-sheet value of the fleet, but the new plan, under which companies may acquire Government-built ships under a rota arrangement, will presumably tend to reduce, although it cannot reverse, the trend during the current year.

Marking Reform

A further instalment of reform, arising out of the inquiry into the compulsory marking of bargains, and from

the need to economise paper and staff, is to be put into operation on Monday. No official statement of policy has been made, but it has clearly been found impracticable, in existing conditions, to insist upon the marking of every bargain. The enquiry revealed that, for the most part, brokers do mark all business done, and under the new regulations they are urged to continue this practice and to make an addition to the information given in one respect. When a broker receives orders from a number of clients to buy or sell any security at the same price, he may aggregate these and put them through the marking department as a single deal. Brokers are now asked, in all such cases, to specify the number of clients involved. This will mean that it is possible to obtain a closer estimate of the number of orders executed, and therefore of the amount of work involved; and it is proposed to publish these figures, section by section, in the official and supplementary lists issued daily by the Stock Exchange, London. This is the first time that any official figure will have been available, and it will be much nearer the truth than the official ones, obtained by adding up the number of bargains included in those lists, which is far from being the total actually marked. This is a step forward, although it is still quite impossible to obtain from the new information any idea as to the actual turnover, in terms either of money or of units of stock.

Company Notes

Cable and Wireless Operations

The 1941 accounts of Cable and Wireless (Operating) show a further substantial rise in total income from £7,494,871 to £9,075,649, the main increase being in net message receipts, which amount to £8,479,464 against £7,090,669. This was achieved despite an increase in tax payments from £518,209 to £715,675. Working expenses were more than £475,000 up, while there were marked rises in the cost of maintenance of cables, which required £989,759 against £728,542, and in taxation abroad at

£433,828 against £212,780. There is, however, an increase in the surplus of rather over £550,000 to £2,928,349. The failure of the management to raise the ordinary dividend from the 4 per cent paid in the past two years is, therefore, due to the fact that the EPT liability of the group has not yet been ascertained. The total of undistributed profits, subject to, and available for, this charge is raised from £1,613,607 to £3,341,956. The directors state that the operating company's EPT liability is dependent on the basis of assessment for Cable and Wireless (Holding). The balance sheet shows a rise in net surplus liquid assets from £5,661,235 to £7,942,924. This is due mainly to an increase in holdings of Government securities from

	Years to December 31,		
	1939	1940	1941
Net message receipts	5,344,969	7,090,669	8,479,464
Total income	5,730,929	7,494,871	9,075,649
Maintenance fees, etc.	4,120,560	5,119,100	6,147,300
Earned for dividend	1,610,369	2,375,771	2,928,349
Dividend	1,200,000	1,200,000	1,200,000
Dividend per cent.	4	4	4
Carried forward	437,836	1,613,607	3,341,956

£4,922,484 to £7,343,494, and to the deposit of £1,500,000 against nil with the Inland Revenue. Both items no doubt represent sums held on account of tax liability. Cash is down by £230,000, debts both to and from subsidiaries are up by some £200,000 and fixed assets lower by £400,000. On the liabilities side, creditors are up from £3,494,976 to £5,261,982. For the first time, the balance-sheet contains a note to the effect that liquid assets lost through enemy occupation of the company's stations have been written off. It is probable that the course of the Far Eastern war has been responsible for income as well as capital losses. The ordinary stock of the Holding Company was scarcely changed on the news, and at 60½ ex dividend it offers a yield of £6 12s. 3d. per cent.

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John Brown Results

The John Brown accounts for the year to March 31, 1942, show a decline in disclosed profits, after contingencies and all tax liability, including tax on dividends, from £592,263 to £537,508. With a reduction of some £3,000 in depreciation to £64,823 and other charges approximately

	Years to March 31.		
	1940	1941	1942
Profits after income tax, EPT and Contingencies	566,594	592,263	537,508
Depreciation	58,372	67,992	64,823
Fees	6,653	7,373	8,368
Debt service	90,232	90,000	89,514
Preference dividend	49,010	49,010	49,010
Ordinary shares:			
<i>Earnings</i>	362,327	377,888	325,793
<i>Paul's</i>	323,084	269,237	215,389
<i>Earnings</i>	16.8	17.5	15.1
<i>Paid</i>	15	124	10
Reserve for Contingencies	—	100,000	100,000
Carry forward	202,376	211,027	221,431

£ Tax free.

stable, there is a fall in equity earnings from £377,888 to £325,794, representing a tax free rate of 15.1 against 17.5 per cent. Ordinary capital receives 10 against 12½ per cent tax free, equivalent to a less tax reduction of 5 per cent. It is thus possible to repeat the transfer of £100,000 to contingencies and to raise the carry forward from

£211,027 to £221,431. It is, of course, impossible to tell whether the apparent setback to net profits is conditioned by the size of the undisclosed provision for contingencies. Apart from this, it seems probable that profit margins under new Government contracts must have been more effective in reducing profit than is EPT, unless indications of increased turnover are misleading. The balance sheet shows an important expansion in stocks and work in progress from £384,854 to £1,403,384. If work in progress is included at cost only and payments are relatively delayed, this would reduce last year's profits in favour of those of the current period. There is a corresponding decline in cash holdings from £4,477,753 to £4,124,470, while expansion on the part of subsidiaries is argued by an increase in temporary loans from £87,487 to £468,234, financed by a reduction in holdings of 2½ per cent National War Bonds from £515,264 to £175,000. Increases in creditors and debtors are normal, so that there is a net reduction in surplus liquid assets from £1,184,534 to £869,906. The 10s. ordinary shares at 26s. 6d. ex dividend yield £3 15s. 6d. per cent, tax free.

Boots Pure Drug

The preliminary statement of Boots for the year to March 31, 1942, shows net profits of £622,784 against £629,110. The directors state that these totals are after income tax—except tax on dividends—NDC and EPT. In the previous year, war damage contributions amounting to £45,000 were charged directly to contingencies reserve. It is not yet possible to ascertain whether the net figure for the current year is comparable in this respect. But assuming that it is so, there is a decline in estimated equity earnings,

after paying preference and preferred ordinary dividends, from £532,360 to £526,034, representing 41.7 against 42.5 per cent. Ordinary shares receive 24 per cent less tax, as in the previous year. It is not yet clear whether there is any allocation to freehold property reserve, to which £128,273 was transferred in 1940-41. As is well known, a definite shortage of many drugs and medical preparations in common use was accentuated last year. Limitation of supplies also further restricted sales of the many goods outside the purely medical field in which Boots commonly deal. The approximate maintenance of net earnings in these circumstances is highly satisfactory, and appears to have been achieved, in part at least, by entry into new fields, notably that of fertilisers. The 5s. ordinary shares, at 35s. 9d., offer the very conservative yield of £3 7s. 1d., which clearly discounts substantial recovery.

Forestral Land Accounts

The full accounts of *Forestral Land* for 1941 reveal the conclusion of the process of writing off goodwill in *La Forestal Argentina*, the subsidiary to which all Argentine assets were transferred in 1931. Consequently, the depreciation account in respect of this item, which figured in the *Forestral Land* balance sheet, is now eliminated by the transfer of the final £66,302 to the credit of profit and loss account, corresponding with a similar transfer from profits to general reserve by the subsidiary. The counterpart of the large credits taken by *Forestral Land* in the past was the redemption of debentures and the writing off of goodwill by *La Forestal Argentina*. Since this is no longer necessary, the latter is able to provide a larger sum in dividends, which explains the rise in trading profit and dividends paid by subsidiaries of *Forestral Land* from £264,487 to £547,318. With the completion of this stage of the financial plan, initiated ten years ago, the sum available in dividends should, of course, be even larger next year. The allocation of profits was fully analysed in a Note on the preliminary statement in *The Economist* of June 13th. It is pointed out by the vice-chairman, Mr Louis H. Kiek, that the net figure has profited by readjustment of administration charges with a total saving of some £11,000. All subsidiaries appear to have had a satisfactory year, and there has been a good demand for the tanning products of the group. The main difficulty has, of course, been the shipping position. The company's balance sheet shows the elimination of the depreciation account in respect of *La Forestal Argentina*, and, on the assets side, the disappearance of £410,000 sterling debentures held in that concern. The consolidated statement shows a rise in total liquid assets from £5,757,147 to £6,449,778 accounted for by an increase of some £570,000 in cash and of some £280,000 in holdings of British and South African Government securities, partially offset by a decline in stocks from £3,194,957 to £2,988,273. There is an increase in creditors from £887,390 to £1,214,747. The £1 ordinary shares and stock at 27s. ex dividend yield £6 13s. 4d. per cent on the 9 per cent payment.

Odhams Press Improvement

The accounts of Odhams Press for 1941 fill out the story of newspaper earnings last year. The rise in total profits from £606,229 to £805,169, a record for the past decade, confirms the impression that the press is one of the industries least affected by war-time difficulties. There is, of course, a substantial increase in tax liability, excluding tax on dividends, from £155,094 to £313,945. Other charges against profits, however, are relatively unchanged, so that there is still an important increase in equity earnings from £179,264 to £216,787. The £75,000 allocated in the previous year for the inauguration of an employees' life assurance and pension fund was not charged against profits in calculating earnings available for ordinary capital, nor is the provision of £81,635 in the current year, since this is assumed to be mainly a capital transfer. Thus, the rate of equity earnings is up from 34.9 to 41.2 per cent, and the ordinary dividend is raised from 7½ to 10 per cent, the highest payment since 1936. After transferring £50,000, against £40,000, to general reserve and making the provision for staff funds, the carry forward is raised from £86,861 to £87,413. These remarkably successful results have been achieved at the cost of a marked reduction in stocks from £649,915 to £401,587. The rise in cash of nearly £400,000 to £759,729 is the result, partly,

of the fall in stocks, and, partly, of the reduction in loans to subsidiaries from £703,521 to £575,478. There is little change in debtors, or in the total of trade creditors and bills payable. After the latest transfer, general reserve stands at £680,000 against total fixed assets, excluding copyrights, of some £783,000. Odhams have clearly profited substantially by the enforced economy for which paper rationing is responsible. If the year's progress has been achieved by an expansion in sales, the advance may prove ephemeral. The 4s. ordinary shares at 6s. 6d. offer a yield of £6 8s. per cent.

Kaffir Dividends

The Kaffir dividend season is already almost complete. For the most part, the story has been one of general reduction, but not on an unexpected scale. The first announcements, those of the *Rand Mines-General Mining* group, in which there were only two falls, excluding the reduction in the *Crown Mines* dividend, from 7s. 6d. to 7s., which had been fully discounted, proved to be better than the

DIVIDENDS PER SHARE

Years ending December 31	Dec., 1940	June, 1941	Dec., 1941	June, 1942
<i>Rand Mines—Central Mining</i>				
Rand Mines (5/-)	4/-	4/-	4/-	4/-
City Deep (1/-)	2/6	2/6	2/6	2/6
Consolidated Main Reef (1/-)	3/-	2/6	2/6	2/6
Crown Mines (10/-)	9/-	8/-	7/6	7/-
Durban Deep (10/-)	1/9	1/9	1/9	1/9
E. Rand Prop. (10/-)	1/9	1/9	1/9	1/9
Golden Deep (17/6)	2/-	2/-	2/-	1/6
Modder B Gold (5/-)	1/3	1/3	1/3	1/-
Modder East (1/-)	4/-	3/6	3/6	3/6
New Modder Gold (10/-)	2/-	1/6	1/3	1/3
Nourse (1/-)	2/3	2/3	2/3	2/3
Rose Deep (1/-)	2/-	2/-	2/-	2/-
<i>Union Corporation</i>				
East Geduld (1/-)	7/-	6/3	6/3	5/6
Geduld Prop. Mines (1/-)	7/6	6/9	6/9	6/3
Grootvlei Prop. Mines (1/-)	2/3	2/-	2/-	2/3
Marievale (10/-)	-/3	-/6	-/6	-/6
Van Dyk Consol. (10/-)	-/10½	-/10½	-/10½	-/7½
<i>Consolidated Gold Fields Group</i>				
Rietfontein Cons. (5/-)	-/10½	-/9	-/9	-/6
Robinson Deep "B" (7/6)	2/3	1/10½	1/10½	1/6
Sturges & Jack (2/6)	7/4	-/6	-/5	Nil
Sub Nigel (10/-)	7/-	6/3	6/3	5/3
Venterspost (10/-)	-/7½	-/9	-/9	-/7½
Vogelstruif (10/-)	-/10½	-/10½	-/10½	-/9
Voorpoort Vlei (2/-)	-/6	-/5	-/5	-/4
<i>Anglo-American</i>				
Brakpan (5/-)	1/6	1/3	1/3	-/10½
Daggalontein (5/-)	1/6	1/4	1/6	1/3
E. Daggalontein (10/-)	1/6	1/3	1/3	1/3
New Era Consol (5/-)	-/4	-/4	-/4	-/4
S. African Land (3/6)	3/6	3/3	3/6	3/-
Springs (5/-)	1/3	1/-	1/-	-/9
West Springs (1/-)	1/4	1/-	1/-	-/9
Western Reefs (5/-)	...	...	-/3	-/9
<i>"Johnnies" Group</i>				
East Champ (2/6)	1/-	-/10½	-/10½	-/9½
Govt. G.M. Areas (5/-)	1/10½	1/9	1/9	1/7½
Langlaagte Estates (1/-)	-/6	-/6	-/6	-/4
New State Areas (1/-)	2/9	2/4	2/4	2/-
Randfontein Est. G.M. (1/-)	2/3	2/3	2/3	1/10½
Van Ryn Deep (1/-)	1/6	1/4	1/-	-/6
Witwatersrand G.M. (1/-)	3/-	2/4	2/4	1/9

* Financial Year ends June 30.

average. Increases in dividend were made only by developing mines such as *Western Reefs*, or by concerns such as *Grootvlei* and *East Daggal*, to which special considerations apply. The reason for the general reduction is, of course, the higher war levy on gross profits, which was raised by the Union Government from 16 to 20 per cent from January 1st last. There have also been certain increases in costs. The result from the standpoint of the investor is that the announcements contained no shocks.

Philip Hill Investment Trust

The accounts of the Philip Hill concern, renamed and reconstituted as Philip Hill Investment Trust, with its financial business relegated to a subsidiary Philip Hill and Partners, in February last, show a rise in profits from £190,955 to £211,774 in the year to March 31, 1942. The purpose of the separation of function envisaged in the reconstitution of the business was discussed in a note in *The Economist* of January 12th last. The shareholders again receive 10 per cent, but, since there is a tax liability of £108,003 against nil, the rate of equity earnings amounts to only 13.0 against 26.4 per cent. There is no transfer to reserve for depreciation of investments, against £100,000,

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Colombo	Rangoon	Jinja	
		Kampala	

Dar-es-salaam Mwanza Tanga ... Tanganyika Territory.

SUBSCRIBED CAPITAL	£4,000,000
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As at 30th June, 1941:—General Bank Balances ... £130,752,179
Savings Bank Balances ... 150,553,586
Note Issue Department ... 77,144,818
Rural Credits Department ... 2,389,464
Other Items ... 19,795,548
£380,636,593

A. H. LEWIS, Manager.

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ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £77,000,000
CLAIMS PAID EXCEED - £140,000,000
(1941 Accounts)

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Dividend Notice.
Preference Stock. At a meeting of the Board of Directors held to-day, a dividend of Two per Cent. on the Preference Stock in respect of the year 1942 was declared payable on August 1st, 1942, to stockholders of record at 3 p.m. on June 30th, 1942. By order of the Board. FREDERICK BRAMLEY, Secretary.
Montreal, June 9th, 1942.

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so that it is still possible to raise the carry forward from £70,660 to £86,608. The balance sheet is not strictly comparable with that of a year ago since certain fixed assets and certain liabilities have been transferred to the financial subsidiary. The directors state that investment depreciation reserve, which stood in the previous account at £955,434, has been used as to £655,434 to provide income tax on appreciation and to write down investments, including those held by the financial subsidiary, to market value, while £300,000, no longer needed for these purposes, has been retransferred to general reserve. Investments now held by the Investment Trust stand at £3,350,994, of which the quoted securities, amounting to

£2,903,761, are below market value. General reserve at £1,200,000 against £700,000 has also received £200,000 from dividend equalisation fund. There is a substantial rise in total creditors from some £25,000 to £105,000, but bank overdraft is reduced from £335,973 to £50,412. Whether this is due to allocation of part of this liability to Philip Hill and Partners, to whom £96,681 has been lent, is not clear, and the position calls for the publication of a consolidated statement. As far as profits are concerned, the results appear to be as good as could be expected, and the directors state that some improvement in financial business is to be expected. The 5s. ordinary shares, at 10s. 9d. ex dividend, yield £4 13s. per cent.

Industry and Trade

Coal

The Government's plan for securing an expansion in the production of coal has been debated in the House of Commons; the Ministry of Fuel and Power has been set up and some of the leading officials appointed; and the Greene Committee has been at work to consider the application for higher wages, as well as the kind of machinery that will be required by the proposed national wages board. The new Ministry has already issued its first Order placing the registers of premises subject to the control of coal supplies in the hands of the local fuel overseers on July 1st. But the Government's actual production plans, as stated in the White Paper, in the debate in Parliament and in Ministerial utterances, have only been made public in outline. If they are to bring results within the next few months, a number of important details must be filled in without delay. For example, there are the labour and financial problems involved in the concentration of output on the most productive pits. What arrangements have been made to secure the transfer of workers from one pit to another and for the financial consequences to individual collieries whose output will be reduced? In the case of the latter, is the solution to be adopted an extension of the levy-compensation principle? Again, the problem of securing an increase in output is intimately related to the problem of transport. An expansion in output in districts inconveniently situated from the point of view of disposal would add to the difficulties of transport. The transport situation is such that a determined effort must be made to secure economies next winter. Then there is the question of coal prices, which affects both producers and consumers. Has the Treasury decided to shoulder the whole burden of any increase in wages that may be granted in response to the claim of the miners? And what is likely to be the effect on the industry's price structure of the proposed measures to secure a redistribution of output and of deliveries? These and many other problems require an early answer.

Miners' Welfare

All efforts to increase the output of coal will fail unless the proposals of the White Paper on welfare result in a marked improvement in miners' conditions. It is a commonplace that coal-mining is arduous, dangerous and distasteful work. But it is too little realised that wartime has added special disadvantages of feeding, clothing and heating, disadvantages which, in the peculiar conditions of coal-mining, are more obvious in this industry than in almost any other. Every effort should be made, when the drive for more output is set on foot, to provide for the miner, in the right quantities and qualities, the food, clothing and fuel he needs to do his work properly. At present, there are serious disparities between districts. Moreover, a new effort should be made to conquer older-established disabilities. It is laid down in the White Paper that the proposed Coal Board

should consider such particular questions as occupational diseases

with a view to providing all possible preventive measures, clinical treatment and rehabilitation.

These matters have been trifled with for too long. A departmental committee dealt with the disease of nystagmus shortly before the war. Its recommendations remain a dead letter. Now, at a time when every miner has an immense value in the war effort, it is a fact of vital importance that, when this Committee did its work, out of a sample of 600,000 men employed in mines, 4,071 were partially incapacitated by nystagmus—and, of them, 2,318, or 57 per cent, had no work at that time. Nystagmus is not a dangerous injury. It is an ocular disorder, and can perfectly well be handled, medically and occupationally, if the right means are adopted. The main obstacle to proper treatment and to the employment of miners afflicted with this disorder is the fear of employers that there may be difficulties about accident insurance, under workman's compensation, if these men are further incapacitated. The Departmental Committee recommended that

unless the Mining Association can give an assurance on behalf of employers generally, we think that the Home Office should seek a definite undertaking from the employers in each district that they will do their utmost to re-employ men who have suffered from nystagmus when they are certified, or agreed, to be fit, either for their old work or for suitable work above or below ground.

Actually, it is doubtful whether exhortation is sufficient. The new National Coal Board, with regional boards, composed of representatives of both owners and miners, may be the ideal instrument for seeing that no nystagmic miner who could be employed or rehabilitated should remain idle, simply because of fears about insurance. This urgent necessity does not only apply to nystagmus. It applies to all the diseases which are the miners' constant companions, diseases which, by proper methods of cure and rehabilitation and by a sensible selection of occupational opportunities can be immensely restricted in their effects. The miner is worthy not only of his hire but also of his proper welfare. Mine owners should be under an obligation both to instal and maintain pithead baths; 28 per cent of colliery owners in fact do nothing about the maintenance of pithead baths, the cost of which has to be defrayed entirely by weekly subscriptions paid by the miners themselves—sometimes up to 6d. a week. Without all these measures to further miners' welfare, no amount of organisation and no amount of appeals will solve the coal problem adequately.

Petrol Rations

Last March, the Government decided to abolish the basic petrol ration for private cars at the end of this month. As in the case of commercial vehicles, petrol for private cars will continue to be available, but applicants must prove that they need it for essential purposes and that no alternative means of transport are available. It is to be hoped that the test will be strict and that, for example, no more petrol will be issued for business journeys which can be made by bus, coach or train. There is a modicum of justification in the agitation designed to secure permission for private car owners to use up any savings they may have made out of their basic ration after June 30th. But some fantastic arguments have been adduced in support of the demand for an extension; they even include appeals to the taxation of cars other-

wise likely to be laid up on July 1st. Subject to a few days' grace, the only answer to these demands is that the notice given by the Government to the public has been long enough—too long in view of the urgent need to economise petrol. To allow a month's grace, as the Government has decided to do, merely shows that it has once more yielded to a vocal minority.

AEU Production Inquiry

The results of an inquiry into hold-ups in production in munition factories and shipyards carried out by the Amalgamated Engineering Union during February-March,

CAUSES OF HOLD-UPS IN PRODUCTION

	Establishments without Production Committees		Establishments with Production Committees	
	Number	Per cent. of No. covered by Inquiry	Number	Per cent. of No. covered by Inquiry
Shortage of work	101	17.2	23	14.4
Idle machines	88	15.2	30	18.8
Shortage of materials	87	15.0	36	22.5
" components	55	9.5	22	13.8
" machine tools	153	26.5	40	25.0
" suitable equipment	66	11.4	22	13.8
Delay or discontinuity of orders	34	5.9	29	18.2
Shortage of labour	76	13.1	24	15.0
Misuse of labour	71	12.2	20	12.5
Attitude of management	158	27.2	32	20.0
Faulty planning and organisation	78	13.5	11	6.9
Inefficient progressing and/or drawing office	43	7.4	9	5.6
Too fine limits	35	6.0	9	5.6
General welfare	28	4.8	7	4.4
Canteen facilities	19	3.3	5	3.1
External transport facilities	15	2.6	10	6.25
Rates (piecework and other questions relating to earnings)	55	9.5	19	11.85
Bad timekeeping or absenteeism	28	4.8	13	8.1
Inefficiency of women and/or duties	26	4.5	2	1.25

this year, are discussed on page 852. They are based on a sample comprising 740 establishments, and 882,000 workers. The accompanying table shows the nature of the complaints

THE COMMUNITY FIRST

The Free Trade Legion stands for more freedom of trade within our own borders as well as Free Trade in relation to other countries. It has for long been evident that an unwillingness to accept adjustments when required in our internal economy was one of the prime causes of difficulty in providing goods for export at prices which overseas buyers could afford to pay.

A principal cause of that increased rigidity in the Nation's economy was the constant demand by organised sections of manufacturers and workpeople for bigger rewards for their services. They persisted in those demands regardless of the value of the services they rendered with the result that the unorganised sections often received less than they were entitled to and the Nation's competitive power suffered in consequence.

Under pressure of this kind the system of Free Trade which had contributed enormously to the well-being of our people and to the welfare of all mankind, was abandoned. Rather than permit natural internal adjustments stability of the currency was also sacrificed.

Some believed that currency depreciation in itself would bring correction, but it failed. Instead of doing so, instability plus tariffs lost for the Nation large and valuable sources of income. Our earnings from shipping, insurance, banking, investment and from our great free commodity markets declined. Those earnings based on the character of our people and confidence in our money benefited all our people either directly or through social services. They can only be recovered by a return to proved principles and Free Trade.

Send for and sign the Manifesto of the Free Trade Legion, 38, Bedford Street, Strand, W.C.2. Get also "The Moral Case for Free Trade" and "The Price We Pay", both sevenpence each Post Free.

Protection is the root cause of unessential bureaucracy. Free Trade is the policy under which a vast bureaucracy cannot exist.

THE FREE TRADE LEGION WORKS FOR ALL THE WORKERS.

made, and the establishments from which they were reported, both in actual numbers and as a proportion of the total number covered by the inquiry. A distinction is made between establishments which had, and those which had not, set up production committees at the time of the investigation. The analysis gives a broad picture not only of the nature, but also of the relative importance of the various defects as seen by the workers who made the returns to the AEU.

Piece-Rates in Building

In view of the fact that Great Britain's manpower is now almost fully mobilised, the need for increasing the yield per man-hour has become urgent. In the main the problem is one of securing a more efficient and intelligent utilisation of the factors of production. It is the principal remedy on which the Government relies for an expansion in the output of coal. The intensity of work is only one, though in many industries important, aspect of the problem. In the building industry, for example, the introduction, in July last year, of a system of payment by results under the Essential Work (Building and Civil Engineering) Order, 1941, is understood to have led to an appreciable improvement in output. One of the conditions which have to be fulfilled before the Order can be applied to an undertaking is that, where practicable and desirable, arrangements must be made for remuneration to be calculated on a system of payment by results. In view of the success of the scheme, certain modifications have recently been introduced as a result of recommendations made by a joint advisory panel composed of representatives of employers' and workers' organisations. Broadly, bonuses, calculated on an hourly basis, are payable in addition to time rates for work in excess of basic output in respect of some twenty operations. Bonusing is normally by gangs, a principle which is to be applied wherever possible. The scheme applies only to sites scheduled under the Essential Work Order. So far as non-scheduled sites are concerned, builders and contractors are required, as a condition of holding their certificate of registration, without which it is illegal to carry on work, to observe the hours and conditions of employment determined by joint agreement in the industry, or by arbitration.

The events of recent years have shown that the attempts to correct unsound tendencies in our economy by unnatural methods involving huge national expenditure have not merely failed but have prolonged the period of great unemployment and undermined our basic industries. The proper remedy was to secure by agreement the elimination of uncommercial international debts and to allow Natural forces to operate. If, after the elimination of uncommercial debts we had returned to the methods adopted before 1914, a depression in business would have resulted in healthy bankruptcies providing opportunities for new growth. There would be periods of unemployment and of wage reductions, but because of the willingness to accept adjustments those phases would quickly pass and prosperity would revive.

By looking into the past we can see our way for the future. The time is coming when it will be essential to permit the revival of internal competition and to allow all men to secure the rewards of merit. Organised sectional interests must give way to the interests of the multitude of individuals who form the whole community.

The selfish interests of sections of manufacturers or labourers as represented by trade associations or trade unions must give way to the right of all men to offer their services in the market place and the right of all children to learn a trade or profession regardless of the interests of those already employed. Only in this way can the Nation's earning power be revived. The alternative will be one causing great hardship to the mass of the people.

The Free Trade Legion urges all clear thinking men to support its "Community First Campaign."

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

COMPANY MEETINGS

FORESTAL LAND, TIMBER AND RAILWAYS COMPANY, LIMITED

SATISFACTORY RESULTS

The meeting of the Forestal Land, Timber and Railways Company, Limited, is to be held on the 9th proximo.

The following is an extract from the statement of the vice-chairman of the company, Mr Louis H. Kiek, which has been circulated with the report and accounts:—

If, amid the stress and turmoil of the ever-extending conflagration, we have again been fortunate enough to present to you a satisfactory record of the year's operations, we may, without disparagement of the excellent work done by all at home and overseas, ascribe the result primarily to Mr Sullivan's own unremitting efforts in the well considered interest of the industry, of our customers, and of the Governments concerned, to solve problems of extreme difficulty and delicacy arising from the war.

INNUMERABLE DIFFICULTIES

The conditions under which our widespread business is now being conducted preclude my broadcasting statistical or other items of information which would normally be of interest to you. Suffice it to say that, in the face of innumerable difficulties, not the least of which were the periods of scarcity of cargo space, the total volume of sales has been maintained on as satisfactory a level as we could have reasonably expected. This applies to quebracho extract from Argentina, as well as to wattle extract from South Africa, both tanning materials of acknowledged importance and value to the Allies' war effort.

The accounts provide an instructive illustration of the successful completion of a stage in the financial programme envisaged at the time of the formation in 1931 of La Forestal Argentina, when all our Argentine assets were, for reasons fully explained at the time, transferred to that company.

The London profit and loss account has further benefited from a reduction, partly due to inter-office readjustments, of about £6,000 in London administration charges, and of £5,000 in expenses on our Harpenden Laboratories. The repayment in December, 1940, of the balance then outstanding of this company's 4½ per Cent. Notes has produced a further saving of close upon £40,000 compared with the year 1940. We show a net profit for the year, subject to taxation and other appropriations, of £593,683, against a corresponding figure of £512,880 for the preceding year.

The utilisation of the Argentine Company's divisible profits for the purpose of Debenture redemption and the corresponding book transfers in London from depreciation reserves to profit and loss account having now ceased, your company becomes liable in consequence to an increased charge for income-tax. We compute our total tax liability on all profits earned for the year to December 31st last at about £250,000, for which provision has been made. We have also placed a further £50,000 to the general reserve. After these allocations there is a balance of £293,683, at the disposal of this meeting, increased to a total of £428,158 by the sum of £134,475 brought in from last year.

A year's dividend on our 6 per Cent. Preference stock, already paid, requiring £112,000, and a final dividend of 3 per cent, as well as a cash bonus of 3 per cent, which we recommend for your approval, making, with the 3 per cent, interim distribution, a total of 9 per cent., less tax, on our Ordinary stock, will leave £149,309 to be carried forward to the current year's account, an increase of £14,834 on the sum brought in.

INCREASED LIQUID RESOURCES

It has always been an object of our special concern to maintain and, whenever possible, increase the financial strength of this company and of the Forestal group of companies. A glance at our own and at the consolidated balance-sheet will satisfy you that we have entered the current year with a further marked increase in our liquid resources, a situation which will enable us to face the post-war developments with added confidence. I may add that since the date of this balance-sheet, our already substantial subscriptions to war loans have been further increased, and that, in anticipation of our tax payments, we have invested important sums in tax reserve certificates.

FORSTER'S GLASS COMPANY, LIMITED
SATISFACTORY RESULTS

The twenty-third annual general meeting of Forster's Glass Company, Limited will be held at the May Fair Hotel, Berkeley Square, London, W., on the 23rd instant.

The following is an extract from a review by the chairman, Colonel Charles E. Ponsonby, T.D., M.P., circulated with the report and accounts: The net profit for the year is not very different from that of last year. This is very satisfactory, especially in view of the fact that during the past twelve months there have been many difficulties to contend with. Fortunately, owing to the fact that our plant has been employed to full capacity and goods manufactured have been delivered immediately to customers without the necessity for storage or additional handling, we have been able to carry the increased costs without increasing the sale price except in a few exceptional cases. If, however, it is found necessary to reduce the volume of production, this will certainly have an immediate effect on the profits we are earning, and may possibly necessitate an increase in sale price.

The amount available for distribution is £46,668, and out of this sum £5,000 (the same as last year) has been transferred to reserve account, bringing this account up to £120,000, and out of the remainder of £41,668 the directors recommend a distribution of a dividend of 10 per cent. and a cash bonus of 5 per cent. on the ordinary shares, both less income-tax, making a total distribution of 15 per cent., also the same as last year, leaving a balance of £16,996 to be carried forward to next year.

You will notice that of the 5 per Cent. Mortgage Debenture stock there is now only £7,000 outstanding, and that the 6 per Cent. Second Mortgage Debentures have disappeared from the balance-sheet. These Debentures were held by our friends, Messrs. Watney, Combe, Reid and Company, Limited, and as a result of the agreement to redeem them and issue the ordinary shares, the trading agreement which has been in existence between the two firms for some years has been extended for a further period of years.

As far as the present year is concerned, I can only say that so far production and sales are keeping up to the peak achieved during last year.

KONONGO GOLD MINES, LIMITED
PROFITS CUT BY TAXATION

The eighth ordinary general meeting of Konongo Gold Mines, Limited, was held, on the 16th instant, at the Institute of Chartered Accountants, Moorgate Place, London.

Mr Robert Annan, M.Inst.M.M., chairman of the company, presided.

The following is an extract from the statement by the chairman which was issued with the report and accounts for the year ended September 30, 1941:—

After providing for taxation and depreciation, the net profit, at £44,170, is less than half of that shown in the previous year. This position is due to the increase in taxation, particularly in excess profits tax, amounting to 100 per cent. on the accounts now presented as compared with 80 per cent. in the previous year.

The chairman then stated: Since the report was issued the Chancellor of the Exchequer has announced his decision not to give any substantial relief to the mining industry from the burden of excess profits tax.

In our particular case the price of gold has risen since 1939 by 14s. per ounce, of which the Colony takes half in additional export tax. Our output was therefore worth about £23,000 more than at pre-war prices, but our production costs, owing entirely to war conditions, have risen by almost £40,000.

Our true excess profit is therefore a minus quantity, but because we have doubled the rate of output since the standard year, which was our first year of production, we must pay over £58,000 to the Revenue. No one can protest against heavy taxation in support of the war effort—it is the inequality of incidence to which we object.

On the other hand, development of the mine continues to give good results. In the first six months of the current financial year 1,294 ft. of driving on the main Odumase Vein averaged 20.4 dwt. over a width of 48 in., with additional payable stretches on branch veins.

The Odumase Shaft had reached a depth of 1,450 ft. at the end of March, and sinking will be continued if the Government will permit us to import the necessary material.

The report and accounts were adopted.

EAGLE STAR INSURANCE COMPANY, LIMITED

PREMIUM INCOME EXCEEDS £5,000,000

The annual general meeting of the Eagle Star Insurance Company, Limited, will be held in London on the 25th instant.

The following are extracts from the statement by the chairman, Sir Edward M. Mountain, Bart., circulated with the report and accounts:—

Life Department: New life assurances were completed during 1941 for a net amount of £12,317,711—a substantial increase over the preceding year. The already moderate expenses show a further decrease.

Fire Department: The net premiums increased to £896,108, showing a profit of £72,000.

Accident and General Insurance Accounts: The premium income increased to £886,498 (including employers' liability) and the account yielded a profit of £117,000.

Employers' Liability Account: There has been an increase in the premium income of this department, largely contributed to by adjustments of premiums in connection with risks already expired. Claims paid amounted to £133,597, reserve for unexpired risks is provided on the usual basis of 40 per cent. of the premium income for the year. A small profit amounting to £3,000 is carried to the profit and loss account.

Motor Department: The premiums for the year amounted to £1,185,225, an increase of £109,468, and £35,000 was transferred to profit and loss account.

Marine Department: With £638,779 brought forward, and net premiums of £545,374, an amount of £50,000 was transferred to profit and loss account. The marine fund now stands at £711,512, representing 130.46 per cent. of the premium income.

Profit and Loss Account: Once again interest earnings plus trustee and other fees more than cover the total dividend payments. The balance brought forward from last year was £523,273, while interest earnings, Trustee and other fees and departmental profits amounted to £525,537, giving a total on the credit side of £1,048,810. The balance carried forward is increased to £554,254. The total premium income now exceeds £5,000,000 per annum.

At the Annual General Meeting of the
LONDON & MANCHESTER ASSURANCE COMPANY LTD

The Chairman, Mr A. H. Dawes, made these striking statements:—

- ★ Since the outbreak of war to the 24th March last the total amount subscribed to the new War Loans was over £2,750,000.
- ★ Our total holding of British Government Securities amounted to £8,396,536 and represented 42% of our Stock Exchange investments.
- ★ As compared with the previous year the total premium income, £3,674,370, shows the substantial increase of £164,534 while the funds increased by the record sum of £1,361,378 to £23,722,206.
- ★ In the Ordinary Branch the premium income reached the record figure of £1,500,272. Matured endowments totalled £619,606.
- ★ In the Industrial Branch a noteworthy feature is that for the first time the premium income exceeded Two Million Pounds.
- ★ In the Ordinary Branch it has been decided to pay on participating policies which become claims interim bonus at the rate of £1% per annum on the sum assured.

LONDON & MANCHESTER ASSURANCE COMPANY LIMITED
CHIEF OFFICE
50, FINSBURY SQUARE, LONDON, E.C.2. ©

RIO DE JANEIRO CITY IMPROVEMENTS COMPANY, LIMITED

The eighth ordinary general meeting of the Rio de Janeiro City Improvements Company, Limited, was held on 18th instant in London.

Colonel C. E. Ponsonby, who presided, said that under the agreement with the Government signed on March 2nd, 1937, the drainage rent was subject to revision after the end of 1939. He had no further information to give them, and, as the matter was still *sub judice*, it was not expedient to discuss the provisions of the proposed new agreement.

Last year he had called attention to the immense sum they had in Rio awaiting remittance. They had now been able to remit all their available currency. The heavy tax payable in Brazil on remittances and the increasing costs of materials and wages were responsible for the fall in their balance of revenue.

Although their net profits for the year were some £5,600 less than last year, the board had resolved to recommend the same dividend of 3¼ per cent. free of tax.

The report was adopted.

LEGAL & GENERAL

ASSURANCE SOCIETY LTD

ESTABLISHED 1836

EXTRACTS FROM
REPORT AND ACCOUNTS FOR THE YEAR 1941
&
21st QUINQUENNIAL VALUATION REPORT 1936-41

LIFE DEPARTMENT

	1941	1936-41
No. of Life Policies Issued - -	12,097	83,653
Net New Life Sums Assured -	£10,133,159	£68,547,475
Net Life Claims amounted to -	£1,758,565	£9,382,777
Amount received by way of Considerations for Immediate Annuities	£401,519	£4,621,000
New Deferred Annuities effected -	£694,873 (per annum)	£6,255,000 (per annum)
Net Life Premium Income - -	£5,487,374	£24,889,000

FIRE AND ACCIDENT DEPARTMENTS

	1941
Net Premiums - - - - -	£601,639
Transferred to Profit and Loss Account from Fire and Accident Accounts - - - - -	£81,912

With-Profit Policy Holders in the Life Department are to receive a

COMPOUND REVERSIONARY BONUS OF 38/- PER ANNUM

ASSETS EXCEED £57,000,000

A copy of the Annual Report and Accounts for the year ended 31st December, 1941, and for the Quinquennial Report will be sent on request.

CHIEF ADMINISTRATION: ALDWYCH HOUSE, LONDON, W.C.2

General Manager: VERNON E. BOYS

BRITISH TIMKEN LIMITED

EXPANDED SCOPE OF OPERATIONS

MR JOHN PASCOE ON RECONSTRUCTION

The twenty-second annual general meeting of British Timken, Limited, was held, on the 17th instant, at the registered office of the company in Birmingham.

Mr John Pascoe, deputy chairman, said: Our chairman, Mr Michael Dewar, is still in the United States on behalf of the Ministry of Supply. I am sure you will wish me to convey to him our continued good wishes for the success of his work.

The profit for 1941, at £108,924 before taxation, was some £400 lower than for 1940 and is well below our E.P.T. standard.

Your directors propose to transfer to contingency reserve the same amount as last year, namely £20,000, and to pay the same dividend, namely 15 per cent., less tax, on the 400,000 ordinary shares, leaving to be carried forward the sum of £24,634.

The balance-sheet clearly reflects the greatly expanded scope of our company's operations, which has necessitated considerable assistance from the company's bankers, but the balance of current assets over current liabilities indicates that the essential strength of the company's financial position has been more than preserved. The contingency reserve now stands at £40,000.

NEED FOR RESERVES

Your board fear that at the end of the war the task of adapting ourselves to peacetime conditions and fitting ourselves for the struggle which must then lie before us may be heavy, and, although the Government should be thoroughly alive to the essential needs of the manufacturing units on which the standard of living in the country has depended and will always depend, the board regard the building up of the contingency reserves as of the utmost importance.

I should like to commend to shareholders the Federation of British Industries' report on "Reconstruction," in which are set out the considered views of industry as to the main problems which will need solution in the post-war period.

Your subsidiary company, Fischer Bearings Company, Limited, has had a satisfactory first year under our ownership and is continuing to increase its contribution to the needs of industry.

LOYAL STAFF AND WORKERS

The staff and workpeople of the company have continued, with the corresponding personnel of Fischer Bearings Company, Limited, to work long hours under trying conditions. Their output and spirits are high and are going higher, and they can be relied upon to continue to play their part in full measure.

The report and accounts were unanimously adopted, the retiring director, Mr A. J. M. Duncan, was re-elected, and votes of thanks to the directors, staff and workers were passed.

ARGENTINE ESTATES OF BOVRIL LIMITED

LORD LUKE ON IMPROVED ESTANCIA RESULTS

Presiding at the thirty-fourth annual general meeting of Argentine Estates of Bovril, Limited, held in London on the 16th instant, the Lord Luke, K.B.E. (chairman), after dealing with the financial statement, said that owing to the improvement in cattle values their estancias had done well. Higher prices had not only been paid for beef for export but also by the local butchers' market. Before the war, the Argentine used to consume well over 70 per cent. of its beef at home and export the rest—those proportions might have shifted a bit owing to the demand for export, which keen demand had raised cattle values even beyond those of the last war.

The export of South American beef was, of course, very largely to this country, and when one considered that those in the Services were getting on an average two to three times the beef they used to eat at home, and that owing to good wages a large section of the population must be eating more beef than they ever did before, it was, he considered, a great achievement by the Ministry of Food to keep up these full supplies throughout the country.

The fact was that reasonably priced beef could only be produced in the huge pasture lands of the Southern Hemisphere, but cattle could not be grown in a hurry like an annual crop and if one bought from farmers 2½ years' output in two years, one took away his reserve of older stock and left him unfilled pasturage, a condition in which he could say that he would have a good price or let his stock out on, say, another six months' or even a year's growth.

When it was realized that they were farming well over a million acres carrying a quarter-million head of cattle, it was obvious that they were not over remunerated for the large capital they had expended on their estates and factories. They also still have some 50,000 acres under cultivation, worked mostly by colonists on shares with them, but owing to a somewhat poor harvest and to the low prices, particularly of maize, at about £3 a ton, their share of the crops did not cover the land taxes, etc., they had to pay.

RECORDS and STATISTICS

STOCK EXCHANGES
London

Note: all dealings are for cash

The uncertain position in Libya and in Russia has brought to an abrupt close the recent optimistic upward movement, and throughout the markets a slight recession in prices has been registered. Turnover, however, has been slightly lower and the actual volume of stock coming on to the market is insufficient markedly to affect prices. Turnover in the gilt-edged market was rather low and with most buyers holding off, small declines reflected some light selling. Thus, old Consols fell ½ on Tuesday, when both Local Loans and ½ per cent War Loan eased ½, but in contrast, short-dated issues were steady throughout. Quiet conditions prevailed in the foreign bond market, where among South American stocks Brazilian and Chilean issues weakened slightly on lack of support. Events in Libya occasioned some weakness in Egyptian bonds, the 4 per cent Unified issue falling 2 points on Tuesday. Peruvian Corporation stocks were outstandingly firm at the weekend on some light demand, the 5 per cent

preference and the debenture rising a point. The home rail market suffered from lack of interest, and both junior and senior stocks were marked down from ½ to ½ point at the reopening. The following day further small declines, among them a loss of ½ for GW ordinary, were registered. Prices in the foreign rail market were generally steady. After further declines markets strengthened a trifle, although there was no improvement in the news. British and Foreign bonds were scarcely affected but the home rail market was firm.

The tone in the industrial market has been slightly easier, and in the absence of support prices in most sections have tended to weaken. Among brewery shares both losses and gains were slight at the reopening, although on Tuesday Distillers, Guinness and Bass all weakened slightly, among others. In the tobacco group BAT was persistently weak, losing ½ on Monday when Imps repeated an earlier loss of ½, while the following day BAT lost another ½ and Godfrey Phillips ½. Among motor and aircraft shares, losses of ½ for Rolls-Royce and Leyland on Tuesday reflected the general trend, although De Havilland gained 1s. at the reopening. The feature

of a generally quiet but irregular heavy industrial section was the demand for Richard Thomas issues, the ordinary and preference both advancing, although the latter reacted slightly on Tuesday. The shipping market was dull, and among generally small losses Union Castle fell 1s. 1½d. on Tuesday, but the Court Line remained unchanged on the annual report. Widespread but small persistent losses were suffered by textile issues in the absence of buyers but in no case were the total declines large. In the stores section Woolworth and Marks and Spencer among other issues both eased to lower levels. The miscellaneous group reflected the general trend to lower levels, and among leading issues Boots, Turner and Newall, Spillers and Wall Paper deferred all weakened. Boots losing 1s. before the week-end and a further 6d. on Tuesday. In midweek conditions became steady with a 6s. rise in Allied Iron on the higher dividend.

Activity in the Kaffir market before the week-end was restricted to light investment demand, but while the publication of the reduced half-yearly dividends exerted a depressing influence at the reopening the largest decline was a fall of ½ for Sub

Nigel. Conditions on Tuesday were quiet, except for a fall of 2s. 3d. for Libanon on the decision to close the mine for the duration of the war. Lack of support in the rubber market led to some marking down. In the current week, the oil market reflected the course of events in Libya. With buyers holding off, leading issues were marked down, Anglo-Iranian showing a fall of ½, and Shell ½ on Tuesday, after the previous day's losses of ¾. Ultramar was sold and lost 2s. on Tuesday. In midweek the only appreciable change was a firmer tone in the oil market.

"FINANCIAL NEWS" INDICES

1942	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	30 Ord. shares*	20 Fixed Int.†
June 11	3,291	2,735	80.8	134.2	
12	2,703	2,495	80.4	134.2	
15	3,243	2,801	80.3	134.1	
16	2,723	3,449	80.0	134.0	
17	2,781	2,624	79.9	134.1	
July 1, 1935-100	+ 1928-100	30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5).			

New York

In view of the rather mixed reports about the war situation there was little incentive

on Wall Street. The small but general decline last Friday was partially recovered the next day, while in the early part of the current week selective buying occasioned some scattered gains. Later price rises up to a point occurred, with some increase in activity.

New York Prices

Total share dealings: June 11, 282,000; June 12, 220,000; June 13*, 109,000; June 15, 262,000; June 16, 279,000; June 17, 388,000.

* Two-hour session.

STANDARD STATISTICS INDICES

(1935-36=100)

	1942		May 27, 1942	June 3, 1942	June 10, 1942
	Low April 29	High Jan. 14			
347 Industrials...	62.4	75.0	66.4	67.2	68.4
32 Rails...	59.1	71.0	60.6	59.6	59.1
40 Utilities...	55.1	67.4	58.5	58.4	59.9
419 Stocks...	60.8	73.3	64.8	65.3	66.5
Avg. yield*	8.40%	7.22%	7.47%	7.30%	7.22%

* 50 Common Stocks.

(a) Jan. 7. (b) Feb. 4. (c) June 10. (d) June 10.

COMMODITY AND INDUSTRY NEWS

(a) for delivery before September 1, 1942, for application either to growing crops or to crops sown or planted before September 1, 1942, or—in the case of basic slag—to crops sown or planted before January 1, 1943.

(b) under the authority of a permit issued by a County War Agricultural Executive Committee.

(c) under the authority of a licence issued by the Minister of Supply.

Oils and Oilseeds.—Indian shippers continue to offer linseed and ground nuts for West Coast shipment, but Calcutta is still out of the market. Supplies of Indian linseed are likely to be smaller since the out-turn of the new crop has not come up to expectations. With a reduction of 8 per cent in the acreage sown, the estimated yield is 17 per cent smaller, at 361,000, compared with 434,000 tons last season. The Argentine Grain Board is making strenuous efforts to dispose of the huge exportable surplus of linseed and has reduced the price to exporters from \$20.40 to \$19 per 100 kilos, ex dock. Exports from the River Plate since January 1st have been only 215,000 tons, against 240,000 tons in the January-May period, and the proportion for Europe 23,000 tons, against 53,000 tons. The outlook for next season's crop is unsatisfactory. Excessive dryness is reported to have hampered ploughing of the soil in many linseed-growing districts.

Flints Maximum Prices.—The Board of Trade has made the Flints for Lighters (Maximum Price) Order (S.R. and O. No. 1065) after consultation with the Central Price Regulation Committee. The Order divides flints into three classes: pocket

"THE ECONOMIST" SENSITIVE

PRICE INDEX

(1935-100)

	June 11, 1942	June 12, 1942	June 15, 1942	June 16, 1942	June 17, 1942
Crops...	115.9	115.9	115.9	115.9	115.9
Raw materials...	172.7	172.7	172.7	172.7	172.7
Complete Index...	141.5	141.5	141.5	141.5	141.5
Crops...	147.9	92.2	108.5	115.7	115.9
Raw materials...	207.3	122.9	170.9	172.7	172.7
Complete Index...	175.1	106.4	136.1	141.3	141.5

* Highest level reached during 1932-37 recovery.

DAILY AVERAGE OF 50 COMMON STOCKS

June 4	June 5	June 6	June 8	June 9	June 10
84.6	84.6	84.9	85.5	84.8	84.3

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Capital Issues

	Week ending June 20, 1942	Nominal Capital	Conversions	New Money
By Permission to Deal...	141,489	...	...	148,563
Particulars of Government issues appear on page 878.				
Year†		Including Conversions	Excluding Conversions	
1942.....	779,439,158	193,308	775,437,099	
1941.....	758,096,892	708,562,300		

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942.....	775,200,303	193,308	37,488
1941.....	706,939,961	2,622,339	Nil

Year†	Deb.	Pref.	Ord.
1942.....	769,093,070	680,476	5,665,553
1941.....	706,991,755	166,960	2,803,115

† Includes Government issues to June 9, 1942, only. Above figures include all new capital in which permission to deal has been granted.

lighter flints measuring not less than 2.4 millimetres in diameter and 4 millimetres in length, the maximum retail price of which is fixed at 1d. each; gas lighter flints, measuring not less than 2.8 millimetres in diameter and 10 millimetres in length, 2½d. each; and flints of unusual shape, the price of which will be regulated by weight. The Order will not apply to flints used for industrial purposes. It will come into operation on June 29th.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937	Aug. 30, 1939	June 10, 1941	May 26, 1942	June 9, 1942
Cereals and Meat...	93.0	66.9	97.9	111.8	111.8
Other food...	70.4	61.1	94.1	99.1	99.1
Textiles...	74.2	54.3	92.8	91.5	91.5
Minerals...	113.2	95.4	129.7	130.7	130.7
Miscellaneous...	87.0	77.6	113.2	119.0	119.0
Complete Index...	87.2	70.3	105.3	110.9	110.9
1912-100	119.9	96.8	144.8	152.6	152.6

* Highest level reached during 1932-37 recovery.

RETAIL FOOD PRICES.

	Average price per lb. at			Per cent increase since Sept. 1, 1939
	Sept. 1, 1939	Apr. 1, 1942	May 1, 1942	
Beef, British	s. d.	s. d.	s. d.	
Ribs	1 2½	1 3½	1 3½	11
Thin flank	0 7½	0 9½	0 9½	27
Beef, chilled or frozen				
Ribs	0 9½	1 1	1 1	35
Thin flank	0 4½	0 6	0 6	22
Mutton, British				
Legs	1 3½	1 5½	1 5½	13
Breast	0 7½	0 8	0 8	8
Mutton, frozen				
Legs	0 10½	1 0	1 0	16
Breast	0 4	0 4	0 4	
Bacon	1 3	1 8½	1 8½	37
Fish				
Flour (per 7 lb.)	1 1½	1 3½	1 3½	42
Flour (per 4 lb.)	0 8½	0 8	0 8	3
Tea	2 4	2 6	2 6	7
Sugar (gran.)	0 3	0 3	0 3	
Milk (per qt.)	0 6½	0 8½	0 8½	29
Butter (salt)	1 4½	1 7	1 7	15
Cheese	0 10	1 1	1 1	24
Margarine, special	0 6½	0 9	0 9	30
Standard		0 5	0 5	12
Eggs, fresh (each)	0 2	0 2½	0 2	1
Potatoes (per 7 lb.)	0 6½	0 8½	0 8½	28
Index all foods weighted (July 1914=100)	138	180	180	17

Source: Ministry of Labour Gazette.

Finance

GOVERNMENT RETURNS

For the week ended June 13, 1942, total ordinary revenue was £43,021,000, against ordinary expenditure of £97,654,000, and issues to sinking funds of £150,000. Thus, including sinking fund allocations of £1,433,155, the deficit accrued since April 1st is £607,574,000 against £633,553,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to June 14, 1941	April 1 to June 13, 1942	Week ended June 13, 1941	Week ended June 13, 1942
Income Tax	63,284	101,194	2,206	6,491
Sur-tax	8,825	7,052	260	450
Estate, etc., Duties	19,835	20,736	1,260	2,100
Stamps	1,740	1,850	—	—
N.D.C.	3,269	4,748	345	450
E.P.T.	32,352	47,445	2,656	11,900
Other Inland Rev.	115	200	20	10
Total Inland Rev.	127,420	183,226	6,747	21,401
Customs	66,799	92,457	5,999	10,800
Excise	40,100	72,000	1,600	2,700
Total Customs and Excise	106,899	164,457	7,599	13,500
Motor Duties	4,898	5,145	102	105
Canadian Govt. Contribution	—	80,096	—	4,494
P.O. (Net Receipts)	4,150	8,050	350	1,400
Wireless Licences	—	510	—	—
Crown Lands	230	200	—	—
Receipts from Sundry Loans	807	586	96	98
Miscel. Receipts	10,708	13,748	4,451	773
Total Ordinary Rev.	255,112	454,918	19,345	41,771
SELF-BALANCING				
P.O. and Broadcasting	16,950	17,600	1,200	1,250
Total	272,062	472,518	20,545	43,021

Expenditure	Issues out of the Exchequer (£ thousands)			
	April 1 to June 14, 1941	April 1 to June 13, 1942	Week ended June 13, 1941	Week ended June 13, 1942
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	82,740	90,365	3,446	3,154
Payments to N. Ire. Land	1,228	1,306	—	—
Other Cons. Fund Services	360	358	—	—
Total Ordinary Expenditure	84,328	92,029	3,446	3,154
Supply Services	803,091	973,300	80,500	94,500
Total Ordinary Expenditure	887,419	1,065,409	83,946	97,654
SELF-BALANCING				
P.O. and Broadcasting	16,950	17,600	1,200	1,250
Total	904,369	1,083,009	85,146	98,904

After decreasing Exchequer balances by £20,045 to £2,567,717, the other operations for the week (no longer shown separately) raised the gross National Debt by £54,783,000 to about £14,680 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between June 13th and June 19th. (Figures in brackets are par of exchange.)

United States, \$ (4-80) 4-02½-03½; mail transfers 4-02½-03½. Canada, \$ (4-80) 4-45-47; mail transfers 4-45-47. Belgium, Francs (25-24) 17-50-40. Sweden, Krona (18-18) 16-65-95. Argentina, Two (11-45) 16-00-17-15; mail transfers 16-00-17-15. Dutch West Indies, Florin (12-11) 7-58-62; mail transfers 7-58-64. Portugal, Escudos (110) 99-80-100-20. Panama, \$ (4-02-04) 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Office.—Spain, Pesetas (25-24) 40-00 (Official rate); 46-85 (Voluntary rate). Turkey, Lira (110) 880. Italy, 75 Lira.

NET ISSUES (£ thousands)	
P.O. and Telegraph	209
Overseas Trade Guarantees	9

NET RECEIPTS (£ thousands)	
Tithe Act	315

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt
Date	Tender	Tap	Public Depts. Eng. Land	Bank of England	Treasury	
1941						
June 14	925-0		Not available			
1942						
Mar. 14	905-0					
" 21	905-0					
Apr. 4	905-0	2620-6	195-1	496-5	3312-2	
" 11	905-0		Not available			
" 18	910-0					
" 25	920-0	1757-3	251-7	17-0	487-0	3432-9
May 2	935-0					
" 9	950-0		Not available			
" 16	965-0					
" 23	975-0					
" 30	975-0	1805-3	254-8	518-5	3553-6	
June 6	975-0					
" 13	975-0		Not available			

TREASURY BILLS

Date of Tender		Amount		Average Rate of Allotment		Per Cent. Allotted
		Offered	Applied for		Min. Rate	
1941						
June 13	75-0	166-5	75-0	19 11-84	26	
1942						
Mar. 20	75-0	121-4	75-0	20 0-63	50	
" 27	75-0	131-6	75-0	19 11-69	60	
Apr. 3	75-0	155-0	75-0	20 2-72	34	
" 10	75-0	155-0	75-0	20 3-02	35	
" 17	75-0	147-5	75-0	20 2-89	36	
" 24	75-0	133-0	75-0	20 3-15	44	
May 1	75-0	148-0	75-0	20 0-50	37	
" 8	75-0	143-8	75-0	20 0-73	41	
" 15	75-0	135-4	75-0	20 0-65	44	
" 22	75-0	143-9	75-0	20 0-78	42	
" 29	75-0	151-5	75-0	20 0-70	36	
June 5	75-0	147-3	75-0	20 0-56	36	
" 12	75-0	151-8	75-0	20 0-61	44	

On June 12th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 44 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on June 19th. For the week ending June 20th the banks will be asked for Treasury deposits to a maximum amount of £60 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BONDS SUBSCRIPTIONS

		(£ thousands)			
Week ended		N.S.C.	3% Defence Bonds	3% Savings Bonds	2% War Bonds 1949-51
May	5	4,900	2,676	12,118	3,608
"	12	4,288	2,400	4,082	5,656
"	19	4,147	2,096	6,380	6,183
"	26	4,333	2,112	6,225	3,350
June	2	4,370	2,263	5,060	2,998
"	9	4,184	2,238	7,013	3,548
"	16			7,505	9,719
Totals to date		556,675	465,951	749,160	429,631

• 133 weeks. • 76 weeks. • 36 weeks.
Including series "A." Including all Series.
Interest free loans received by the Treasury up to June 16th amounted to a total value of £48,848,976. Up to May 30th, principal of Savings Certificates to the amount of £69,122,000 has been repaid.

MONEY MARKET

Market Rates.—The following rates remained unchanged between June 13th and June 19th.

Egypt, Piastres (77½) 97½. India, Rupee (18d. per rupee) 17½-18½. Belgian Congo, Francs 176½-1. China, National \$ 22-3½d.

Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States, 3 cent per. par. Canada, 1 cent per. par. Switzerland, 3 cents per. par. Sweden, 3 ore per. par.

MONEY RATES, LONDON.—The following rates remained unchanged between June 13th and June 19th:—Bank rate, 2% (changed from 3% October 28, 1939). Discount rates: Bank Bills, 60 days 1½%, 3 months.

BANK OF ENGLAND RETURNS

JUNE 17, 1942

ISSUE DEPARTMENT	
Notes Issued:	
In Circulation	793,183,004
In Bank Department	37,059,714
Govt. Debt:	
Other Govt. Securities	816,770,703
Other Secs.	1,983,034
Silver Coin	261,158
Am't. of Fid. Issue	830,000,000
Gold Coin & Bullion (at 168s. per oz. fine)	241,718
	830,241,718

BANKING DEPARTMENT	
Prop'd Capital	14,553,000
Reserve	3,266,472
Public Deps.	11,873,484
Govt. Secs.	144,517,438
Other Secs.	5,487,469
Advances & Securities	27,190,624
Other Deps.	131,135,333
Other Assets	47,255,105
Notes	190,390,438
Gold & Silver Coin	1,318,418
	210,083,594

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

COMPARATIVE ANALYSIS

Date		1941		1942	
		June 18	June 5	June 10	June 17
Issue Dept.					
Notes in circulation		637-5	792-9	793-7	793-2
Notes in banking department		42-7	37-5	36-5	37-1
Government debt and securities*		677-6	828-0	827-7	827-7
Other securities		2-4	2-0	2-0	1-9
Other assets		0-0	0-0	0-3	0-3
Silver coin		0-2	0-2	0-2	0-2
Gold, valued at c. per fine oz.		168-00	168-00	168-00	168-00
Deposits:					
Public		9-8	16-0	8-9	11-9
Bankers		122-4	123-7	131-1	121-1
Others		51-7	46-4	46-7	47-3
Total		183-9	186-1	186-7	180-3
Banking Dept. Assets:					
Government		132-7	137-1	140-2	144-5
Securities, etc.		5-1	6-6	6-1	21-7
Other		19-3	21-8	21-3	21-6
Total		157-1	165-5	167-6	187-8
Banking dept. res.		44-5	38-6	37-8	38-3
"Proportion"		24-2	20-7	20-2	19-9

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £780 millions to £830 millions on April 22, 1942.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 6d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.
June 11	23½	23½
" 12	23½	23½
" 15	23½	23½
" 16	23½	23½
" 17	23½	23½

The New York price of fine silver remained at 35¢ one per fine ounce throughout the week.

NEW YORK EXCHANGE RATES

New York on		June 10	June 11	June 12	June 13	June 15	June 16
Cables							
London		403½	403½	403½	403½	403½	403½
Montreal		89-85	90-00	90-00	90-00	90-00	90-00
Zurich		23-30	23-30	23-30	23-30	23-30	23-30
B. Aires		23-60	23-55	23-50	23-50	23-55	23-55
Brasilia		5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29 7/8. † Commercial Bills.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	June 14, 1941	June 13, 1942	June 14, 1941	June 13, 1942
Working days:				
Birmingham	2,175	2,171	52,041	59,926
Bradford	2,840	2,358	53,655	52,617
Bristol	2,015	2,732	45,881	56,687
Hull	565	663	14,950	18,807
Leeds	684	802	23,308	26,815
Leicester	794	824	19,938	20,547
Liverpool	5,468	4,371	124,815	111,747
Manchester	10,357	11,059	276,452	287,794
Newcastle	1,121	1,143	30,833	36,467
Nottingham	399	380	10,805	11,261
Sheffield	534	609	15,718	20,882
Southampton	75	96	2,363	2,881
12 Towns	27,026	27,239	670,759	706,431
Dublin*	5,259	6,831	138,025	156,294

* June 7, 1941, and June 6, 1942.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS		June 12, 1941	May 28, 1942	June 4, 1942	June 12, 1942
RESOURCES					
Gold certifs. on hand and due from Treasury		20,314	20,507	20,516	20,518
Total reserves		20,614	20,812	20,799	20,807
Total cash reserves		2,189	2,489	2,532	2,567
Total U.S. Govt. sec.		2,184	2,505	2,549	2,584
Total bills and sec.		941	2,818	2,718	2,656
Total resources		23,818	24,427	24,627	24,540
LIABILITIES					
F.R. notes in circ.		6,542	8,990	9,134	9,195
Excess m. bank res.		5,590	2,540	2,780	2,780
Mr. bank res. dep.		13,312	12,467	12,653	12,629
Govt. deposits		289	239	110	92
Total deposits		16,062	14,317	14,121	14,054
Total liabilities		23,818	24,427	24,627	24,540
Reserve ratio		91-2%	90-0%	89-4%	89-5%
BANKS AND TREASURY RESOURCES					
Monetary gold stock		22,593	22,712	22,715	22,717
Treasury & bank currency		3,138	3,302	3,306	3,310
LIABILITIES					
Money in circulation		9,393	11,971	12,141	12,176
Treasury cash and dep.		3,181	2,436	2,298	2,284

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1941		Prices, Year 1942		Name of Security	Price, June 16, 1942	Yield, June 16, 1942	Prices, Year 1942		Last two Dividends	Name of Security	Price, June 16, 1942	Yield, June 16, 1942
High	Low	High	Low				High	Low				
82 1/2	76 1/2	83 1/2	82 1/2	British Funds	82 1/2	82 1/2	45/9	41/9	2 a	Iron, Coal and Steel	42/6	42/6
113 1/2	110	113 1/2	111 1/2	Consols 2 1/2% (after 1957)	113 1/2	3 10 0	50/3	42/6	3 a	Babcock & Wilcox Ltd.	44/4	42/6
100	98 1/2	100 1/2	99 1/2	Consols 4% (after 1957)	100	2 0 0	28/4	26/4	1 1/2 b	Bolover Colliery Ord. £1	26/9	26/9
100 1/2	98 1/2	100 1/2	99 1/2	Conv. 2 1/2% 1943-45	100 1/2	2 0 0	22/9	18/3	3 a	Brown (John) Ord. 10/-	20/9	20/9
103 1/2	101 1/2	103 1/2	101 1/2	Conv. 2 1/2% 1944-49	103 1/2	2 12 6	20/8 1/2	14/-	7 c	Colvilles Ord. £1	16/3	16/3
106 1/2	102 1/2	106 1/2	105 1/2	Conv. 3 1/2% (after 1961)	106 1/2	3 4 6	22/6	20/-	1 1/2 b	Dorman Long Ord. £1	21/3	21/3
108 1/2	104 1/2	108 1/2	105 1/2	Conv. 3 1/2% 1944-64	108 1/2	2 19 0	27/9	25/7 1/2	7 a	Guest Keen & Co. Ord. £1	21/3	21/3
95 1/2	91 1/2	95 1/2	93 1/2	Funding 2 1/2% 1956-61	95 1/2	2 17 0	45/6	42 1/2	4 a	Hadfields Ord. 10/-	43 1/2	43 1/2
100 1/2	97 1/2	100 1/2	98 1/2	Funding 2 1/2% 1952-57	100 1/2	2 15 0	47/4	45/-	1 1/2 b	Staveley Coal Ord. £1	47/-	47/-
101 1/2	98 1/2	101 1/2	99 1/2	Funding 3% 1959-69	101 1/2	2 18 6	35/0	31/-	4 a	Stewarts and Lloyds £1	31/3	31/3
101 1/2	98 1/2	101 1/2	99 1/2	Funding 4% 1960-90	101 1/2	2 18 6	23 1/2	21/-	5 1/2 b	Swan, Hunter Ord. £1	21/9	21/9
101 1/2	98 1/2	101 1/2	99 1/2	Nat. Def. 2 1/2% 1944-48	101 1/2	2 16 3	17/6	15 1/2	4 a	United Steel Ord. £1	16/3	16/3
102 1/2	100 1/2	102 1/2	100 1/2	Nat. Def. 3% 1945-48	102 1/2	2 16 3	17/6	15 1/2	4 a	Vickers Ord. 10/-	16/3	16/3
100 1/2	99 1/2	100 1/2	99 1/2	War Bonds 2 1/2% 1945-47	100 1/2	2 6 6	10/10	7/-	Nil c	Textiles	9/-	8/6
100 1/2	99 1/2	100 1/2	99 1/2	War Bonds 2 1/2% 1946-48	100 1/2	2 6 6	9/10 1/2	6/3	Nil c	Bradford Dyers Ord. £1	9/10 1/2	8/6
101 1/2	100 1/2	101 1/2	100 1/2	Savings Bds. 3% 1955-65	101 1/2	2 18 6	31/4	33/6	3 1/2 a	British Celanese Ord. 10/-	37/-	37/-
114 1/2	110 1/2	114 1/2	112 1/2	Victory Bonds 4%	114 1/2	2 19 0	36/3	31/-	2 1/2 a	Coats, J. & P. Ord. £1	38/-	37/-
101 1/2	100 1/2	101 1/2	100 1/2	War Loan 3% 1955-59	101 1/2	2 17 0	9/3	2/3	Nil c	Courtaulds Ord. £1	34/6	34/6
106 1/2	102 1/2	106 1/2	104 1/2	War Loan 3 1/2% aft. 1952	106 1/2	3 6 6	27/9	22/9	7 1/2 c	Fine Cotton Spinners £1	27/-	27/-
96 1/2	89 1/2	96 1/2	95 1/2	Local Loans 3%	96 1/2	3 2 2				Lancs. Cotton Corp. £1	27/-	27/-
99 1/2	93 1/2	99 1/2	98 1/2	Redemption 3% 1986-96	99 1/2	3 1 0	74/9	71/3	5 a	Electrical Manufacts.	73/9	73/9
102 1/2	100 1/2	102 1/2	101 1/2	Austria 3% 1935-55	102 1/2	2 17 10	22/9	20/9	10 b	Callenders Cable & E. £1	22/6	22/6
101 1/2	96 1/2	101 1/2	100 1/2	India 3 1/2%	101 1/2	3 9 6	42/-	37/6	10 c	Crompton Park 'A' 5/-	41/3	41/3
105 1/2	101 1/2	105 1/2	101 1/2	Dom. & Col. Govts.	105 1/2	4 9 0	84/3	78 1/4	20 c	English Electric Ord. £1	83/9	83/9
101 1/2	100 1/2	101 1/2	100 1/2	Australia 5% 1945-75	101 1/2	4 17 0	38/9	34/6	3 a	General Electric Ord. £1	37/6	37/6
101 1/2	100 1/2	101 1/2	100 1/2	New Zealand 5% 1946	101 1/2	3 15 0	29/-	28/-	2 1/2 a	County of London £1	28/6	28/6
101 1/2	100 1/2	101 1/2	100 1/2	Nigeria 5% 1950-60	101 1/2	3 15 0	14/7 1/2	12 1/2	4 c	Edmundsons Ord. £1	13/9	13/9
108 1/2	106 1/2	108 1/2	105 1/2	Corporation Stocks	108 1/2	3 13 2	32/4	29/4	4 1/2 b	Gas Light & Coke Ord. £1	31/3	31/3
93 1/2	84 1/2	93 1/2	93 1/2	Birmingham 5% 1946-56	93 1/2	3 2 2	40/-	38 1/2	2 1/2 a	North-East Electric £1	39/4	39/4
99 1/2	93 1/2	99 1/2	98 1/2	L.C.C. 3%	99 1/2	3 2 2	40/-	38 1/2	2 1/2 a	Scottish Power Ord. £1	40/-	40/-
106 1/2	102 1/2	106 1/2	105 1/2	Liverpool 3% 1954-64	106 1/2	3 1 3	17/3	15/-	10 c	Yorkshire Electric £1	16/6	16/6
106 1/2	102 1/2	106 1/2	105 1/2	Middlesex 3 1/2% 1957-62	106 1/2	3 1 6	21/6	20 1/2	7 1/2 c	Motor and Aircraft	21/-	21/-
99 1/2	77 1/2	99 1/2	97 1/2	Foreign Governments	99 1/2	4 8 3	11/4	9/3	6 b	Austin 'A' Ord. 5/-	11/-	10/9
48 1/2	31 1/2	48 1/2	48 1/2	Argentina 4 1/2% Stg. Bds.	48 1/2	4 8 3	11/4	9/3	6 b	B.S.A. Ord. £1	11/-	10/9
27 1/2	11 1/2	27 1/2	27 1/2	Brazil 5% Funding 1914	27 1/2	4 18 6	14/9	11/9	10 c	Bristol Aeroplane 10/-	13/6	13/6
84 1/2	71 1/2	84 1/2	84 1/2	Chile 6% (1929)	84 1/2	4 9 6	26/4	24/-	6 c	Fairey Aviation Ord. 10/-	25/6	25/6
42 1/2	9 1/2	42 1/2	42 1/2	Egypt United 4%	42 1/2	11 10	13 1/2	11 1/4	15 a	Ford Motors Ord. £1	13/-	13/-
73 1/2	58 1/2	73 1/2	73 1/2	Japan 5 1/2% 1930	73 1/2	3 13 2	69/6	65/-	2 1/2 a	Hawker Siddeley 5/-	67/6	67/6
45 1/2	27 1/2	45 1/2	45 1/2	Portuguese 3%	45 1/2	9 12 9	34/6	29/10 1/2	10 a	Lucas (Joseph) Ord. £1	33/-	33/-
				Spanish 4%			93/9	82/6	20 c	Morris Motors 5/-	90/7 1/2	90/7 1/2
							16/4	13/3	Nil c	Rolls-Royce Ord. £1	16/-	16/-
							25/-	21/6	5 c	Shipping	24/-	24/-
							28/10 1/2	25/3	6 b	Cunard Ord. £1	24/-	24/-
							24/6	20/7	5 c	Furness, Withy Ord. £1	28/-	28/-
							21/-	16/-	5 c	P. & O. Def. £1	22/6	22/6
									5 c	Royal Mail Lines Ord. £1	20/9	20/9
									5 c	Union Castle Ord. £1	20/9	20/9
									4 c	Tea and Rubber	6/3	6/3
							7/3	3/9	4 c	Allied Sumatra Rbr. £1	9/4	9/4
							14/6	6/-	4 b	Anglo-Dutch of Java £1	27/6	27/6
							17/6	12/2	2 1/2 a	Jokai (Assam) Tea £1	14/4	14/4
							2 1/4	9/4	4 a	London Asiatic Rbr. 2/-	15/-	15/-
							20/6	8/10 1/2	10 c	Rubber Pltns. Trust £1	13/3	13/3
							1 8	9/4	9 c	United Serang Rbr. 2/-	13/3	13/3
							55/-	34/4	5 c	Oil	47/6	47/6
							54/8 1/2	27/6	10 b	Anglo-Iranian Ord. £1	36/10 1/2	36/10 1/2
							56/3	34/4	12 1/2 b	Burmah Oil Ord. £1	46/3	46/3
							72/6	63/5 1/2	10 b	Shell Transport Ord. £1	50/7 1/2	50/7 1/2
									5 a	Trinidad Leaseholds £1	70/-	70/-
									6 1/2 b	Miscellaneous	51/3	51/3
							42/-	35/7 1/2	10 c	Assoc. P. Cement Ord. £1	46/3	46/3
							37/9	30/6	24 c	Barker (John) Ord. £1	37/6	37/6
							42/3	37/4	3 a	Boots Pure Drug Ord. 5/-	44/4	44/4
							88 1/2	70/-	17 1/2 c	British Aluminium £1	85/-	85/-
							68/6	64/9	7 a	Brit.-Amer. Tobacco £1	67/6	67/6
							69 1/2	47/-	4 c	Brit. Oxygen Ord. £1	62	62
							115/-	97/6	15 1/2 b	Cable & Wire. Hdg. Stk.	110/-	110/-
							33 1/2	24/4 1/2	10 c	Caracas 'A' Ord. £1	28/3	28/3
							17 1/2	15/3	Nil c	Dunlop Rubber Ord. £1	17/-	17/-
							12 1/2	6/-	12 1/2 b	Elec. & Mus. Ind. 10/-	23/9	23/9
							33 1/2	27/6	5 c	Gestetner (D.) 5/-	46/3	46/3
							33 1/2	27/6	3 a	Harrisons & Cros. Def. £1	33/9	33/9
							10 1/2	5/-	10 b	Imperial Chemical Ord. £1	33/9	33/9
							10 1/2	5/-	10 b	Imperial Tobacco Ord. £1	33/9	33/9
							10 1/2	5/-	10 b	International Nickel n.p.	27/6	27/6
							10 1/2	5/-	10 b	Lever & Unilever Ord. £1	51/3	51/3
							10 1/2	5/-	10 b	London Brick Ord. £1	37/6	37/6
							10 1/2	5/-	10 b	Mars & Spencer 'A' 5/-	93/9	93/9
							10 1/2	5/-	10 b	Murex (1) Ord.	26/-	26/-
							10 1/2	5/-	10 b	Pinchin Johnson Ord. 10/-	62/6	62/6
							10 1/2	5/-	10 b	Spillers Ord. £1	61/10 1/2	61/10 1/2
							10 1/2	5/-	10 b	Tate and Lyle Ord. £1	32/6	32/6
							10 1/2	5/-	10 b	Triplex Safety Glass 10/-	83/9	83/9
							10 1/2	5/-	10 b	Tube Investments Ord. £1	71/3	71/3
							10 1/2	5/-	10 b	Turner & Newall Ord. £1	28/9	28/9
							10 1/2	5/-	10 b	United Molasses Ord. 6/8	56/3	56/3
							10 1/2	5/-	10 b	Woolworth Ord. 5/-	42/6	42/6
							10 1/2	5/-	10 b	Minas	37/6	37/6
							10 1/2	5/-	10 b	Ashanti Goldfields Ord. 4/-	35/-	35/-
							10 1/2	5/-	10 b	Burna Corp. Ord. Rs. 9	35/-	35/-
							10 1/2	5/-	10 b	Cona. Glds. of S. Af. £1	35/-	35/-
							10 1/2	5/-	10 b	De Beers (Def.) £1	35/-	35/-
							10 1/2	5/-	10 b	Randfontein Ord. £1	35/-	35/-
							10 1/2	5/-	10 b	Rhodana Corp. Ord. £1	35/-	35/-
							10 1/2	5/-	10 b	Roan Antelope Cpr. 5/-	35/-	35/-
							10 1/2	5/-	10 b	Sub Nigel Ord. 10/-	35/-	35/-
							10 1/2	5/-	10 b	Union Cp. 12/6 fv. pd.	35/-	35/-
							10 1/2	5/-	10 b	W. Witwatersrand 10/-	35/-	35/-

(e) Interim div. (f) Final div. (g) Last two yearly divs. (h) Includes 2 1/2% not subject to tax. Yield basis 25%. (i) Based on redemption at par 1946. (j) Yield on 1.55% basis. (k) Yield on 2 1/2% basis. (l) Flat yield. (m) Free of Tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week	Aggregate Gross Receipts
			1942	1942
B.A. and Pacific	50	June 13	11,570,000	73,346,000
B.A. Gt. Southern	50	" 13	12,132,000	121,871,000
B.A. Western	50	" 13	11,028,000	43,251,000
Canadian Pacific	24	" 14	4,654,000	109,140,000
Central Argentine	50	" 13	11,854,900	87,981,800
San Paulo (Brazil)	23	" 7	635,744	805,115

of America how great the scale of British war production had become. He picked out the present large output of guns. The Libyan campaign was an ironical postscript. The Imperial forces were outgunned as well as outgeneralled. Quality in the manufacture of arms is still even more important than quantity. It is of little use to the Allied cause that guns are made in tens of thousands, if those guns are not comparable on the battlefield with the guns of the enemy. It is not far short of a scandal that the tank and anti-tank armament of the British forces in Libya was so far behind the equipment of the enemy. There were improved guns in the field, but they were few in number, and even these were not equal to the best weapons of the enemy. The American material and equipment which went into action was good but well behind the German. Mr Lyttelton's main task, as Minister of Production in this country and as spokesman for British war production in the United States, has been to bring production programmes and strategic plans into line. It is no less needful to bring production into line with tactical requirements. Two weeks ago, instead of two years ago, a reorganisation was carried through at the War Office to secure the closest possible interconnection between industry and the most recent developments in science and military design. The lack of this relation was suffered by the gallant troops who were beaten in Libya; even their best weapons were devised two or more years ago. In the air, where British design and technique have held first place since the war started, the enemy, though outnumbered, was able to secure the advantage when the critical moments of the Libyan fighting came. No invasion of Europe could succeed in similar conditions of technical inferiority.

At the moment when Tobruk fell, Mr Churchill and Mr Roosevelt were in conference in the United States, with their military advisers, to secure "the earliest possible maximum of concentration of Allied war power against the enemy." Their spokesman, Mr Harry Hopkins, spoke of the "ring of steel" which was being forged around the Axis; he boasted of the second, third, and fourth fronts which were to be established; and he proclaimed that "Hitler's cities would be destroyed one by one." Then came Tobruk, the plainest possible temptation to divert men and material from whatever new fronts the Allied leaders may have decided upon. The enemy has not lost the initiative. By his stroke in Libya and by his threat to Sebastopol, he has forced the makers of Allied strategy to think again in terms of defence, rather than of attack. Egypt and the Suez Canal must be held. Palestine, Syria, Iraq and Iran must be kept safe against the invader. On the Egyptian frontier, and behind, stands the battered Eighth Army. Further east, in Palestine, Syria and the Middle East, the Ninth and Tenth Armies are stationed. Confronting these forces, on an arc from Sebastopol to Tobruk, through the Balkans, the Aegean Islands and Crete, stand the land and air forces of the German *Wehrmacht*. A choice has to be made by the Allied leaders. Is, say, the Ninth Army to move west to aid the Eighth? Is Egypt or Turkey to be the avenue of German attack? These are decisions which must be made on the instant, because no amount of reinforcement and supplies, over the many thousands of miles between the American and British arsenals and these battlefronts, can affect the course of the imminent fighting. Once again, the enemy, blockaded and inferior in productive strength, has shown the virtue in strategy of standing on interior lines with shorter distances over which to carry men and supplies. The loss of Libya means that, once more, the defenders of vital Allied bastions have been caught on the wrong foot.

Nevertheless, there is no need or cause for despair. Pessimism, like optimism, tends to come in waves of exaggeration. Opinion is too unstable. The elements of victory are unaffected; the superior strength of the Allies is still a fact. There is no reason in the new defeat to relax plans for the massed bombing of German cities. There is no reason to abate the determination, which has been expressed in the agreements

between Britain and the United States and Soviet Russia, and which is being worked out in the United States, to concentrate the vast products of British and American war industry against the hemmed-in enemy. In this context, Tobruk means two things. It means, first, that the proportion of strength needed to hold Egypt, the Mediterranean, the Levant and the Middle East will be greater than seemed likely a few days ago. It underlines, secondly, that the mounting war output of Britain and the United States will be useless in the field, unless its quality is high enough to match the ingenious equipment of the enemy, unless it can be deployed and disposed in the right places at the right time, and unless it is managed and manipulated with a military skill equal to that of the enemy's picked generals. Victory is still certain, if the apparatus of victory, which is now being put together, can be properly used.

This is a crisis of leadership, as well as of confidence. The two go together. Mr Churchill is still the only possible leader; and a Parliament which sought to bring him down might well bring down Parliament itself. Mr Churchill, as Defence Minister, will willingly bear responsibility for the decisions that have gone awry. As Prime Minister he must, in any case, carry the ultimate burdens of strategic policy; and the War Cabinet shares them with him collectively. But the Prime Minister has said himself that the day-to-day conduct of the war remains in the hands of the professionals. More than ever, there is a case for asking whether the tripartite Chiefs of Staffs Committee is a proper director of strategy; and for demanding that a Commander-in-Chief, untied to any single Service, should be appointed with a Great General Staff, chosen to take a three-Service view of military requirements. Nor is this to ask for an unknown superman; it was General Wavell who laid down before the war that command in modern fighting must rest, first, upon a grasp of "logistics"—the study of movement, supply, transport and distances—and, secondly, upon the single combined employment of all three arms.

This explosion of Allied opinion will spend its force. There will be cries for redress. There will be excuses and explanations. It is right and just that the present volume of criticism should be given voice. It may purge away the perplexity of the public. It will warn the leaders of Allied strategy that misadventures, accepted when weakness was the mark of Allied equipment, will not be taken for granted when superiority in output and material is claimed. The implications of Tobruk in terms of world war and strategy can be exaggerated. The implications of the defeat in terms of world opinion should be carefully marked. Morale in Britain would have suffered a serious perhaps irreparable decline, were it not that a majority of the people still believes in the decisive effects of bombing and in the imminence of a Second Front. Bombing there must be to the utmost limits of practicability. A Second Front there must be, as soon as the chances of military success in Western Europe seem reasonable.

But the people of Britain and the United States, and the struggling peoples of occupied Europe, must not be led up the garden. They must be called anew to blood and sweat and toil. They must not be given a seemingly sure hope and a seemingly sure date for their deliverance, if the chances are that events may not work out so well. There is no surer way to break confidence than to break promises, implied or openly stated. The best reply to Rommel's success in Africa and the best riposte to the German probing of Russia's defences will indeed be assaults upon the long-stretched frontiers of German Europe from the air, from the sea and on land in growing strength. The way to stem a run upon the banks is to issue credit freely. So, too, can confidence be rehabilitated now only by audacity and by the successes in the air and the land attacks which have been so freely promised. But the attacks must be successful. The only way to restore the confidence that has been shaken by lost battles is to win battles. Even in this country, which withstood alone the fierce blasts of 1940 and 1941, hope will pine without glory.

Russia and the World

THE provisions of the Anglo-Soviet Treaty and the Washington Agreement between the United States and the Soviet Union go far beyond the immediate issues of the war. The Preamble and Article V of the Treaty look forward to the day when Britain and Russia can

work together in close and friendly collaboration after the re-establishment of peace for the organisation of security and economic prosperity in Europe.

Article VII of the Lend-Lease master agreement, signed by both Britain and Russia with the United States, lays it down that the final settlement

shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations.

In the exhilarating atmosphere of common danger, with battles to be lost and won together, this assumption of political and economic collaboration between Russia and the rest of the world may seem obvious—even inevitable. It is very important, however, to remember that the assumption constitutes a departure from pre-war practice as great as Lend-Lease itself. Neither politically nor economically did Russia systematically co-operate with the West, or the West with Russia, between the Revolution and June, 1941. At times, non-co-operation went as far as the actual severance of all diplomatic and economic links. If a new chapter is indeed to be written into the relations of Russia, Britain and the United States, some more positive effort is needed than simply to rely upon the brotherhood in arms developing into a comradeship in peace. The obstacles which so obstructed collaboration before must be discussed, understood and exorcised.

Fear is the worst possible basis for any relationship, between people or between states, and the relations of the Soviet Union with the English-speaking world before the war were dominated by a profound mistrust. That the feeling was mutual did not make co-operation more easy. The first question now is whether there are grounds for supposing that this underlying psychological tension for which the war is over. On the Russian side, it was rooted in the Marxist interpretation of the particular stage of history in which the Revolution happened—an interpretation which the Allies corroborated by supporting first Kerensky and then the White Russians. Archangel seemed to give positive evidence that capitalist governments inevitably behaved as Marx had prophesied they would behave towards a communist state in the making. The innate and permanent hostility of capitalist governments was common ground between the Trotskyite revolutionaries who, on account of this hostility,

wanted world revolution, and the socialism-in-a-single-state revolutionaries, who, on account of the same hostility, wanted to concentrate on making Russia totally independent of the outside world in economy and defence. For twenty years, the Russian people lived in a state of complete psychological isolation. The world outside was hostile and capitalist. The gigantic sacrifices entailed by the Five-Year Plans and the preparations for defence were all emotionally buttressed on the fear of a capitalist attack.

The developments of the inter-war years and, above all, of the latest war have made nonsense of the Marxist interpretation, and provided evidence of its falsity so tangible that it is doubtful whether it can ever again have so strong an emotional hold. The aggressive nations have proved to be not the two oldest established or most powerful capitalist countries, Britain and the United States. On the contrary, neither has been one quarter aggressive enough. It was Russia's two powerful neighbours, Japan and Germany, both traditional autocracies in which the independence of military power had never been properly broken, who finally launched the world into war—and in neither case was Russia the first victim. The turn of the other "capitalists" came first. Thus, by the time Russia was attacked, capitalism, in the shape of an RAF wing or the Valentine tank or the Kittyhawk fighter or £750,000,000 of Lend-Lease credits, came to its aid. And there is no doubt that the deepest reaction of the Soviet people to the new circumstances has been profound relief at the end of their isolation.

If capitalist aggression has been the bogey of American and Anglo-Soviet relations on the Russian side, Communist infiltration has served the same unhappy purpose at the English-speaking end. The question is: can there be any weakening or dispelling of this bogey comparable to the explosion by the events of the war of the myth of aggressive capitalism? There is a high degree of probability that the destruction of the first legend will radically affect the other. So long as the Soviet Government was convinced of the underlying hostility of the surrounding world, it made the fullest possible use of the Comintern and the various national Communist parties in its general defence strategy. Until 1934, the policy was that, since all states were equally suspect, the local Communists should be used to disrupt and weaken their governments. In 1935, the growing gulf between "capitalism" in Germany, Japan and Italy and the capitalism of the rest of the world induced the Soviet Union to revise its policy. The Popular Front period was initiated, and the local parties worked for the unity of all anti-Fascist groups. When the non-co-operative policy of Britain and France broke up the Popular Front, the



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Russians turned to direct negotiations with the Germans, and, from the German-Soviet Pact until the dawn of Hitler's invasion of Russia, the local Communist parties crusaded for a People's Peace to end the "imperialist war." Since the invasion of Russia, they have naturally swung again to full collaboration with the governments resisting German aggression. Obviously, it is not doctrine or the desire for revolution that has determined the policy of local Communists, but simply the national strategy of Russia. It follows that if the Soviet Government is rid of its fear of the West, and therefore of any wish to undermine the Governments of Britain and the United States, local Communists will remain as generally co-operative as they are at present in the war effort. These facts do not, of course, dismiss the further fact that Communism is also a protest against evil social and economic conditions. But this is not a problem of the state of Britain's relations with Russia, but of the state of Britain.

Such were the chief obstacles to political collaboration. The obstacles in the economic sphere were to a large extent a function of these deeper difficulties. In any case, it is false, when thinking of Russian policy, to distinguish between economics and politics. Economics are politics. Russia's trade relations with the outside world reflected the basic political position—extreme isolation. After a brief period of slightly expanding foreign trade under NEP, which continued into the early years of the first Five Year Plan, Russia's exports fell to under one per cent of its total output; and, in spite of this extremely low export figure, exports were higher than imports. Russia virtually did not participate in world trade at all.

Yet political distrust was not the whole story. When in 1929 the launching of the first Five-Year Plan created new demands for machinery which the Soviet Union had neither the capital equipment nor the skill to make, the Government turned to the outside world for help. Unhappily this was the time of the Great Depression. The bottom had dropped out of the market for primary products and Russia had only foodstuffs and raw materials, which could only be sold at bargain prices, to offer in return for expensive machines. There was no possibility of building up a healthy foreign trade under these conditions. Later, when the world pulled itself little by little out of the slough, there grew up among the capitalist states themselves a system of closed national blocs, with bilateral trade agreements, quotas and barter. Russia could not fit into this system either. Thus self-chosen political isolation was reinforced by the trend of world trade and by isolationist policies elsewhere.

To what extent will these conditions be modified by the war? The overriding political fear will have been banished. Total autarky will no longer seem essential to Russia's survival. The question remains whether, once the negative obstacle to economic collaboration has been removed, there will be any positive inducements to Russia's greater participation in world trade. There will certainly be none if the closed economic blocs which came to rule the capitalist world in the thirties are restored. In a world committed to self-sufficiency Russia

is more self-sufficient than most; and in some ways the war has encouraged this tendency by shifting the industrial centre of gravity away from the west to the great undeveloped regions of the Urals and Siberia. *Pravda* has said on a number of occasions that the populations—"tens of millions"—which have been evacuated eastwards will remain in their new places of work. A series of new and gigantic Plans, centred on these new industrial resources, could in course of time repair the terrible ravages of war and carry on the steady—and self-sufficient—expansion of the Soviet Leviathan.

The point is, however, that another phase of complete self-sufficiency would mean another desperate period of iron poverty and work for the Russian people, called upon again to make economic development possible by their own continued and enforced savings. In the past, every sacrifice in consumption has been justified by the struggle that lay ahead in which Russia would be compelled single-handed to take on the entire capitalist world. But, after the war, the Russians should be looking back on victory, not forward to war, and the victory will have been won in the company of Britain and the United States. In these circumstances, the Russian people may very well hope for a period of better times and easier living. This is hardly possible without some measure of collaboration from outside. It is not only that the enormous war losses must be made good. In 1939, Molotov pointed out that the production per head of the population in Russia was still far behind capitalist countries. In February, 1941, it was announced that the third Five-Year Plan—one concerned, at last, with an increased production of consumption goods—would take ten to fifteen years to complete. Here surely are solid reasons for economic collaboration between Russia and the West. The Lend-Lease agreements speak of increasing economic prosperity; and raising the living standards of the world is one of the aims now accepted by the United Nations. These naturally include the living standards of the Russian people, whose improvement will be slow indeed if they are again to raise themselves by their own heelstraps.

The obstacles to collaboration, political and economic, could be destroyed, and the biggest question of all still remain unanswered. Collaboration for what? If the United Nations cannot replace the unity of purpose imposed by war by a unity of co-operation for commonly accepted aims—the raising of living standards, the securing of peace, freedom from want and fear—then the mere absence of negative obstacles will not, in the long run, prevent a drifting apart, a regrouping on the basis of selfish and regional interests, and a recrudescence probably of the old fears and hates. The most hopeful thing that has come out of the various treaties and agreements of this war is the recognition that to coalesce in pursuit of limited and interested aims is not enough. There is still no guarantee that this insight given by war will survive into the slacker days of peace, but at least it has appeared on the horizon of men's minds. On its realisation the future of American and Anglo-Russian co-operation finally depends.

Wages Policy

THE wages award to coal miners and the claim of the engineers for higher wages are reported on another page. These two episodes are very different. The coal miners have asked for higher wages because their wages are low, relative to the importance and peculiar disadvantages of their work, and relative to the wages of other workers. The engineers are making their sweeping claim, which would increase the total wage bill of the engineering industry by over £100 millions a year, on the ground that their wages are high, and should be kept high relative to other occupations, because of the importance of engineering in war production.

Together, these two developments show the imperative need, yet again, for a national wages policy. So far,

there has been none; and the result has been that wage rates have risen, haphazardly, disparately, anomalously and unevenly, ever since the war started. Bowley's index of weekly wage rates (1924 = 100) was 106 in August, 1939, 121 in December, 1940, 132½ in December, 1941, and 134 in April this year. There has been little rhyme or reason in the increase. The industries which have benefited most are either those whose unions have exercised the greatest bargaining power, or those which have escaped Government control for the longest time. The whole process has been sectional, without any common policy either by the unions or on the part of the Government. Each increase has tended to lead to another, either because of its effect in increasing prices or because of its

effect in disturbing the traditional relationship between the rate of wages in one industry and the rate of wages in another.

The Government has not been unaware of the problems created by this scramble for increased wages. It is inevitable, in wartime conditions of full employment and overtime, that earnings, regardless of wage rates, should go up. This rise in earnings, together with the uneven but consistent increases in wage rates, soon caused apprehension among Ministers about the prospects of inflation. As early as 1939, it was laid down as a principle of Government policy that wage rates should not be raised more rapidly than the cost of living, and that the cost of living should be stabilised, so as to remove the reason for increases in wages. In practice, this first stage of wages policy was not successful. While attempts were made to keep down wages in war industries, that is, in those industries which came one by one under Government control, wage rates tended to rise elsewhere, wrong differentials in wage rates between industry and industry were established, or maintained, with the result that the willing movement of workers from the less essential industries to the more essential industries was impeded. By the spring of 1941, there was what was regarded as a dangerous increase in purchasing power, at a time when the amount of goods and services available for sale to civilians was of increasingly curtailed and restricted. In the Budget of 1941, therefore, direct taxation was extended to about five million additional wage earners—about 50 per cent of the total tax yield from this source, however, being set aside for repayment in the form of post-war credits. From the end of 1940 onwards a determined attempt was made to stabilise the cost of living by subsidising the price of necessities.

The Government's White Paper on wages policy, published in the summer of last year, warned trade unions and arbitration tribunals against seeking or granting increases in wage rates, which could not increase the amount of goods and services available for civilian consumption, and suggested, tentatively, the principle that increased wages should depend upon increased productivity. The White Paper was purely advisory. The Trades Union Congress was explicitly hostile to any attempt to impose a central or uniform wages policy; and, in any case, the traditional process of sectional collective bargaining by separate unions, according to their varying bargaining power, was left intact. It was made plain that not even the TUC had the authority to interfere with individual trade unions in wage negotiations. There was some check to wage increases. For the moment, since the cost of living, measured by the official index, had been steadied, wage claims became less insistent; tribunals were held back from being generous in their awards; wage negotiations tended to be long drawn out, which in itself was a delaying factor. The upward movement in wage rates during the past six months has been very much slower than in the earlier period of the war.

Meanwhile, the Government attacked the problem from another angle. Last year, rationing was extended to a wide range of additional foodstuffs and to clothing; to-day, it is estimated that something like three-fifths of retail expenditure comes under rationing schemes. Unrationed goods, like tobacco, drink and many household goods as well as luxuries, are subject to heavy indirect taxation. The aim has been to prevent the extra purchasing power created by extra earnings and increased wage rates from being spent. There are many politicians and some economists who believe that the need for a wages policy, in any financial sense, has been removed; the alternative, the control of physical consumption, is regarded as sufficient.

Actually, neither the view of the Government that the inflationary process has been arrested nor the view of outside authorities that the inflationary process does not matter is very soundly based; and the purely industrial problem has been exacerbated. Wage increases have been haphazard. Anomalies have been added to the wage structure. Unskilled piece-workers tend to receive more than skilled time workers. Heavy workers, the essential

but forgotten men of the war effort, tend to be paid less than light workers. The general tendency of the Essential Work Orders was to freeze wage rates in essential occupations, while they were still permitted to rise in uncontrolled employment. There has been considerable friction as the process of mobilisation has been extended, when workers have been directed from relatively well-paid jobs to essential work in which payment has been frozen at a lower rate. From the point of view, therefore, of the war effort alone, the present state of wages is far from satisfactory. In the context of public finance and post-war industrial prospects, the outlook is little better. Immediately, the disparate increase of purchasing power takes the form of anomalous differences between one family and another in the amount of free money which they have available to spend upon the few goods and services which are still unrationed; the discrepancy between soldier and civilian has become more marked. In the longer run, a large volume of purchasing power has come into being, which will multiply the task of the authorities after the war in controlling demand and averting inflation during the continued scarcity of the transition period. Finally, the entire cost structure of British industry has been raised. It seems likely that the competitive position of British industry in world markets, when the inevitable decline in British income from invisible exports is taken into account, may only be restorable by a considerable depreciation—with all the social and political consequences that this step would entail.

The recent increase in wages has indeed been far from alarming in extent. The support of the trade unions for the war effort has not been jeopardised by friction over remuneration. It is probably this consideration which has been most influential in determining the Government's decision to have no wages policy. Nevertheless, the remarkable claim which has just been entered by the Amalgamated Engineering Union should be regarded as a sign that the test may still be to come. In present conditions there is no reason at all why the engineers should not make this claim, in order to retain their differential above other workers in the wage structure. There is no reason also why other unions should not make similar claims in order to maintain or advance their relative stations. Each union is free to make the best bargain it can; and the engineers' claim may well be the beginning of a deluge which, during the past twelve months, has been dammed up by the effects of the White Paper and by the transition of the nation's workers from peace to war work. The need for a wages policy, decided by the Government and agreed by the TUC, was never more urgent.

It is easy to state, in general terms, the principles which it should be sought to apply. First, every wartime wage increase, except those designed to remove real hardship, should be intended to provide an extra marginal incentive to additional war output. That is to say, the principle should be payment by results, in terms of war effort; and it is perhaps a pity that the recent award to the coal miners, which did include an additional bonus to coal production over a standard set for each pit, did not tie coal wages more closely still to increased coal production. The second objective should be to remove all anomalies which are obstacles to the war effort. Only if the right kind of relative wage level, as between skilled and unskilled workers and as between essential and less essential work, is established, will wages serve as an instrument of war. The labourer is worthy of his hire; but the war worker is worthier than the non-war worker. The policy should therefore be to restrain all indiscriminate increases in earnings, and then to introduce high incentive bonuses for war production, together with measures to enforce savings and to prevent the present anti-social scramble for unrationed goods and services.

It cannot be too strongly argued that this is not merely a matter of wages. It is said, and rightly, that the effect of taxation, income tax and EPT has been to hold back profits with remarkable success; it is plain that income tax at 10s. in the £ and surtax are onerous deductions

from most salaries and other incomes. Nevertheless, it is politically impossible to impose any kind of a general wages policy, for war reasons or peace reasons, for financial reasons, for industrial reasons or for social reasons, if the amount which remains to be spent out of moderate and high incomes, after overhead commitments as well as taxation have been met, is left uncontrolled; and physical rationing does not rule out comfortable and

ostentatious living for those who can afford it. The only fair and reasonable condition of affairs in wartime is that expenditure as well as consumption should be rationed, by one means or another. Until this condition is secured, it will remain a very plausible answer for trade unionists to say, when the restraint of wages is proposed, that, even allowing for their larger commitments, other people have much more to spend than war workers.

NOTES OF THE WEEK

After Tobruk

Tobruk has fallen and Rommel's forces are in Egypt. Once again the question which has faced the commanders of each side at the end of every Libyan campaign must be answered. Can the attacking forces, which with every mile of advance go further and further away from the source of their supplies, round off the preliminary fighting in the Libyan desert by advancing to the capture of the enemy's base? This has been the problem each time the British have advanced as far as El Ageila; each time they have been unable to push on to Tripoli. This was the problem the Italians faced when they sat at Mersa Matruh; which Rommel faced after the first British retreat from Benghazi, and which he must now decide with his desert victory behind him. Unfortunately, the experience of the earlier campaigns does not give any precise guide. There is superficially a striking resemblance between Rommel's attack this summer and the British attack of November last: in both campaigns there was a swift initial success, followed by a setback, which nearly cost the attackers the whole campaign; this again was followed by a substantial victory, which sent the defenders scurrying back, the Germans beyond Benghazi, the British to Sollum. It is the differences that are really alarming. First of all, Rommel was able last November to withdraw much of his equipment intact. This does not appear to have been the case in the present campaign: the British supply of armour was disastrously broken up in the tank ambush of June 13th, and although no information is available about the number of tanks and armoured units that were able to reach Egypt, there is no doubt that the striking power of General Ritchie's Eighth Army is very seriously reduced. Secondly, the gap in quality between the equipment of the two armies appears to have increased rather than decreased in the months between the two campaigns. Not only has Britain failed to secure the lead; it has definitely fallen behind in the race for superior armour and fire power. The German Mark IV tank is better than anything that the British can put into the field. Reports that it is also air-conditioned or refrigerated bear out the belief that German thinking is far ahead of the British in working out new methods of technical efficiency. Another discouraging feature is the problem of reinforcements. The Axis supply line is perhaps 1/40th as long as the Cape route. If Rommel had only succeeded in producing losses equivalent to his own, the advantage would still have been with him. As it is, he may have gained an almost overwhelming superiority. All these factors added together present a gloomy enough picture to the British public, whose hopes had been inflated by the stupid optimism of statesmen and pressmen alike. Neutrals, too, particularly nearby neutrals in Turkey, have been very discouraged by this new failure of British arms. However, the only point in looking back on this disastrous Libyan campaign is to learn its lessons and avoid its failures. The real focus of attention now lies ahead in the battle in Egypt and the struggle for the Middle East.

The Stepping Stones

The defence of Suez and of Syria and Iraq may very well turn on the part played in the struggle by Crete and Cyprus. Crete is a key outpost of the German offensive, Cyprus of the Allies' defence. The Germans have been preparing Crete for offensive action for the last year, intensively so for the last six months. In spite of a certain amount of guerrilla resistance from the Cretans, they have been able to extend the existing air-fields in Crete and to build a number of new ones; to concentrate there a sizeable proportion of the *Luftwaffe*; and to make the island a centre—comparatively immune from air attack—for the

training of parachute troops. Reports speak of 50,000 men in training there, and towards the end of May, Kesselring, the Nazi air chief in the Mediterranean, is reported to have inspected the units. General Student, one of the Nazis' foremost paratroop experts, is also believed to be in Crete with the job of organising the island as a base for air-borne attack. This striking development of the offensive power of Crete helps to explain the difficulties experienced by the British convoys, for the narrows between Crete and the African mainland have become almost as hazardous as the approaches to Malta. The fall of Libya and Tobruk can only increase the danger. The RAF retaliated by heavy raids on Crete in March and April and during the Libya campaign the aerodromes at Heraklion, Kasteli and Tymbaki were strongly attacked. But it has not been possible to mount anything resembling the furious Axis attacks on Malta. Crete must, therefore, be presumed to be a good fighting base from which a formidable attack will sooner or later be launched.

The defence of Cyprus should not be as difficult as the defence of Crete proved when it was in Allied hands. Cyprus can be covered from air bases in Syria and the reinforcing of the island would be infinitely easier from the mainland, only 150 miles distant, than from either Crete or Rhodes, the nearest Axis bases. It is possible that the numerous signs of activity in the Greek islands and in Rhodes—where extra petrol is being stored and, it is said, barges are being constructed—are a preliminary to an attempt on Cyprus. The question is, therefore, whether the year's respite has been fully utilised on the Allied side. Press reports have spoken of a "subterranean honeycomb of defences"; the flat ground has been peppered with obstacles to prevent air-borne attack; there are a number of new landing-grounds; the beaches are constantly watched; ARP is compulsory; and the spirit of the islanders is said to be good—Malta has given them an heroic example. The Germans, too, have been active. A "Free Cyprus Committee" has been set up in Greece and quisling Cypriots broadcast regularly to Cyprus. Towards the end of April, they were moved to Rhodes, to be nearer the seat of operations, and their propaganda now includes a newspaper which is smuggled into Cyprus by air. However, the dissidents in Cyprus who oppose British rule demand union with Greece, and the Nazis are hardly in a position at the moment to offer that as an alternative.

Before the Offensives

A fortnight after the signing of the London Treaty there is still a glow of confident enthusiasm in Russia about its terms; in particular, insistence on a Second Front and "total victory in 1942" has pride of place in public comment. It should not be forgotten that this insistence on the need for more military effort from the Allies springs from a very sober appreciation of the military position. The fact that, so far, no major offensive has been launched on the Russian front does not mean that Germany's striking power has been permanently blunted. In Russia, as in Libya, armour and fire power can be decisive, and nothing in a comparison of the two war efforts suggests that Russia has been able to make good the losses inflicted in the first year of the campaign—still less that Germany can no longer launch a major offensive along the whole Russian front. If this is understood to mean that the Germans cannot attack equally hard along the whole line from Murmansk to Rostov, it is almost certainly true. It does not mean that they cannot concentrate an

overwhelming force at a single point along the line. The week's events have on the whole illustrated the Germans' continued superiority in sheer weight of metal. The defences of Sebastopol have been steadily ground down by the weight of material the Germans are able to throw against them. On the Kharkov front, too, the Russian line has been bent back by a sudden and heavy German offensive. The Russian desire for a western front is the natural desire to see Germany's superiority in machine power skimmed off by diversion to other fronts. The big tests of the summer lie all before the Red Army, but in the preliminary manoeuvring for position, some vital strategic points have already been lost.

Free Lance

A speaker in the Commons a few days ago spoke of the "slimy trail" which Lord Beaverbrook, he claimed, has spread over the face of politics during his career. Very rightly, the offending Member was sternly reproved. Such allegations do no justice to the services which Lord Beaverbrook has rendered to the country of his adoption. In his own way, Lord Beaverbrook is a great patriot. He is also a great publicist; it was this quality which stood out when he was in charge first of aircraft production in 1940, and then of the production of tanks and guns in 1941. Now the subject of his publicity is Russia. On Sunday, commemorating the first twelve months of Russia's defence against Germany, Lord Beaverbrook stole Mr Bevin's thunder by making his appeal to workers for all-out efforts some hours before the Minister of Labour appeared at the microphone to broadcast the Government's official piece. Lord Beaverbrook's zeal for Russia is right and deserving. His call for more output and for every sacrifice was apt and timely. Some of his central remarks, however, perhaps bore the marks of something other than patriotism and concern for an Ally. He said (as reported in the press), first, that a Second Front should be opened at once; secondly, that a Second Front could be opened at once; thirdly, that "people in high places" had been opposed to helping Russia a year ago; and, fourthly, that "people in high places" were opposed—for what he called "national interests" (which surely have some merit)—to opening a Second Front now. This is plain mischief-making. It would only have been helpful to the cause of this country or that of Russia if Lord Beaverbrook had given the names of these reactionaries. It is too much Lord Beaverbrook's practice in the speeches which he makes nowadays to puff out a cloud of suspicion against people who are left nameless. It is hard to avoid the view that these attacks have some other and political purpose, however dimly thought out as yet. All honour will be given to Lord Beaverbrook for his work for England in 1940 and 1941, even if reservations must be made about the actual efficiency of that work in terms of organisation and output. All honour, too, will be given to Lord Beaverbrook for his insistence upon the paramount importance of Russia. But, when he appears before large crowds, and speaks in vague innuendoes about guilty men, there must be some among his audiences who remember the repeated promises of the Beaverbrook press in 1938 and 1939 that there would be no war, which helped to trick the nation into complacency. There will be others who, when they consider the spectacle of the Eighth Army, beaten back because of its lack of modern tanks, modern anti-tank guns and dive-bombers, remember that Lord Beaverbrook himself was, at one time or another, responsible for the ordering and manufacture of all these items of equipment.

After Wilson

Sir Horace Wilson is to take the opportunity of retiring when he reaches the age of 60. It is significant that his successor as head of the Civil Service, Sir Richard Hopkins, who is Second Secretary at the Treasury, is two years older than the man he is to replace. This appears to mean two things. First, that there is no longer any wish to retain Sir Horace Wilson; and, secondly, that Sir Richard Hopkins is merely to be a wartime stopgap. The new head of the Civil Service is the obvious routine appointment—so obvious, that the pundits and people with inside information, who knew for certain that another man was to be chosen, were properly fooled. He is second in seniority to Sir Horace Wilson. It is very fortunate that Sir Richard Hopkins, as well as being the routine choice,

is a man of great wisdom and many talents. At a time when it is above all important that the Treasury should be regarding reconstruction, not simply in terms of money, but also in the context of a positive social and economic policy, Sir Richard Hopkins has shown himself alive to precisely this point. The wider issue, what kind of man with what kind of administrative experience and connections should be selected to make the appointments upon which the quality of administrative policy must depend, has been temporarily shelved. There is wide agreement that there must be no more Sir Horace Wilsons to tie down policy by restricting the choice of men to administer policy within the narrowest limits. It is felt by many people that the key appointments in the Civil Service should not be regarded as matters for Treasury decision merely because the Treasury pays them. There is a considerable body of opinion which holds that the head of the Civil Service in the future should be nearer to the Prime Minister and to the War Cabinet Offices—that is, nearer to policy—than has been the case in the past. But, for the duration of Sir Richard Hopkins's tenure of office, which cannot be more than three years, and may be less, these matters must remain simmering; and there is every reason for gratitude and relief that this, possibly the last of the old-style choices, should be in so many ways such an excellent appointment.

A Square Deal

It is good news that the Government has promised an "immediate examination" of the position of old age pensioners and widows, in response to the Labour motion debated in the House of Commons last week. As was shown by a recent Gallup Survey, the general public is very much alive to the difficulties suffered by old people at the present time. It was assumed that the taking over by the Assistance Board of the administration of supplementary pensions in 1940, and the introduction of the Determination of Needs Act 1941, would meet the principal grievances of old age pensioners. Unfortunately, any improvements that may have resulted from earlier legislation have largely been offset by the increase in the cost of living; in particular, the rise in the price of such extras as beer and tobacco has deprived old people of their main sources of enjoyment. Allowances for the increased cost of living have been granted in wage agreements generally and in the scales of public assistance; the claims of old age pensioners and widows for similar treatment surely deserve consideration. The Labour spokesmen did not, however, confine themselves to emphasising the wartime difficulties—they demanded the complete abolition of the means test principle as applicable to pensions. Although the personal needs test is regarded as a distinct improvement on the old household means test, there is widespread resentment among pensioners at inquiries by the Board's officials into not only their own means, but into those of their relatives. The definition of the term "household" in the Determination of Needs Act still seems to need clarification. The position of widows is even more unfortunate. While in the case of young, able-bodied widows at work, the pension is no doubt regarded as a bonus to their wages, 10s. a week is grossly insufficient to meet the needs of the elderly widow who cannot get work and is not old enough to qualify for a supplementary pension. Similarly the widow with young children, unless a nursery school is available, may be unable to go out to work; and in any case the scale of dependants' allowances is very inadequate. Widows who cannot get work and have no savings or private means must perforce fall back on public assistance, thus throwing the burden of their maintenance on to the locality. The Government's promise to investigate the situation, it was stated, will not prejudice the formulation of any long-term policy by the Beveridge Committee. The Committee may be expected to give full weight to the striking conclusion reached by the Royal Commission on Population—that by 1970 the number of persons over 65 will have doubled. It is therefore all the more important that plans should be made now for the provision of social and economic security for old people.

Shipping and Shipbuilding

The realisation of the object of the talks between President Roosevelt and Mr Churchill, the "earliest maximum concentration of allied war power upon the enemy,"

depends on the supply of shipping. Unfortunately, there is reason to believe that, in spite of the tremendous expansion in America's shipbuilding capacity and the efforts made in this country and in the Dominions, especially Canada, the supply of shipping tonnage at the disposal of the United Nations is shrinking. Germany is striving hard to keep the growing flood of American striking power at bay by an intensification of attacks at sea. While no statistics have been published since June last year, the losses of the United Nations are known to have been serious during the past six months, first in the Pacific and lately along the eastern coast of the American Continent, and presumably in the Mediterranean. Figures are issued periodically in Washington, but they relate to numbers of ships operated by the United Nations sunk, damaged or attacked without any indication about their aggregate tonnage; nor is it known what proportion of total losses they represent. According to a report of the Navy Department, issued in Washington on June 23rd, 13 United Nations merchant vessels were "victims of enemy submarine action" in the Caribbean during the twelve days from June 3rd, bringing total casualties—presumably in the Western Atlantic—since Pearl Harbour to 251; unofficial reports have put the figure at about 300. If these losses represent a large proportion of the total losses of the United Nations, and if the average size of the casualties was approximately the same as during the first 20 months of the war, the rate would not be alarming. Between September, 1939, and June, 1941, British, allied and neutral merchant shipping losses amounted to 1,734 vessels of an aggregate tonnage of 7,104,000 gross, representing an average rate of loss of 522 vessels in six months or about double the figure of 251 vessels for a similar period issued by the Navy Department. Such optimistic assumptions, however, are not justified on the basis of the undefined statistics issued in Washington, or as the result of purely speculative calculations. Even if shipping was being currently replaced—and it is impossible, judging by the pronouncements of Allied statesmen and unofficial reports from sober sources, to believe that they have been in several recent months—the position would still be grave. The tonnage needed to mass the full striking power of the United Nations at the enemy's weakest spots is enormous. How vital the shipping factor must be in Allied strategy is reflected in the conference on "shipbuilding and ship use" called by President Roosevelt and Mr Churchill in Washington on Tuesday, at which high American and British naval and shipping authorities attended. If Axis plans are to be defeated this summer, a tremendous effort must be made to expand the output of ships, to reduce losses by more and better protection, and to practise the strictest economy in the use of shipping.

Bargaining in France

The evil repercussions of the Libyan defeat will be felt not least in France, where Laval's see-saw goes up and down with the fortunes of war. The French political scene is, for the time divided sharply between a vast anonymous mass—the "stubborn" folk who will not collaborate—and one man, Laval, who quietly but surely is gathering to himself all the executive power in France that is not the monopoly of the invader. Marshal Pétain has fallen into the background on the Vichy side; Doriot and Déat seem to be losing the subterranean struggle for control. The triangle is Laval, the Germans and the French people. In this three-cornered relationship both the Germans and Laval have some bargaining counters. Laval can take his stand on what the French people will and will not stomach in the way of collaboration. Concessions to Italy appear to be unacceptable; so, too, does the surrender of the French fleet—or the imposition of the Déat gang as the "Government." Laval has also some purchase in exploiting Germany's increasing shortage of manpower. Against this is set Laval's utter dependence upon the Nazis. A nod from them and his whole house of cards of personal power comes tumbling down. The balance is thus very delicate, and the latest bargain between them illustrates the balance of forces and the underlying tension. Vichy has been pressing for eighteen months for the release of the French prisoners of war. Nothing lies closer to thousands of French homes. So far, the Marshal has bargained in vain. Now, however, Laval appears to have effected a compromise. In return for workers despatched to Germany, some French prisoners may return home. It is a skilful bargain. French workers threatened with un-

employment or evacuated from the Channel coast get work and bread. Prisoners come home. The French people see some concrete benefit from Laval's régime. The Germans get workers. Laval gets another lease of power.

Equality of International Sacrifice

President Roosevelt's latest quarterly report on Lend-Lease operations (which was mentioned in *The Economist* last week) gave the first official mention to a principle which, if it is ever worked out and applied, will be of the utmost importance. Briefly and roughly expressed, the new principle is that, if one of the United Nations has devoted to the common cause as high a percentage of its national income as another, then it has discharged its obligations and cannot be said to "owe" anything, in spite of whatever may stand against it, either in an old-fashioned financial account or in the new-fashioned physical accountability of Lend-Lease. This is the principle of equality of international sacrifice; and it is closely akin to the familiar principle of equality of sacrifice in taxation. In both cases the principle to be aimed at is that individuals (persons or nations) shall contribute to the needs of the collectivity, not equal amounts, but amounts that impose equal sacrifices. If this is a formal and accepted policy of the United States, then it is a very generous, very far-sighted and very welcome one. There are, of course—as so often happens when common sense has to be converted into precise language—a number of practical difficulties. Is the test to be the devotion to the war of an equal percentage of national income? As between Great Britain and the United States, that might work well enough. But the devotion to the war by China of 10 per cent of her national income would probably involve far more sacrifice than 40 per cent by the United States. Is the accounting to date back to the beginning of the war, or only to the period at which it was recognised to be a common cause? What allowance should be made for a country which, in addition to devoting a high percentage of its current income to the war, also draws on its accumulated capital reserves? Perhaps, at this stage, these questions are too meticulous, and they should certainly not be asked if to do so would imperil the acceptance of the principle. One matter, however, becomes very urgent, if this line of thought is to be pursued. There must be uniformity of definition of what constitutes income and of what expenditure is devoted to the war. National income estimates have advanced very rapidly in recent years on both sides of the Atlantic. The time has come to put them on an agreed basis.

Medical Reconstruction

The Medical Planning Commission, established by the British Medical Association with the co-operation of the Royal Colleges, has issued an interim report. It is only a draft, which is submitted to the medical profession for criticism; neither the Commission itself nor the bodies appointing to it are in any way committed to its conclusions. Nevertheless, the report is of great importance, because it shows the way in which the members of the Commission are thinking, and the suggestions it contains can hardly vary greatly from the views of the Commission as a whole. It is reassuring, therefore, that although the BMA is a big trade union, the basis of the Commission's discussion has not been the rights and interests of doctors, but rather the ways and means of providing a medical service which will promote health and prevent sickness as well as cure it, and of making all medical services available to every individual. So far, official views on medical reconstruction have been concerned only with the hospital services. The Medical Planning Commission's report deals in great detail with the much more troublesome question of the general practitioner as well. It describes a model form of health centre, staffed by the general practitioners in the area covered, with a certain number of assistants who would be newly qualified doctors. People would be allowed to choose their health centre—within reason—and choose their own doctor from those working there. The medical staff would take over all the ante-natal, post-natal, infant welfare and school medical work at present carried out by the medical staff of local authorities, although specialised branches of medicine, such as TB work and orthopaedics, would be undertaken at special clinics. The centre would work in close association with the local hospital, and since

the Government's policy for the hospital services places the responsibility for providing them on the local authority, it would probably be an advantage if the centre were the responsibility of the local authority as well. It follows that the scheme is conditional upon the reform of local government—and in particular of local government areas. The Commission suggests the establishment of a central authority concerned solely with the medical and ancillary services of the country, whose policy would be administered by committees of the reorganised local authorities. These new "regional authorities" would be responsible for staffing the hospitals in their areas and the health centres after consultation with the other doctors.

Thus, all the medical services of the country would be integrated instead of, as at present, being scattered among several authorities and private persons and institutions. This integration might have to wait until after the war, but the Commission adds its support to the view that in the meantime the benefits of national health insurance should be extended to the dependants of insured persons, and that those benefits should include consultant, specialist and laboratory facilities. The inclusion of dependants in the NHI, which would then cover about 90 per cent of the population, would help to make the family the basis of medical reorganisation and facilitate the establishment of health centres. But it would surely be better to go further and abolish the income limit for compulsory insurance. If the whole population were insured, and general practitioners and consultants alike were prevented from taking private fees, many of the obstacles in the way of medical reconstruction would be eliminated, and there could be no suggestion that the provision of medical services is in any way dependent upon income.

Children in Agriculture

An assurance that the employment of children under 14 in agricultural work will not be encouraged or facilitated, until every other source of supplementary labour has been fully used, was given by the Minister of Agriculture in the Commons last week. It will be generally welcomed. As a result of this statement, Mr Denman withdrew the "Prayer" for the annulment of the recent Order, which he and a number of Members of Parliament of all parties had tabled. The original Order had given rise to considerable uneasiness. Opposition had been expressed by influential educational bodies on the ground of interference with the school curriculum, and by the National Union of Agricultural Workers, which sees in the employment of children at 4d. to 5d. an hour a possible threat to the standards of agricultural labour. The scheme is also viewed by some critics as distastefully akin to the practice in Nazi Germany, where by a recent decree schools can be closed at the discretion of the local Gauleiter, to enable the children to help in the harvest. The crux of the matter seems to be whether the safeguards provided will be adequate to prevent the exploitation of the children or their employment on unsuitable tasks which might lead to overstrain. The Minister assured the House that he was satisfied with the adequacy of the measures for the protection of the health and well-being of the children. The local War Agricultural Committees have been instructed to see that the children do not work for more than 4 hours a day (the original Order had fixed maxima of 7 hours a day and 36 hours a week), and that, wherever possible, the work would be spread so as to enable individual children to be employed for half days only and, in term time, to attend school for either the morning or the afternoon sessions. In addition, physically unfit children will not be employed and strong penalties will attend any breach of the regulations by farmers. These assurances will go some way, though perhaps not all the way, towards allaying the anxiety which the original Order evoked. Apart from general guidance from above, the burden of responsibility now rests upon the local agricultural committees and education authorities. The nature and conditions of the work will depend to a considerable degree upon the individual farmer and the relative scarcity of labour in his particular locality. A watertight system of inspection to ensure that children are being used as supplementary and not as substitute labour would probably be impracticable, especially in areas where farms are scattered. It is to be hoped that the Commons will have an early opportunity of hearing how the scheme is working.

Family Allowances

The debate on family allowances in the Commons on Tuesday was overshadowed by the news from Libya. The Chancellor of the Exchequer, though he agreed to the terms of the motion which committed the Government to "an immediate consideration" of the institution of a national scheme of family allowances, was unable to offer any intimation of policy. He said again that any decision must wait upon the findings of the Beveridge Committee and the outcome of the Trade Union Congress discussions in September—and must also be attended by a more careful consideration of the financial position and relative expenditure on other social services. Nevertheless, the debate served a useful purpose in showing once more the unanimity of feeling on the subject, just as the House of Lords debate a week earlier had done; and it gave Members a chance of conveying to the Government—and to the Beveridge Committee—an indication of the widespread opinion in the country about the pressing need for social reform.

Conscription for Allies

The Allied Powers (War Service) Bill introduced in the House of Commons on June 17th is one of a series of Bills which have attempted to settle the legal status of Allied nationals in this country with regard to military service. Since 1940 the Allied Governments have had the right to call up their nationals in this country for service with their forces. But the Governments concerned had no power to apply compulsion to those nationals who evaded the call-up. A Czech or Belgian national who refused to join his army could not be dealt with by the Czech or Belgian military police, while instances in which the British police exerted direct pressure on Allied nationals were cited in the House of Commons as an abuse of power. Thus an able-bodied Allied national was not subject to the compulsion which was applicable to every British citizen. On the other hand, the Allied Forces Act of 1940 allowed Allied military jurisdiction to be applied to Allied soldiers. Similarly, sailors of the Allied merchant navies are subject to the jurisdiction of the maritime courts set up under the Allied Powers (Maritime Courts) Act of 1941. The Allied civilian was thus placed at a legal advantage compared with the Allied soldier and sailor. The new Bill puts Allied nationals eligible for military service under compulsion. But at the same time it gives them the right to opt for service with the British Forces. There have been thousands of Allied nationals living in this country for many years, among them people who have been brought up in this country from early childhood and who have never had any connection with the country whose nationals they have technically remained. The new Bill thus deprives the dodgers of the excuse for dodging, and gives those who are eager to serve the opportunity to do so with the British Forces, if British environment and British custom suits

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American Notes

Libya and the Second Front

The British defeat in Libya has reinforced the arguments of those who have steadily emphasised the difficulties and dangers of opening a new European front in 1942. There is, however, a large volume of public opinion in the United States which believes that the fall of Tobruk makes a diversion in the west more urgent than ever and which has welcomed Lord Beaverbrook's recent speech. This view has been pressed by several members of the House Military Affairs Committee in the last few days. The newspapers have, in general, been cautious, and more generous than one might perhaps have expected in dealing with events in North Africa. Although there is general agreement that the British were outgeneralled, outthought and outmanoeuvred, there is a disposition to accept some of the responsibility, particularly in regard to the equipment of the Eighth Army, and most commentators urge that there should be no recrimination. Members of Congress have been less restrained. Senator Ellender's outburst that he was "sick and tired of British failures" was only one of many bitter comments which reflect American disillusionment with the British direction of the war. The Libyan collapse followed so quickly on the announcements of American victories in the Coral Sea and at Midway that an unfavourable comparison could hardly fail to be drawn; and the result is a growing feeling that the United States must assume more responsibility for the progress of the war. Now that American confidence in the military strength of the United States has recovered from the blow of Pearl Harbour, and optimism about production is so widespread, the agitation for a Second Front, as a cure for all bad news, may not prove as amenable as formerly to references to the shipping shortage and the difficulties of a coastal landing.

The Warship Programme

The omission of any provision for new battleships in the Naval Expansion Bill which is now before the Senate, and the decision not to proceed with the construction of America's projected 60,000-ton giants, has been widely interpreted as meaning the end of the battleship. There are several points, however, which make the step less drastic than it seemed at first. The United States already has a 50 per cent greater strength in battleships than Japan, and it is not expected that this ratio can be materially reduced in the near future by the Japanese. This strength will be augmented by the completion of a number of smaller battleships, whose construction is not to be abandoned. The most urgent need, in view of the continued merchant ship sinkings is for numbers of smaller escort vessels, for the convoys, which are now in operation along the Atlantic Coast, and anti-submarine and anti-aircraft ships. About half of the construction authorised by the present Bill will be devoted to these types. The other half will go into aircraft carriers and cruisers. The lessons of the sinking of the *Prince of Wales* and the *Repulse*, as well as of the battles of the Coral Sea and Midway, have been taken to heart; but it is pointed out that if Japanese air power can be shattered, the battleship will once more become an important asset.

The Petrol Fiasco

Reports that many East Coast filling stations have run out of petrol are not surprising. In view of the available supplies, the rations established appear to have been too liberal; there was no adequate check on sales in the original scheme; and the need for cutting down consumption was so unconvincingly presented that many motorists applied for supplementary rations or resorted to bootleg petrol without any compunction. The temptation to treat the motoring public gently was overpowering, despite the warnings of Mr Henderson. But even the comparatively generous allowances appear to have aroused something like a rebellion against rationing, and both the decision to construct a new pipe-line—with, it is true, second-hand pipe—and the President's vagueness about the need for extending rationing, suggest that petrol is regarded as having explosive political possibilities. At the beginning of the

rationing period, it was estimated that the essential requirement of the region, in fuel oil as well as petrol, averaged about 1,300,000 barrels a day. Rail tank cars were delivering about 640,000 barrels daily, while established pipelines, tank lorries, barges, and production within the area were responsible for 200-300,000 a day. It was hoped that the railways could raise their deliveries to 800,000 barrels and that improvements in pipe-lines could fill the gap. Meanwhile, however, petrol was running away through a variety of loopholes. Some of these have been stopped by the abolition of "X" cards and the provision that coupons must be turned in by filling stations and wholesalers when they replenish their stocks; but it is still not clear that there is any check on the re-sale of petrol by industrial users, farmers, and other main sources of bootleg supplies. The pipe-line to be constructed from the Gulf Coast to the Atlantic will have a capacity of only 35,000 barrels a day, which will do nothing appreciable to ease the shortage. What is needed, if the principle of rationing is not to be discredited, and if really essential requirements are to be met, is more vivid proof of the need for economy; the political courage to set the ration at a realistic figure; and the creation of an adequate system of control.

The High Cost of Cartels

The arraignment of American business for its cartel arrangements with German companies is continuing, despite the agreement to suspend anti-trust suits when they interfere with the prosecution of the war. The most recent evidence presented to Senator Bone's Patent Committee concerns Carboly, Inc., a subsidiary of General Electric, which, it is alleged by the Department of Justice, used an agreement with Krupps to monopolise the sale of tungsten carbide and restrict its production in the United States. The company was said to have refused to license American companies which applied; and its high prices greatly restricted the use of tungsten carbide in machine tools. Mr Lewin, the Assistant Attorney-General, stated that the result was that German production of tungsten carbide was about ten times the American, although America produced twice as much steel as Germany. General Electric has taken the charges seriously enough to buy full-page advertisements in many papers in order to put its side of the case, and the president of the company, Mr Robbins, has claimed that the Senate Committee is attempting to act as a court. The reason given for postponement of anti-trust suits, agreed to in April, was that they distracted high company officials from concentrating on war production. The hearings of the Committee appear equally distracting. There are reports, however, that the War and Navy Departments have ordered suits to be discontinued without securing the prior consent of the Department of Justice as provided in the agreement. Carboly is one of the cases where action has been stopped, and apparently the Department of Justice is using the Patents Committee to put the facts before the public.

Shorter Notes

The War Manpower Commission has announced that men in the Armed Forces will number six to seven millions by the end of 1943 and eventually ten millions. The Commission estimated that 20 million workers will be needed in war production and transportation by 1944 and 12 million men and women will be needed to harvest the 1943 crops.

The rubber conservation programme of the Army has already eliminated two-thirds of the crude rubber used in the manufacture of light and medium tanks, cut the rubber content of Army tyres by 12 per cent, and lowered the rubber content of boots and overshoes by approximately 25 per cent.

Mr Wendell Willkie, the former Republican candidate for the Presidency, has caused considerable surprise by stating that he doubted whether he would ever run for public office again. His repudiation of the requirements of party regularity may eliminate one of the few progressive influences in the Republican party.

THE WORLD OVERSEAS

Japanese Merchant Shipping

(By a Correspondent)

LIKE Great Britain, Japan was predestined by its geographical situation to become a maritime nation. From a strategic point of view, its position is even more favourable than that of these islands. If the British Isles extended from their present northernmost point to the Bay of Biscay, their position would approximately correspond to that of Japan in relation to the mainland.

Composition of Merchant Fleet

In 1939, Japan's merchant marine was the third largest in the world, after Great Britain and the United States. Its steam and motor tonnage then numbered 2,337 vessels of 100 gross tons and upwards (against 1,103 in 1914), of an aggregate gross tonnage of 5,630,000 (against 1,708,000 in 1914). In order to obtain a complete picture of the position, 1,600,000 gross tons of registered and unregistered sailing vessels (including 40,000 tons of unregistered steamers) must be added, as well as new tonnage built or purchased since 1939, which may amount to another 350,000 tons. The gross tonnage of Japan's merchant fleet at the outbreak of war, in December, 1941, was therefore probably about 7,500,000, and is likely to be still about the same. Losses since the beginning of the war were probably offset by tonnage chartered in French Indochina and Thailand, or seized by force in Chinese coastal waters and Allied territories, altogether estimated at about 500,000 tons. This figure includes German and Italian ships formerly immobilised in Far Eastern waters. Not the whole of the aggregate tonnage of 7,500,000 gross can be used for transport purposes. The bulk of the sailing vessels are small craft, employed mainly in fishing and in the coastal trade. Shipping serviceable for overseas transport is probably in the neighbourhood of about 6,000,000 gross tons. In June, 1939, 38 per cent of the whole tonnage was less than ten years old. Japan's fleet possesses a good average speed. Recent statistics are not available, but the following table, based on about 4 million tons of steamships of over 1,000 tons in 1937, gives an indication of the position.

Number of Vessels	Aggregate Gross Tonnage	Speed Knots
88	162,000	7-10
361	1,051,000	10-13
353	1,674,000	13-16
144	1,025,000	16-20
10	97,000	Over 20

In 1938, out of a total of 2,045 steamships with an aggregate gross tonnage of about 5 million, 28 ships of over 10,000 tons had a tonnage of 359,000, and 213 of between 6,000 and 10,000 tons accounted for nearly 1.6 million gross tons. The largest category consisted of units between 3,000-6,000 gross tons; they numbered 431, with a gross tonnage of nearly 2 million. Vessels between 1,000-3,000 tons numbered 411, with a total of not quite 800,000 gross tons, and 962 vessels between 100 and 1,000 tons had a gross tonnage of about 350,000. In June, 1940, according to the *Frankfurter Zeitung*, Japan possessed 38 vessels of over 10,000 tons, and 885 between 2,000 and 10,000 tons. About 10 per cent of the Japanese steam and motor vessels were then believed to consist of tankers, of an average speed of 16-20 knots, and an average capacity of 10,000-12,000 gross tons. Another important group of vessels are the large depot ships engaged in whaling, which can be adapted for use as tankers or as seaplane carriers.

Japan's plans for the future development of the merchant fleet were gigantic. In 1941 a plan was officially published with a goal of 15,000,000 tons. The president of the Nippon Yusen Kaisha went further. Last November he declared that 20,000,000 tons were required for the post war period. So far, however, it seems doubtful whether the task set by

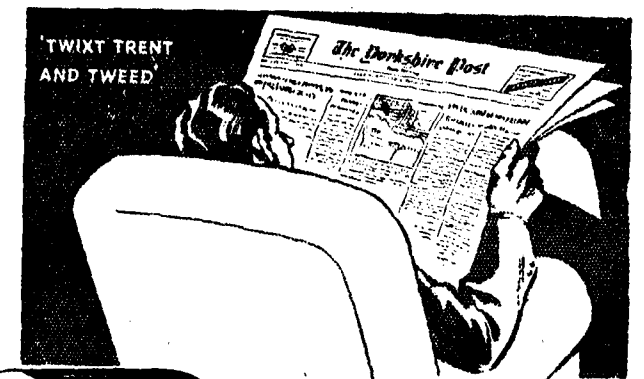
the General Four-Year plan—7½ million tons of ocean-going vessels by April, 1943—will be reached. Japan's ship-building capacity was still comparatively small before the war, when output amounted to 400,000-500,000 gross tons per annum.

Japan's Shipping Needs

The strain on Japanese shipping has been heavy since the beginning of the "China incident" in 1937 which superimposed an additional permanent demand of at least one million gross tons upon the regular needs of shipping. At the height of the campaign, requirements amounted to as much as 1½ million gross tons. In September 1940, a total of about 5½ million gross tons of tramp vessels of more than 2,000 tons was employed as follows:

Tons		Tons	
Europe & Africa...	38,000	South Sea and Straits Settlements	601,400
North America, Atlantic Coast...	181,500	Australia & India	257,900
North America, Pacific Coast...	505,700	Coastwise	2,519,500
		Others	(a) 1,016,700
		In docks	243,200

(a) This unspecified item seems to include the ships employed in the "China incident"; it rose from 14,600 gross tons in 1936 to 1,762,500 tons in 1938.



Voice of the North

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tion of labour. The discrepancy between the productivity of the new "industrial recruits" and that of the highly skilled Stakhanovites is too great to be overcome by example or precept.

Other difficulties are reported by *Pravda*.

The efforts of one shop are sometimes not consolidated by the efforts of other shops and sections.

Production above the plan by advanced workers, Stakhanovites and shock workers does not go to increase the general volume of production, but to cover up the shortages of the backward workers.

German Europe

Price Control.—There are now three main price categories in Germany, stop-prices, cost-plus-profit prices and fixed prices for armaments. Dr Fischboeck, the Price Commissar, has set up regional price control boards, responsible for the control of stop-prices for civilian commodities. The cost-plus-profit prices are based on elaborate costing regulations, and the fixed prices for armaments, which cover now roughly 1,700 armament manufactures and represent one-third of the total armament output in value, are fixed by the Government Departments. The main object of fixed prices was to reduce prices and to relieve industrialists from the cumbersome assessment of costs which was introduced at the beginning of 1939; the new policy seems to have met with some success, and Dr Fischboeck is now contemplating its extension to civilian commodities. There is no indication of the principles on which the staffs of the different Departments determine the prices of armaments. Industrialists have repeatedly moved to send representatives to these bodies but have been refused. The economic groups, however, that is, the former industrial federations, are consulted.

The main pre-occupation of the Price Commissar at present is the prices of civilian commodities and foodstuffs. The press openly admits that the official price index has become largely fictitious. Prices for textile commodities and clothing, for example, are at least 50 per cent above the prices of September, 1939. Vegetables, fruit and most food substitutes have also increased considerably in price. Rents for rooms and flats have been rising for a long time. During the first two years of the war, the prices of unrationed commodities were allowed to rise unhindered in order to accelerate the depletion of stocks. Now one school of thought in the German press suggests that rising prices for civilian commodities would be the most effective policy for skimming off excess purchasing power.

Dr Fischboeck takes a different line. He wants to safeguard the price level; to prevent any tendency towards further increases; and, where possible, to reduce prices. Electric bulbs, window panes and a number of electric articles have already been reduced by from 6 to 12 per cent in price; the prices of vegetables and fruit have been fixed; and the display of price lists has been made compulsory. There has been much talk about restoring confidence in the currency by maintaining stable prices. Price control remains a cornerstone of Germany's controlled economy.

Iron and Steel.—The Iron Co-operative is the fourth industrial organisation to cover an entire section of German industry. From ore mining to the rolling mills, the whole industry and all its organisations—cartels, federations and research unions—are now combined in one new organisation which will also take over the functions of the Reich Control Board. It is a giant vertical merger. The immediate object is obvious. It is a concentration of production on the most efficient plants.

Germany's iron industry has undoubtedly been affected recently by transport difficulties. The call up of stocks of raw materials and semi-manufactures from manufacturers for redistribution, for which a special company was founded, suggests that steel production was not up to requirements during the winter. It is of some interest that the president of the new organisation is Dr Roehling, who owns nearly the whole iron and steel industry of the Saar Territory. Roehling has been known as a promoter of the policy of using German low grade iron ore. In spite of commanding the French iron ore deposits, Germany's iron and steel industry has been forced to use increasing

Too much glamour is given to individual records, and this proved harmful for the work as a whole.

Other criticisms in the press, with a remarkable frankness, refer to the problem of quality and quantity. Some industrial managers are said to fulfil their quantitative plans at the expense of the quality of output.

The average increase in output which can be deduced from the May figures seems to be between 5 and 15 per cent. The "self-critical" campaign of the press is directed towards removing shortcomings and securing a new production peak for June.

quantities of low grade iron ores, which has doubled the costs of production. The huge Hermann Goering Works at Salzgitter, with a capacity of 4½ million tons of pig iron, will have come into full operation during 1941-42. There is thus the interesting situation that Germany is forced to use the most expensive processes at a time when labour is extremely scarce.

At the same time, Minister Speer has reorganised the way in which iron and steel is allocated to users. An iron and steel clearing bank will come into operation on October 1, 1942. The Control Boards will open iron and steel accounts for manufacturers who in turn draw cheques according to their requirements. The circulation of these cheques from one factory to another until it reaches the iron and steel plants is under the control of the manufacturers. Overdrafts are prohibited, and a system of penalties is thought sufficient to prevent any misuse.

Railway Transport.—The annual report of the German State railway company, the *Reichsbahn*, shows an increase, compared with 1940, in income from passenger traffic of 33.7 per cent, and in goods traffic of 11.9 per cent. This increase is partly explained by the incorporation of Yugoslav territory, as well as the acquisition of the last private railway companies in Germany. Total expenditure increased during the same period from Rm 7,250 millions to Rm 8,688 millions.

The depreciation account has been considerably increased because of the wear and tear of war conditions. The Balkan war, the war in Russia and the unusually cold winter strained resources to the utmost. The production of locomotives and rolling stock is said to have increased. The stock of locomotives suffered considerable wear. Great numbers had to be sent to the east, where the cold did much damage. More locomotives were demanded from Germany during the winter, which could only be replaced by requisitioning locomotives in occupied countries. In spite of these difficulties, the report claims that all essential traffic could be carried.

A number of decrees recently published show, however, that the German railway system cannot cope with demand. At the beginning of June, all non-essential goods traffic was prohibited. At the same time, Goering ordered the formation of special loading commands for a quicker turn round of goods trains. Time limits have been fixed during which goods must be loaded or cleared. Prisoners of war will be employed at railway stations. Passenger traffic is possible only with special permits; holiday makers get permits only if they are bound to travel for reasons of health.

Unemployment Fund.—For the first time, official figures have been published about Germany's unemployment fund. During 1934-37, contributions amounted to an annual average of Rm 1,480 millions. During 1938-41, the average increased to Rm 2,300 millions and in 1942 reached Rm 2,700 millions. This increase was due to the fact that the high contributions introduced during the economic crisis of 1930-32 have never been reduced; in fact, the fund has been used as additional Reich revenue. Credits amounting to Rm 3,000 millions have been refunded to the Reich. Another Rm 3,300 millions was used to finance the Autobahn. Marriage loans and family allowances used up Rm 1,300 millions. Finally, Rm 1,800 millions has been paid into old age pension funds; the contributions of the unemployment fund to old age pensions will be increased to Rm 1,480 millions in 1942. Unemployment contributions in Germany are an additional tax.

THE BUSINESS WORLD

Heavy Industry Shares

IN one context after another, during this war, the expectation that history would repeat itself has been falsified. The experience of the "heavy" industries of Great Britain has been no exception to the general rule. Between 1914 and 1918, this country's iron and steel producing plant proved inadequate to meet wartime demands, and by the time hostilities ended it was estimated that productive capacity had increased by around 50 per cent. When the transition from swords to ploughshares came to be made, it was discovered that the latter had considerably changed their character during the interim. In 1913, for example, one-third of the total steel output was used in shipbuilding, but in the post-war decades, demand was increasingly for steels for high-grade engineering and for the electrical and motor trades. The industry was hampered, further, because part of its redundant capacity was financed by temporary accommodation obtained during the war, which was subsequently "funded" by debentures and prior charges during a period of high interest rates. The outcome was a heavy crop of reconstruction schemes, after the Armstrong-Whitworth failure, which was one of the most spectacular in the history of the industry. It was only in the later thirties that steel company shares received a Stock Exchange status comparable, even approximately, with that of the years before 1914.

This sequence of events fully explains the investor's ultra-cautious attitude towards "heavy" steel and armament shares from the outbreak of the second Great War—or, more accurately, from the beginning of the rearmament period, a couple of years earlier. This time, however, matters have taken a course in many respects reassuringly different from that of 1914-18. No output figures have been published, for obvious reasons, but it is common knowledge that total production of, say, ingot steel, has shown no considerable increase—to say the least—compared with the peak years before the war. For this there are two main reasons. In the first place, the war has rendered many overseas sources of ores inaccessible, while shipping difficulties are now severely limiting opportunities of drawing on more distant sources, such as the United States—apart altogether from the limitations imposed by America's own war programme. This in turn has altered the balance of "charge" fed to the average furnace, which now contains, inevitably, a larger portion of scrap, whose collection, in the quantities demanded, is in itself a problem of considerable complexity. In the second place, demand has been increasingly for special steels required for delicate and costly modern weapons of war.

Inevitably, there has been some increase since the war in output capacity for special purposes. But the plant of the "heavy" industries generally has not undergone the dramatic expansion of the last war. Indeed, it has hardly been necessary to bring in all the sub-marginal plant which had to be drawn on in the last boom year before the war. Despite a certain unavoidable increase in costs, the "heavy" group of industries, as a whole, have been working profit-

ably, at something near an optimum production level, without needing more than a moderate increase of financial resources, and without laying up future "change-over" difficulties which are likely to be more formidable than those of the average run of industries when peace returns. Under a regime of 100 per cent EPT, of course, few, if any, of the immediate benefits of this state of affairs are reaching the shareholder. What is of much greater importance from his viewpoint, however, is the fact that no disastrous post-war heritage is being piled up, on a scale comparable with that of twenty-five years ago.

The table at the foot of this page furnishes chapter and verse for some of these tendencies. The eight companies, whose last three years' results are shown, are all directly engaged on production for the war effort, their activities ranging from coal mining, at one end of the scale, to finished steel products and arms at the other. Their profits, after taxation, have been falling continuously since the outbreak of the war, the total for the eight companies for 1941 being as much as 26 per cent below the 1939 figure. All of them, however, without exception, have greatly expanded their volume of activity since the war. In the absence of production figures, the best guide to such fluctuations is the stock-in-trade item in current balance sheets, though, as some of the companies are holding concerns, the changes in parent company balance sheets may not be proportionate to those of the groups concerned as a whole. For what they are worth, however, the returns show that the total stock figures of the eight companies increased between 1939 and 1941 by 70 per cent. Inventory prices are higher now than in the first months of the war, and when allowance is made for this factor, it would be fair to assume that the volume of stocks which the companies are carrying have increased by about one-third to one-half since the war. This is impressive but not overpowering, when it is remembered that production was somewhat below the peak of 1937 when the war broke out.

The financial strain of coping with increased production under war-time conditions is, however, greater than the stock figures, taken alone, would imply. The total "debtors" of the eight companies showed a rise between 1939 and 1941 of 100 per cent, and the total "creditors" of no less than 116 per cent. This latter item includes provision for taxation and "contingencies," some portion of which, undoubtedly, is of a reserve character. Unfortunately, there is no means of knowing what proportion represents resources which the Treasury will eventually drain away, and what residuum remains for financing increased output now and transitional needs after the war. Almost without exception, however, the companies are pursuing a conservative policy. In some instances, the rates actually paid have fallen since the war, in others they have been maintained. But in practically every instance they are well below the rates which are being currently earned.

The Stock Exchange's appraisal of "heavy" share pro-

"HEAVY" COMPANY RESULTS, 1939 TO 1941

Company (and date of Balance Sheet)	Profits after Tax (£'000)			Ordinary Capital (%)† (E = Earned; P = Paid)						Stock-in-Trade and Work in Progress (£'000)			Debtors (£'000)			Creditors, etc.‡ (£'000)		
				1939		1940		1941										
	1939	1940	1941	E	P	E	P	E	P	1939	1940	1941	1939	1940	1941	1939	1940	1941
Wm. Beardmore (Dec. 31).....	514	375	212	71.7	10	60.2	10	33.0	10	1,863	2,661	2,415	597	549	1,282	1,098	1,433	1,534
Birm. Small Arms (July 31).....	299	351	202	11.4	6	16.1	7½	8.2	7½	2,519	2,344	4,063	1,669	3,162	5,634	2,372	4,486	7,884
John Brown (Mar. 31)*.....	411	427	375	16.8a	15a	17.5a	12½a	15.1a	10a	89	385	1,403	387	387	558	1,686	1,738	1,722
Colvilles (Dec. 31).....	354	177	252	11.2	8	5.5	8	9.9	8	1,835	2,664	3,117	1,467	2,970	3,223	2,661	5,374	6,298
Hadfields (Dec. 31).....	302	297	259	35.1	22½	40.6	22½	35.6	22½	1,655	2,098	2,239	472	496	981	623	759	855
Pease & Partners (Mar. 31)*.....	306	265	223	11.0	10	10.2	10	8.3	8	234	280	323	485	504	535	561	611	545
Stewarts & Lloyds (Dec. 31).....	1,341	1,286	1,142	20.3	12½	24.2	12½	21.3	12½	2,797	4,008	4,784	3,082	3,821	4,422	1,544	2,437	3,878
John Summers (Dec. 31) (b).....	528	295	353	13.5	8½	10.5	6	11.9	6	848	1,616	1,795	783	1,077	1,123	570	1,032	1,343

* Figures in table cover years ended Mar. 31st, 1940, 1941 and 1942, respectively. † Gross rates. ‡ Includes, in most cases, taxation and contingencies provision.
(a) Free of Tax. (b) Earned and paid figures are on "A" ordinary stock.

pects is cautious to the point of pessimism, as the following figures suggest:—

SHARE PRICES AND YIELDS

Company	Share and Denomination	Prices (1935-39)		Present Price	Yield (%)
		Highest	Lowest		
Wm. Beardmore	Ord. Stk. £1	s. d. 24 3a	s. d. 8 4a	s. d. 23 0	8.7
Birm. Small Arms	Ord. Stk. £1	28 6	7 10	21 3	7.1
John Brown	Ord. Stk. £1	44 1	4 0	26 0	7.7
Colvilles	Ord. Stk. £1	36 4	16 6	20 0	8.0
Hadfields	Ord. Stk. £1	42 4	8 3	26 6	8.5
Pease & Partners	Ord. Stk. £1	13 7	3 4	9 6	8.4
Stewarts & Lloyds	Debt. Stk. £1	46 7	26 3	47 0	5.3
John Summers	"A" Ord. £1	26 0c	16 3c	17 6	6.8

(a) After Capital Scheme of 1938. (b) 6- until 1937. (c) 1938-39.

The average yield on the shares shown in the table is approximately 7½ per cent against a little over 5 per cent on the mixed bag of representative industrial equities included in the *Actuaries' Index*. Investors, clearly, are reluctant to admit "heavy" steel shares into the category of "recovery equities," which are in such short supply in the market at present. Is this attitude altogether justified? Admittedly, there will be moderately heavy arrears of plant renewals to face after the war, and some of the special equipment installed recently will have fewer innate opportunities for profitable employment in peacetime. But these are purely transitional matters, which, *mutatis mutandis*, will have their parallel in every other industry.

The case against this group of shares, as the market sees it, really involves two assumptions. The first is that demand for steel products will decline very considerably after the war. That may be true of particular classes, but hardly of steel as a whole. On the contrary, requirements for building, engineering and shipbuilding may well be so pressing that, for a time, some form of rationing of

available steel for the home market may have to be resorted to.

Export prospects, necessarily, are much more problematical. For steel, as for all industries which hope to market any appreciable share of their total output abroad in the teeth of international competition, much depends on the currency and exchange policy which the British Government is prepared to adopt—and other Governments, particularly that of the United States, to tolerate—after the war. This is not the place to argue the pros and cons of post-war fixation of the sterling exchange at a level which may help to solve the difficult problem of a country which, having lost many of its foreign investments, in the common cause, must export to balance its international payments, but has been bequeathed a higher internal costs-structure by the war. But whatever policy be adopted, the "heavy" industries will almost certainly have to base their hopes of obtaining a sizable export business on their ability to supply the more highly finished types of product, rather than the cruder forms, at a competitive price in importers' currencies.

The second possibility which makes for caution on the Stock Exchange is that individual companies may find their financial position unbearably tight when the time comes for turning over to peacetime conditions. In some instances, undoubtedly, the transition will present a certain difficulty. But the industry, as a whole, should be helped by the fact that its EPT position is not unfavourable (the standard years having been a period of boom or near-boom conditions) and that its total capacity has not been unduly extended during the war. The adoption by the Government of a deflationary post-war economic policy would greatly handicap the industry, both productively and financially, as it did after the last war. But the omens seem to be definitely against such a possibility. On the whole, it may be suggested that, while "heavy" industry shares will continue to be a somewhat specialised section of the market, their particular "risks" are not unreasonably discounted by current Stock Exchange prices.

Finance and Banking

Half-Year End Doubts

Market confidence in an easy passage over the end of the half-year is now wilting slightly. Last Friday's further decline in Treasury bill applications to the abnormally low figure of £124 millions—and a corresponding rise in the market quota to 49 per cent—reflected the general anticipation of a restricted outlet for bills which has been fully justified in the event. On recent days, no more than one of the large banks has been a buyer on any scale. The market has consequently had to finance a further large addition to its holdings against precarious overnight money. It thus approaches the end of June turning-point with bumper portfolios which include very few end of June maturities. On the other hand, the banks should have no great difficulty in maintaining a satisfactory cash position. They are well supplied with end of June dates, while both TDR subscriptions and the week's Treasury bill payments can be concentrated on the early days of July. At the worst, a moderate amount of special buying should suffice to supplement market supplies of credit. Rather disappointingly, the expansion in the note circulation has been resumed with a rise of £2,857,000—against only £1,453,000 in the corresponding week last year—to a new record level of £796 millions. It may still be hoped that the "holidays at home" campaign will succeed in damping down the seasonal demand for notes; but withdrawals on the same scale as last year would now reduce the reserve of notes at the August peak to little more than £5 millions.

Coupon Banking in Force

The coupon banking scheme finally came into full operation on Monday last, when the use of transfer vouchers became compulsory, with a few minor exceptions, for all dealings involving more than 75 coupons. No doubt it is still early to pronounce on the success of the scheme, but its inauguration and initial working have been almost completely free from complaints and queries. One of the few difficulties arose out of the decision of some multiple

shops against the operation of coupon accounts by their local managers, who were instructed to remit coupons by post to the head office. This naturally created an unexpectedly heavy volume of work for the branches carrying the head office account, and also lead to some shortage of the head office account. It is obviously desirable that this additional work should be spread as evenly as possible over the banking system, though it will be realised that misappropriation of coupons, unlike misappropriation of cash, is not covered by existing fidelity bonds. A possible solution would be for the head offices to supply their branches with vouchers made out in favour of head office, since no voucher may be confirmed if it bears the slightest alteration.

Responsibility of Banks

In principle, coupon banking would seem to call for no less elaborate a code than that which governs normal banking. It stands to reason, for example, that the banks, as agents of the Board of Trade, could not expect to escape some liability to their principal if conversion of coupons accounts other than that of the transferee, or by the account other than that of the transferer, or by the opening of accounts without adequate enquiries. What constitutes reasonable care in such matters is laid down in a code of secret instructions which takes the place, in relation to coupons, of the Bills of Exchange Act and other enactments which govern ordinary banking. As experience accumulates, the compilation of a "Questions on Coupon Banking Practice" will no doubt follow, as a parallel volume to the familiar "QBP." Meanwhile, the nature of the Board's instructions is not to be made public, though it is known that it permits somewhat greater scope for the exercise of discretion than banking law. For example, banks are allowed to credit coupons to a customer's account, provided they are satisfied that the customer is intended to be the transferee, even though the transferee's name is not quite accurately entered. It is interesting to note, too, that in the transfer voucher, which

cannot be transferred by endorsement, does not require discharge and yet operates as a receipt, there is a precise equivalent of the non-transferable cheque.

Bombay Bullion Market

The advance in Bombay silver has been more restrained recently, but in the middle of this week the quotation stood at Rs 83 annas 5 per 100 tolas, an increase of about Rs 5½ in a fortnight. There has also been more demand for gold on the Bombay market, and a price of Rs 49 annas 7 per tola was recently quoted. This moderate recrudescence of speculative buying invites comparison with the hoarding demand which arose during the middle of last March as a result of Japanese successes in the Far East. At that time, silver rose to Rs 90 annas 8 and gold to Rs 56 annas 8, and the possibility was even discussed that the market price for fine silver might rise to Rs 109, at which level it would theoretically become profitable to melt coin into bullion. It remains to be seen whether the war news will stimulate a comparable boom in Bombay prices in the near future, but speculators will doubtless be restrained by the consideration that the Reserve Bank might at any time re-enter the market as a seller at a price well below current quotations. Meanwhile, it is interesting to note that the current Bombay silver quotation is equivalent to about 36½d in London, while the gold price represents approximately 198s. It may be of academic interest to point out that this gives a sterling-dollar cross-rate of a little over \$3.50.

Reichsbank Note Expansion

At the end of May the note issue of the Reichsbank attained Rm 20,547,951,000. Although the next return showed a decline as a result of the usual repayment of

end-of-month loans, it still remained well over the 20-milliard level. In three years the note issue has increased by more than 200 per cent, while since the beginning of this year alone it has increased by 33 per cent. During 1939 the expansion was comparatively moderate—from Rm 6.26 milliards to Rm 8.52 milliards. In 1940, when German arms production reached its peak, the advance was much steeper—an increase of nearly fifty per cent—to Rm 2.59 milliards. A year later the total in circulation reached Rm 15.21 milliards. The rate of expansion during 1941, in other words, was only about half that of the previous year, presumably because there was no further material expansion of arms production, and because the victories of the spring and summer inspired sufficient confidence to enable the Government of the Reich to re-borrow from the public most of what was spent in excess of revenue. On the other hand, the accentuation of the pace of currency inflation this year may have been due to the decline of confidence in ultimate victory, as a result of which the public is now less willing to lend to the Government or even to deposit its money with the banks. It is necessary to point out that the expansion of the note issue since the war has not to any noteworthy extent been due to the expansion of the territory of the Reich. The German authorities have taken elaborate measures to prevent the circulation of Reichsbank notes in occupied territory. They issued special occupation marks for that purpose, and both troops and civilian travellers are forbidden to take Reichsbank notes with them to occupied countries. It is only in Alsace-Lorraine, Luxembourg, Danzig, Polish Silesia and other Polish territories which have been added to the Reich (as distinct from the territory of the General Government) that Reichsbank notes are allowed to circulate, and these territories can only account for a fraction of the increase. The pace of note withdrawals in recent months seems to indicate that the Government is beginning to lose its grip on the financial situation, which has hitherto been managed very efficiently.

Investment

The Investor Waits

Although the country as a whole is very evidently perturbed at the loss of Tobruk, and the serious position which results from it, the investor, as such, has accepted the event with the calm arising from a conviction that peace, whenever it may come, must improve conditions for the holder of industrial equities. According to the indices of *The Financial News* there has been a fall of 2.1 per cent in equity values on the week, and of almost twice that amount from the recent high point, while the decline in fixed interest stocks has been slightly accelerated. These comparisons paint rather too bright a picture of the total effects. The minima, fixed by the Egyptian Government, for business on the exchange there, are so high that selling is impossible, and the whole weight of pressure to sell by holders in Egypt has been concentrated in London, making business distinctly difficult and costly. Again, in industrial preference shares, some appreciable selling has arisen, presumably because, after the recent closing of the yield margin between these and senior securities, prices are considered rather unduly high. This seems to suggest that a yield margin of one to one and a half points between these and irredeemable Government stocks is the smallest acceptable. With these exceptions, markets have been relatively idle, and it is clear that the investor is waiting to see what the next move will be. So far he appears to be concentrating his attention on military events, but there is, in the conjunction of the rise in miners' wages and the demands of AEU members for further increases, a threat of a new and more potent dose of potential purchasing power which cannot fail to affect prices in the measure that they remain, or become, free from control. If there is a fresh round of wage increases it will constitute an inflationary influence which must, soon or late, produce some adjustment in favour of equities as against fixed-interest stocks.

Lever Debenture Repayment

The decision to repay the whole of the 5 per cent debenture stock of Lever Brothers and Unilever on the next

interest date, namely October 1st, will scarcely come as a surprise. Although the amount involved is substantial, £2,752,000 according to the latest available figure, the group enjoyed a strong liquid position at the end of 1940, and there is reason to suppose that there will have been some further contraction in the demand for liquid resources, as well as some addition to them by the ploughing back of a part of last year's profits. The price of the debentures is only a shade above par, although it includes almost a quarter's interest, and this suggests a strong belief that an early opportunity would be taken to repay the stock, whose earliest redemption date was April 1st. The step is in accordance with a policy already established in pre-war days of reducing prior charges, and even preference capital, throughout the group as the terms of issue and the accumulation of profits permitted. Most of the capital was raised before the era of cheap money was ushered in by the War Loan conversion of 1932, so that, in any case, conversions would have paid. But almost ever since that date there have been exceptional hindrances to the further expansion of business, and although the activities of the group have continued to grow—at least until the outbreak of war—it appears that retained profits provide a substantial margin over immediate requirements. Those of the British company are, at the moment, swollen by earnings retained to meet possible post-war commitments to holders of Unilever NV shares. It will be interesting to see whether the accounts for 1941, which may well not appear for some months, will make a sufficiently good showing to suggest that the 4 per cent debentures, of which there are almost £2,000,000 falling due at the end of March next, will be paid off during 1943. In this case it is less clear that the money can be re-borrowed more cheaply.

Argentine Railways and Nationalisation

Since the prospects for the outright acquisition of the British-owned railways of Argentina by the Government of that country were discussed in *The Economist* in November, 1940, opinion on this subject has turned almost full circle. The Pinedo plan, which had held the field, was dropped, partly because Argentina's sales to this country

£22,000 to the carry forward. Details of earnings and appropriations for the past three years are set out below:—

	Years ended December 31.		
	1939	1940	1941
Trading Profit†	195,399	284,114	591,746
Net interest paid	104,291	104,532	87,264
Taxation	29,000	95,000	250,000
Depreciation	50,000	60,000	60,000
War Damage		25,000	22,000
Earned for dividends	12,108	Dr. 418	172,482

† After administrative expenses.

The company is both controlled and managed by Associated British Picture Corporation, which itself showed a marked recovery for the year to March 31, 1941. Its new accounts will be awaited with all the more interest in view of the Union result, although, in the absence of any divi-

dend, neither ABP nor the investing public is any the richer, so far. The balance sheet of Union Cinemas still reveals a highly unsatisfactory position. Bank overdraft has been reduced by £438,000 to £832,000, but creditors are up by £226,000 to £690,000, while the improvement in current assets is only £49,000 to some £130,000. The value of the statement is almost entirely vitiated by the inclusion of the item of suspense account, which, after a reduction of £145,000, due to surplus on liquidation of a subsidiary, still stands at £2,969,000. Actual earnings cover rather over four years' dividend on the senior class of preference capital, which has received nothing since 1937, while there are also arrears of second preference dividend and preference share redemption to be dealt with. The results are, therefore, distinctly encouraging for preference shareholders, and the prices have risen, in the past year, from 2s. 6d. to 17s. 6d. for the first, and from 10d. to 15s. 6d. for the second preference.

Industry and Trade

Miners' Wages

Last Friday the board of investigation, set up under the chairmanship of Lord Greene to inquire into the miners' claims for higher wages and the kind of machinery needed by the proposed national wages board, issued its recommendations on wages. While the board's recommendations do not meet the claims of the miners in full, they represent substantial concessions. The original claim of the Mineworkers' Federation was for a national minimum wage of 85s. per week from the age of 18, an increase of 4s. per shift for workers over 18 years of age and of 2s. a shift for boys. The proposed national minimum wage is at the rate of 83s. per week for underground workers and 78s. per week for surface workers, inclusive of the value of allowances in kind, in respect of workers over 21 years of age. A flat rate addition of 2s. 6d. per shift is recommended for underground workers aged more than 18 and for all other workers from the age of 21. Additions ranging from 1s. 3d. to 2s. 3d. a shift are proposed for underground workers under 18, and from 9d. to 2s. 3d. per shift for surface workers below the age of 21. The annual cost of these concessions, which are payable from June 1st, has been estimated at £23½ millions. According to the Mining Association, the average weekly earnings of all adult workers below and above ground, including the value of allowances, was £4 15s. 6d. last May; the corresponding figure for underground workers was £4 18s. 9d. and that for coal getters on piece-work £5 6s. 3d. The introduction of the national minimum, which is likely to affect a comparatively small proportion of workers, will provide for hard cases; the advance of 2s. 6d. per shift will mean an appreciable improvement in the earnings of the great majority of workers. In addition, the board recommended that miners should be given an opportunity to secure further increases in accordance with a sliding scale for any increase in output above a certain standard to be fixed for each pit. The board's proposals, which received the blessing of the Government, were accepted unanimously by a delegate conference of the Mineworkers' Federation on Tuesday. Mr W. Lawther, president of the Federation, announced that all legitimate grievances "in relation to minimum wage advances" had been removed and that the bonus scheme had been accepted in principle. It is now up to the miners to honour the pledges of the delegates to secure increased output. And the Government must decide how the bill of £23½ millions a year is to be met.

Engineers Stake a Claim

Last Wednesday, the conference of the Amalgamated Engineering Union at Blackpool unanimously carried a resolution to put forward a claim for higher wages for all members employed in all branches of the engineering, shipbuilding, shiprepairing and allied industries. Both Mr Jack Tanner, the president of the AEU, and Mr F. Smith, its secretary, criticised the claim which, according to the latter, involved an increase of about 35s. or 36s. per week and, according to another official, an addition to the wages bill of £100 millions a year. It was subsequently reported that the real claim was not so fantastic as stated by the press and that it was for the balance of last year's

claim of about 16s. per week, of which 5s. was awarded last December. Mr Tanner promptly informed the conference that the chance of getting the claim met was very small indeed and "what we are concerned with is to get an increase of war production."

According to a correspondent, the claim may be interpreted as evidence of dissatisfaction among the engineers. One of the main grievances is that a large number of men are still on "time rates," that is to say they receive a flat rate without any opportunity of bonus earnings. These include many highly skilled men, such as the maintenance staffs who are now continually called upon to put in extra effort without additional pay. Another grievance is that last December's award put the increase of pay not on to the "basic rate" but on to the so-called "war wage," an additional flat rate payment which, with considerable variation, has been in force since the last war but is not taken into account in the computation of bonuses. It is also possible that the old grievance concerning the reduction of overtime rates in 1931 is still active. The overtime rate was reduced in that year from time and a half, with double time after midnight, to time and one-half, with double time after midnight, to time and a half thereafter: third for the first two hours and time and a half thereafter. Night shift rates were also reduced. But there are a number of causes of friction which are only indirectly of a monetary character. They are mostly connected with the transfer of labour. It is felt that more foresight and better planning in the allocation of contracts would enable factories to work more continuously and that the necessity for workmen to leave their homes would thus in many cases be removed. Further, many matters connected with the payment of lodging allowances to men away from home are within the discretion of the local employment exchanges and there appears to be evidence of considerable anomalies and variations of practice. All these matters have given rise to disgruntlement which finds its expression in fresh monetary demands. In so far as these grievances are legitimate, steps should be taken to remove them. But their existence can hardly justify an addition of £100 millions a year to the wages bill.

Control of Wool Textile Trade

The problem of how to control an industry in which the average unit is small (some years ago over half the wool firms employed less than 100 insured workers per firm), which entails a number of separate processes all under different ownership and where there is a strong individualist tradition, is discussed in a Fabian Society pamphlet—"The Wool Industry in War and Peace." The most useful section of the pamphlet is the analysis of the mechanism of the wartime control, which the author believes has been one of the most efficient of the Government controls, although it is limited to one stage of the productive process only—the control of the raw material. As with most other controls, the Controller is a prominent representative of the industry; he is the chairman of the Woollen and Worsted Trades Association. This means that control is regarded as a necessary evil, imposed for the

duration of the war only, and to be abandoned as soon as the longed-for "return to normal" is achieved; and that more attention may be paid to future possibilities than to immediate war-time requirements. Concentration in the wool industry has largely been left to voluntary arrangements, and such concentration as has been effected has in consequence been gradual and haphazard, and due rather to the pressure of external circumstances than to deliberate policy. To-day, according to Mr Brook, productive capacity is far in excess of requirements and there is a large amount of redundant machinery and plant. Over 70 per cent of the capacity of the industry is engaged on meeting Government and export demands, but Government requirements have not been on the scale anticipated before the collapse of France. Civilian consumption has been curtailed by rationing and by the excessive charges made for "wastes," amounting in some cases to three or four times their pre-war prices; indeed, the author accuses the Government of welcoming high prices as a means of restricting civilian buying. The introduction of utility clothing—albeit not until after two years of war—and the fixing of profit margins and "ceiling" prices are welcome measures to protect the consumer against profiteering, although it only applies to about two-thirds of the clothing produced. It should be accompanied by the extension of the rationing scheme to cover woollen materials still outside. It is a pity that more was not said about the actual effects of concentration on the concentrated firms, how labour has been affected, and so on. It is to be hoped that this study of the wool industry will be followed by similar surveys of the effects of control and concentration on other industries, together with their implications for post-war reconstruction.

Bricks

In their report issued earlier this year, the Committee on the brick industry recommended a reduction in output to the level of falling needs, the closing down of selected brickworks as an alternative to a *pro rata* cut in production, and a care and maintenance scheme for the closed plants, financed by a levy of 3s. per 1,000 bricks sold by those remaining in production. In a second report, issued on Wednesday, the committee draws attention to "unfortunate delays" in the application of its recommendations, but exonerates the Ministry of Works and Buildings.

They appear rather to be the result of almost interminable inter-departmental negotiations, which, necessary though they may be in times of peace, are in our view inconsistent with the spirit and tempo of the current stern conditions of war.

To secure equitably the necessary contraction in output, the committee recommends a quota plan, which envisages ten areas, each producing a proportion of the national demand. It also proposes that the closing of works should be the responsibility of the Director of Bricks of the Ministry of Works and Buildings, and a tribunal is suggested for the adjudication of appeals. The committee proposes the fixing of minimum prices in order to secure stability. The care and maintenance scheme and the quota scheme are to be administered by a national building brick council, consisting of representatives of employers, trade unions and research organisations. It is to be hoped that final control will rest with the Ministry.

Bakers' Subsidy

The Minister of Food has not accepted the bakers' demands for the retention of the temporary additional subsidy, although he has made concessions. The history of bakers' subsidies was discussed in *The Economist* of June 6th, on page 806. The position then was that the Minister would consider the matter further, in the light of the bakers' comments on the results of an accountant's investigation, which had satisfied the Minister that there was no case for the retention of the additional subsidy. The additional temporary subsidy, varying from 2s. to 4s. a sack—the equivalent of 4d. per quarter loaf—was withdrawn on June 20th. Small bakers will benefit most from the concession granted on the same date of a reduced subsidy of 2s. per sack of flour to be paid on the first eight sacks used weekly in the making of bread sold at 8d. a quarter. This reduced subsidy will be temporary, pending a new costings investigation, which is to be completed not later than the end of September. An additional charge

of 4d. per 4 lb. of bread will be permitted to be made for deliveries in sparsely populated areas. The Minister's latest decision relates only to England and Wales, but the position of Scotland and Northern Ireland is under consideration.

Dried Eggs

Dehydrated eggs are now reaching consumers. One tin, the equivalent of a dozen eggs, at 1s. 9d., is available for each customer registered for eggs. In this way the equivalent of 540 million eggs will reach consumers during the next five weeks. Distributions will be made from time to time, at a rate, it is hoped, of at least one tin every two months, although releases will be larger when eggs in shell are most scarce. Caterers are to receive what appears at first sight to be a generous allocation—one lb (40 eggs) for every hundred meals served in one week. This represents an allocation of approximately 52 million eggs, but it is unlikely that distributions to caterers will be more frequent than those to consumers. The rough percentage of 7 per cent of rationed foods to caterers has been followed in this case. Supplies of dried eggs can compensate for the loss of fresh European eggs. The product is entirely egg, and is easy to transport, since it requires no refrigeration and takes only one-sixth of the space needed for eggs in shell. It will be imported from the United States, Canada, Australia and Argentina, and whole eggs will be imported only from Eire. The dried eggs can be used for all cooking purposes for which the yolk and white of egg are mixed, and will be a welcome addition to the larder.

Aircraft Metals in North America

In an article on aircraft metals, published in *The Economist* of March 14th, details were given of the American and Canadian production programmes for aluminium and magnesium. In the meantime, the United States War Production Board and the Canadian Government have greatly extended these programmes. According to the United States Bureau of Mines, America's supply plans for aluminium now call for no less than 2,500 million lb. in 1943. The programme consists of four parts. With its present capacity the United States is capable of producing 850 million lb. per annum. The facilities under construction as part of the earlier expansion plans will add another 640 million lb. to the country's annual productive capacity. Contracts placed by the United States Government with the Aluminum Company of Canada are for the delivery of 450 million lb. of Canadian aluminium in 1943, while a new United States expansion scheme for 640 million lb. is to be started this summer. The new expansion schemes for magnesium are no less impressive. The plan for the production of over 400 million lb. a year, outlined in the previous article, has been revised to one for 725 million lb. The Bureau of Mines has stated that, as part of the original plan, plant capacity for the production of 54 million lb. of magnesium per annum had already been completed; and that, at the end of last year, six American companies were engaged on the construction of new magnesium producing plants. Meanwhile, the War Production Board has placed contracts for the construction of plants to produce magnesium at the rate of 157 million lb. per annum by ferro-silicon processes developed by the National Academy of Sciences. An additional 24 million lb. are expected to be produced by the same method in works for which contracts are now being placed, while another 144 million lb. will be produced by electrolytic methods following the recent discovery of new and extensive magnesium brines in Michigan. Apart from the United States development programmes, which include the financing of plant extensions in Canada, the Canadian Government, acting through the Wartime Metals Corporation, recently formed at Ottawa, will spend between \$5,000,000 and \$6,000,000 on the erection of new magnesium plant in the Dominion. It is expected that the Dominion's magnesium production will start as early as this summer, although the final programme—like that of the United States—will not be completed before late next year. The new North American expansion plans for the two light metals will enable the United Nations to achieve an overwhelming measure of air superiority. The Axis powers lost their superiority in aluminium in 1941 and will lose their superiority in magnesium this year.

COMPANY MEETINGS

J. LYONS & COMPANY, LIMITED

FEATURES OF A DIFFICULT YEAR

MR HARRY SALMON'S STATEMENT

The forty-eighth ordinary general meeting of J. Lyons and Company, Limited, was held, on the 23rd instant, at the Trocadero Restaurant, London, W.

Mr Harry Salmon, J.P. (one of the managing directors), presided.

REPORT OF THE DIRECTORS

The directors have the pleasure to submit their forty-eighth annual report, with a balance-sheet and profit and loss account, made up to March 31st last, showing the financial position of the company at that date.

The business done may be considered satisfactory having regard to war-time conditions.

	£	£
The balance of trading account after providing reserve for contingencies is		896,500.00
To which is to be added the amount brought forward from last year		320,990.31
Showing available for distribution a total of		1,217,490.31
From this total the following dividends have been paid or provided:—		
On preference and preferred ordinary stock to March 31, 1942	490,353.27	
On ordinary, "A" ordinary and proportional profit stock and "B" proportional profit shares—interim paid December 1, 1941	92,813.65	
And the directors propose to deal with the balance as under:—		
To pay a final dividend of 3s. per £1 unit on the ordinary and "A" ordinary stock, making 4s. for the year	249,940.95	
To pay a final dividend of 7.2d. per £1 unit or share respectively on the proportional profit stock and "B" proportional profit shares, making 9.6d. for the year	28,500.00	
		861,607.87
Leaving to carry forward to next account	355,882.44	

The dividends received from subsidiary companies have been included in the company's trading account. In the aggregate the results of the subsidiary companies' trading show a profit. Losses of subsidiary companies so far as they concern this company have been dealt with in this company's accounts.

The board has suffered a great loss in the death of three of its members: Sir Isidore Salmon (the chairman), Mr B. S. Gluckstein and (since the close of the year) Mr J. M. E. Sierra. Sir Isidore Salmon had served the company since its formation and had been a managing director for 33 years; Mr B. S. Gluckstein joined the board in 1926 and Mr Sierra joined the company in 1907 and the board in 1939. They had all rendered most valuable services to the company and were very highly esteemed by their colleagues and the staff. Their loss is deeply deplored.

Messrs Geo. W. Booth and Julian Salmon retire from the office of director and, being eligible, offer themselves for re-election.

Mr L. Gluckstein, who has been appointed an ordinary director by the board since the last general meeting, retires and is eligible for re-election.

Mr H. H. G. Bennett, an employé director, retires and is eligible for re-election.

Messrs. Turquand, Youngs, McAuliffe and Company, the auditors, retire and are eligible for re-election.

(Signed) HARRY SALMON

Cadby Hall, London, W. 14.

June 10, 1942.

M. SALMON

Managing Directors.

CHAIRMAN'S STATEMENT

The following statement of the chairman had been circulated with the report and accounts and was taken as read:—

It is with the deepest regret I have to mention the loss we suffered during the year in the death of Sir Isidore Salmon and of Mr B. S. Gluckstein. This was a grievous blow to us all, and we greatly miss them both in our deliberations. My brother had been with the company since its formation, and his ability and energy, so wholeheartedly applied to everything he undertook, was an inspiration to his colleagues and the staff. His work in the wider sphere of public service received its measure of tribute at the time of his death. He represented Harrow in Parliament for 17 years. He had served on the Royal Commission on Transport and on important Government Committees, and, for the last three years of his life, had added to his business, political and other activities the work of honorary catering adviser to the Army. Mr B. S. Gluckstein had been a director for 15 years, during which time his wise counsel was of the greatest value to the board and the company. Since the close of the year another very valued colleague, Mr J. M. E. Sierra, has passed from us. He joined the company in 1907, later became its chief engineer, and was elected to the board in 1939. The high qualities of mind and character he possessed, coupled with his zeal in the company's service, had earned the respect and affection of us all.

Mr Leonard Gluckstein has been appointed a director, following a long and thorough training in the business. We welcome him among us, and know he will continue to show the devotion to the company's interests and the ability which have qualified him for the position he has now attained. It has always been our policy to have available what I may call a reserve of men who aspire to a seat on the board, and the wisdom of that policy is amply demonstrated at a time like this, when the hand of death has been so heavy on us.

Only one item in the accompanying report and accounts calls for comment, viz., "Debtors." The claims for war damage appearing in this account are only those which have been actually agreed by the Government; those which have still to be agreed are not included. This figure is also affected by the change-over to a cash basis of much of our former credit business. You will see that the balance of trading account is £896,500, and that we are proposing to pay the same final dividends as last year.

YEAR'S DIFFICULTIES

It has been a difficult year. In spite of all our efforts, we have been unable to meet the sustained demand for our goods and services. Restriction of supplies and curtailment of labour have continued to affect us, though I do not think I need enlarge on them. Transport is a difficulty which must increase as time goes on, for the authorities are seeking a drastic curtailment of our kind of transport we use in the nation-wide distribution of our goods and are introducing a localised system. The full effect of that on our business cannot yet be estimated, but it cannot be otherwise than serious. The regulations and orders made by the Government, running into many thousands, have necessitated a constant vigilance. You know the widespread nature of our business and will readily appreciate that there are very few of these regulations and orders which have not affected us to a greater or lesser degree. It is not an exaggeration to say that we have had to concern ourselves with not less than 6,000 of them. No one wishes to question the necessity in war time of many kinds of control and restriction, provided it is clear that the sole consideration in imposing them is the furtherance of the war effort. But proposals are now being made which do not fulfil that condition.

I do not wish it to be inferred, from any of this, that we fail to realise the magnitude and importance of the problems which confront the various authorities, and the efforts which have been made to solve them. We know particularly those with which the Minister of Food is concerned. He has said that his task is to

maintain a high standard of nutrition for the whole population; there is no doubt he has achieved outstanding success in it.

TRIBUTE TO STAFF

We try to accept our burdens cheerfully, and we bend our efforts to meet them in the way which will best maintain our stability. In this we have received in the past year, and continue to receive, the most loyal and wholehearted support from our staff of all grades; they share our business worries to the full, and, by their hard work and their cheerfulness in meeting their own personal difficulties, in a way typical of the whole nation, sustain the board in its task.

We have been privileged, during the year, to further the country's war effort by advice and assistance to various authorities, Government and otherwise, and to undertake, in a honorary capacity, the management of a large factory for the Ministry of Supply.

The number of our employees who have been called to war service has again considerably increased, and, with the deepest regret, we record that some of them have given their lives to the cause for which the nation is fighting, and will continue to fight until final victory. I am sure you will join me in conveying to those who have been spared our greetings and good wishes.

As this statement will reach you with the accounts, the proceedings of the meeting will be confined to formal business.

SELECTION TRUST, LIMITED

The ordinary general meeting of Selection Trust, Limited, of which Mr A. Chester Beatty is chairman, will be held, on July 2nd, at Selection Trust Building, Mason's Avenue, E.C. 2. Following is a summary of the report of the directors which embodies information usually given by the chairman at the annual general meeting:—

The gross revenue of £249,869 was nearly the same as for the preceding year. The amount arising from dividends and interest was less, but was supplemented by book profits from realisation of investments.

The profit for the year was £197,989, and the directors recommend the payment on July 6th of a dividend of 9d. per unit of ordinary stock, less income-tax at 8s. 6d. in the £.

The American Metal Company carries on a base metal mining, smelting and marketing business, and its investments include substantial holdings in Roan Antelope Copper Mines and Rhodesian Selection Trust. The company's major products, copper, lead and zinc, are important to the war programme to which the company is making every effort to contribute effectively. Domestic smelters and refineries operated to full capacity during 1941; the installation of increased facilities at the zinc smelters resulted in a substantially larger production than in the preceding year.

Roan Antelope Copper Mines reduced its dividend last year to 6d. and Rhodesian Selection Trust paid no dividend as it received no income from its holding in Mufulira Copper Mines. The latter company earned larger profits, but no dividend was paid in consequence of heavy taxation and the need to provide for expenditure of a capital nature.

Consolidated African Selection Trust and its subsidiary, Sierra Leone Selection Trust, continue to operate satisfactorily. A large proportion of the diamond production is required for industrial purposes, and efforts are being made to ensure an adequate supply for the war needs.

A large area of the Ultramar Company's concessions is being explored on joint account with Texas Company of U.S.A., through two Venezuelan companies, and drilling operations have discovered promising oil-bearing formations. Exploration work is proceeding but may be hampered by war conditions.

Selection Trust is maintaining its participation with Union Corporation and Western Holdings in the exploration and development of areas in the Orange Free State, and is also interested in areas adjoining the property of Western Reefs Exploration and Development Company. Work in these areas has been temporarily suspended owing to war conditions.

The search for new mining business has necessarily been curtailed by war conditions.

The company's largest interests are at present concerned with the production of copper and diamonds. The companies concerned are operating on a substantial scale and are doing their utmost to contribute towards the victory to which we confidently look forward.

EASTWOODS CEMENT GROUP

PRACTICAL CONTRIBUTION TO WAR EFFORT

Sir Horace Boot, K.B., M.Inst.C.E. (the chairman), presiding, on the 25th instant, at the annual meetings of Eastwoods Cement, Limited, Eastwoods Lewes Cement, Limited, and Eastwoods Humber Cement, Limited, said: It was decided this year to hold the three meetings together and the accounts were closed at December 31st last.

The Ministry of Supply, in collaboration with the Cement Makers' Federation, have instituted the pooling scheme designed to limit profit margins by wartime control of selling prices to the consumer and to pool resultant proceeds between all makers, by allocation of tonnage quotas automatically adjusted to current demand. The liaison between the Cement Makers' Federation and H.M. Government has become a pattern for other industries.

LOW CAPITAL COST PER TON

Our three cement works have a capacity of over 250,000 tons per annum and that, with the brick-making outputs of our other companies running into some hundreds of millions of bricks, is a formidable and practical contribution to the war effort. One feature of all our balance-sheets is the low capital cost per ton of output. Another is the very satisfactory financial situation resulting from a prudent policy in the past, which has left us ready to meet any contingency other than absolute catastrophe.

The Barrington Company shows a profit of £26,998. After paying the dividend of 10 per cent. for the nine months there still remains a total of £59,000 in the form of reserves and undivided profits and £17,212 is carried forward. The profit of the Lewes Company for six months, after provision for taxation, is £7,530. General reserve receives £2,000 and, after payment of the dividend, £8,279 is carried forward. Our forward programme at Lewes includes provision of another or larger kiln and silo capacity, expansion of storage and improvement of loading facilities. The works of the Humber Company at South Ferriby enjoyed equally satisfactory trading. The dispute with the contractors responsible for supply of the plant and machinery is still *sub judice*. After payment of the dividend of 6 per cent. £2,644 is carried forward. It is proposed to instal the second kiln at South Ferriby immediately the time is propitious and we are able to obtain licences for the heavy plant.

I am a little disturbed about deduction of income-tax at the source. The system should be simplified and manual workers should be able to understand exactly what it is they are paying. Contributions could be recovered by purchase of stamps as is now done under the scheme for health and unemployment insurance. The workpeople would then know that income-tax is the insurance premium we are all called upon to pay for the safety of the British Empire, and for a speedy return to peace and sanity in world affairs.

There has been waste and muddle in the allocation of coal for industrial purposes. Trouble has been caused through enforced use of unsuitable varieties and interference with normal sources of supply. When cement makers are forced to use low grades of unsuitable fuel there results waste of time, labour and money on hauling and handling, production is slowed down and the flow of railway wagons impeded.

ONE CENTRALISED ORGANISATION

In the Eastwoods Group there is one centralised organisation which controls all the various interests. Staffs were reorganised to meet war conditions. The same process is going on with female staff, and it is only with the utmost difficulty and considerable strain on our chief executives that the work has been got through without breakdown of essential services. We accomplish this by the exercise of ingenuity and co-operation, but there is growing up a new bureaucracy, which for forms and "red-tape" generally exceeds anything previously experienced. It is only by avoiding the joint evils of inflation and bureaucracy that we shall be able to compete again in world markets. We are flooded daily with requests for complicated information on every conceivable subject, and there is no peace for the manufacturer.

We are being asked to cut our staffs still further, and this will be achieved provided we can be guaranteed the retention of essential "key" personnel. I hope by next year the indomitable spirit of the British peoples will have prevailed, for prevail it must.

The report was unanimously adopted.

BRITISH ELECTRIC TRACTION COMPANY, LIMITED

CONTINUED PROGRESS

The forty-sixth ordinary general meeting of this company was held, on the 19th instant, in London.

Mr Richard J. Howley, C.B.E., the chairman, said that the gross revenue amounted to £767,588, which again constituted a record and represented an increase of £19,036 over the previous year. The profit for the year was £527,393.

The shareholders of Tilling and British Automobile Traction, Ltd., had received a circular letter from the secretary of that company regarding a scheme for reconstruction and for the transfer of the assets to two companies to be formed. The activities of the provincial omnibus companies had grown very considerably in recent years and the directors of the parent companies had come to the conclusion that greater efficiency would be obtained if the business of Tilling and British Automobile Traction, Limited, was divided into two parts and direct administration of each part was substituted for joint administration of the whole. The proposals provided for the formation of two companies, namely B.E.T. Omnibus Services, Limited, and Tilling Motor Services, Limited, the former would be controlled by the British Electric Traction Company, Limited, and the latter by Thomas Tilling, Limited.

As might be expected, the road transport and electricity supply companies in which they were so largely interested had been busily engaged. Their organisation had proved its usefulness under present difficult conditions and had shown that group control of locally managed public utility undertakings under skilled direction was probably the most efficient way of providing such services.

It might be that the setting up of public boards, as had been suggested, to operate transport and public services, was the answer to the desire of some leading politicians to rationalise services of that kind. It might be a way out of the danger which they appreciated would arise to our public economy under nationalisation. He was not convinced that large unwieldy boards would be either efficient or desirable in the national interest.

The report was adopted.

ODHAMS PRESS LIMITED

DIVIDEND OF 10 PER CENT

The 22nd annual general meeting of Odhams Press, Limited, was held in London on the 25th instant.

Lord Southwood of Fernhurst (chairman and managing director) said that the net profit for the year amounted to £611,445. The general reserve stood at £630,000 against £560,000 last year. It was proposed to transfer £50,000 out of the profits of the year under review, bringing the general reserve up to the substantial total of £680,000. The principal item in the profit and loss appropriation was the very heavy reserve for taxation of £313,945, compared with £155,093 last year. That heavy increase was a measure of the company's contribution to the war effort, which must be cheerfully borne. In order to play their part in assisting the Exchequer during war time, the directors had decided to discharge the greater part of the company's liability for taxation before the due date.

After the charges set out in the profit and loss account there was an available balance of £222,013. The directors recommended a dividend on the ordinary shares at the rate of 10 per cent. per annum.

The year under review had been a very difficult one, especially in regard to paper supplies. Fortunately the Newsprint Company under which all newsprint was bought on a co-operative basis, and under which every newspaper in the country was getting its fair share, had worked satisfactorily. On the other hand, since the date of the accounts the Ministry of Supply had found it necessary to issue an order reducing the newsprint consumption by a further 10 per cent., which had made it necessary to curtail the sales and in some cases the sizes of the company's newspapers and periodicals.

In addition to the difficulties of paper supplies they had also had to deal with the very heavy demands by the Government for man power, but shareholders might be sure that the directors would do the best they could to meet any and every situation as it arose.

The report and accounts were unanimously adopted.

HAWKER SIDDELEY AIRCRAFT COMPANY, LIMITED

GREAT RECORD OF COMPANY'S AEROPLANES

MR. T. O. M. SOPWITH'S STATEMENT

The sixth ordinary general meeting of the Hawker Siddeley Aircraft Company, Limited, will be held at the May Fair Hotel, Berkeley Street, London, W., on the 1st instant.

The following is the speech of the chairman, Mr Thomas O. M. Sopwith, C.B.E., F.R.Ae.S., which has been circulated with the report and accounts:—

The accounts show the comparative figures for the previous year, and you will observe that we have again provided the appropriate amount for the redemption of Five per Cent. Redeemable Cumulative Preference shares in accordance with the terms of their issue. The profits of the operating companies have been brought into the accounts to an extent sufficient to pay the same dividend as last year, and amount to £620,817, after providing for taxation. Adequate provisions have been made in the accounts of the operating companies for their Excess Profits Tax and other taxation liabilities; for their appropriate proportions of War Damage Contributions, and for such other purposes as their directors have considered necessary. Interim dividends of 15 per cent., less tax, and 17½ per cent., less tax, have already been paid, making a total for the year of 32½ per cent., less tax. This total is the same as that distributed last year, and it is not proposed to pay any further dividend for the year.

CONTRIBUTION TO WAR EFFORT

Of the products of your company—which have been and still are rendering yeoman service in every part of the world where hostilities are in progress—I can, unfortunately, speak only with reticence. You can, however, be assured that their contribution is one of vital importance and of great value to the armed forces. I need only, I think, call attention to three. There is the ubiquitous "Hurricane," with various modifications and improvements, but substantially the same, still used for varied jobs and with efficiency and certainty. The epic stories associated with the achievements of this remarkable machine will, I hope, be available to constitute a permanent record of gallant men and daring exploits. The "Lancaster"—the latest product, and I think the most efficient heavy bomber in the world—was the medium through which the historic raid on Augsburg was carried out; this aircraft in increasing numbers will add very materially to our bomber offensive. Lastly, certain of the "Whitley" bombers have been converted into commercial types to augment the fleet of British Overseas Airways. In the post-war development of civil aviation your company is adequately equipped both from the technical and production aspect to take full advantage of any opportunity which may occur.

During the period of the war I cannot indicate future developments other than by giving you an assurance that we are determined to maintain a progressive policy. There is little doubt that the quality of the R.A.F. equipment in darker days proved a deciding factor, and had it been possible then to have quantity as well the outlook might have been vastly different. To-day, however, the manufacturing potential is available, and able to provide the numbers of new types necessary to maintain the hard-earned superiority.

FRIENDLY RELATIONS WITH WORKERS

In the other ancillary products covered by your company, the same satisfactory state of affairs prevails, and the high standard of mechanical efficiency in certain equipment can be ascribed in part to developments carried through on our initiative. It is a pleasure to record that our relations with the works personnel are on a basis of friendly co-operation. You will, I am sure, join in recording thanks for the unexampled manner in which the executive, staff and workpeople have carried out their duties. They have not had an easy task, and have met and overcome the problems involved in changing requirements in a way reflecting very great credit on all concerned. Our maximum efforts are, of course concentrated on the productive endeavour, but your directors are constantly reviewing the post-war position and have suggestions under consideration to be put into force at the appropriate, and I hope not far distant, time.

CABLE AND WIRELESS, LIMITED

(The Operating Company)

DIVIDEND OF 4 PER CENT.

The thirteenth ordinary general meeting of Cable and Wireless, Limited (The Operating Company), was held on the 24th instant in London.

Sir Edward Wilshaw, K.C.M.G. (chairman and managing director), said that the accounts for the year ended December 31, 1941, disclosed a profit of £2,928,349, after providing £129,689 for cable renewals and £155,000 for amounts written off the cost of terminating a joint purse agreement and other expenditures. Adding the balance brought forward from 1940, there was £4,541,956 available. The interim dividend of 1½ per cent. already paid, together with a final dividend of 2½ per cent., making 4 per cent. for the year, absorbed £1,200,000, leaving £3,341,956 to be carried forward to the next account.

Ever since the Government became a considerable shareholder in the company, it had been his custom at this meeting to review their world-wide activities during the period covered by the accounts and to refer briefly to such developments as were in progress or in train. Existing conditions prevented that now, as they did last year. There were, however, one or two matters to which he should draw attention.

WORLD-WIDE ACTIVITIES

They would remember the argosies of children that had sailed to the greater safety of welcoming homes in the Dominions and shareholders were aware that the directors had made arrangements by which those evacuated under Government schemes had been

allowed to exchange free cable messages with their parents every month. Just as that concession had once brought reassuring news of their parents at home to the children overseas, so now, as the area of war extended, it brought cheer and comfort from the children to their parents.

Then there was the Expeditionary Force message, or E.F.M. service, enabling the Forces overseas and their folk at home, whether here or in any part of the Empire, to send messages to each other at the special low rate of 2s. 6d. There was no doubt of its amazing popularity. Last Christmas period they had handled over 1,250,000 E.F.M. messages in addition to their other traffic and were at present handling nearly 200,000 of those messages every week.

The pictures in the Press depicting the events of yesterday, photographed in all the distant theatres of war and of preparation for war, were handled over their wireless picture system, which had been and was being greatly improved and extended to meet a constantly growing demand. They had made efforts to give the widest possible facilities for Press traffic within the Empire which played so great a part in the Empire effort. They had made further drastic reductions in rates and introduced an Empire rate for Press traffic of 1d. a word for the duration of the war.

His final word must be about the staff. In the Far East many of them were interned and many missing, and there were others who would not return. At home and throughout their world-wide system, whether afloat or ashore, through days and nights of often perilous duty in the operation of a never-ceasing service, their staff worked long hours under abnormal conditions to get the traffic through, fully conscious of the vital part played by the lines of communication they maintained.

The report was unanimously adopted.

RECORDS and STATISTICS

STOCK EXCHANGES London

Note: all dealings are for cash

The disastrous climax to the first phase of the battle in North Africa completely overshadowed the news of Mr Churchill's visit to America. The general marking down of prices throughout all sections was not accompanied by any marked selling, but with buyers unwilling to enter into new commitments the trend continued downward. While the tone in the gilt-edged market was particularly firm at the end of last week, a fairly general marking down of both long and short-dated issues ensued at the reopening. Local Loans and 3½ per cent Conversion were lowered ½, and Old Consols ¼, while most short-dated issues eased ¼. Declines the following day were not so general, Old Consols losing ¼ and the 4 per cent issue ½. The feature of a rather quiet foreign bond market was the slump in Egyptian loans on the Libyan news. Both the 4 per cent Unified and 3½ per cent preference issues were marked down sharply on Monday, while the next day both issues lost a further 3 points. Among South American issues, Brazilian stocks, after some slight marking down at the reopening, displayed firmness, but the Peruvian Corporation debenture lost ¼ on Tuesday, when the 6 per cent Peruvian loan fell 1½ points. The San Paulo Coffee loans both weakened slightly. Marking down at the reopening, and some light selling of speculative holdings, occasioned a general reduction in home rail quotations, both prior charges and junior issues suffering losses of ½ to ¾, but on Tuesday the tone became firmer and prices remained steady at the reduced levels. Similar conditions ruled in the foreign rail market, where South American issues were sold, San Paulo falling 1½ and Antofagasta consolidated ordinary ¼ on Tuesday. Losses among Argentine issues were widespread, but seldom exceeded ½ point. Elsewhere Canadian Pacific issues suffered small declines. In midweek falls in Egyptian

bonds, and foreign and home railways continued, but the Funds were steady.

The industrial market was generally dull, and despite some occasional scattered support, the actual volume of business was insufficient to prevent the steady decline in most sections. Brewery shares showed no change at the end of last week, but in common with other sections at the reopening, marking down was general. Distillers, Guinness and Watney deferred all losing 1s., Watney repeating the same fall the next day, when losses were generally fewer and smaller. Tobacco issues displayed some weakness, BAT falling ½ and Carreras ¼ on Monday. BAT eased a further ½ the next day, while Imps fell 1s. 3d. in midweek. Losses were widespread in the motor and aircraft group, Leyland losing ½ on the profits statement, at the week-end, while Rolls-Royce fell the same amount on Monday and the next day, when Raleigh Cycle Holdings eased 9d. In general, the heavy industrial section reflected the small turnover. Although Horden Collieries fell 1s. 3d. and Babcock & Wilcox lost 9d. at the reopening, most prices showed little change. Interest in the shipping section was slight, and prices in consequence weakened, although losses nowhere exceeded a few pence. After their recent improvement textile issues suffered persistent losses, Bleachers 5½ per cent preference falling 9d. on the report, while Rayon issues, among others, were distinctly weak with daily losses of a few pence. In the stores group both Woolworths and Marks & Spencer fell steadily, while among other issues John Barker lost 1s. 3d. on Friday and a further ½ the following Tuesday. The miscellaneous section reflected the general downward trend, and among leading issues, Turner & Newall, Boots, Murex and Manbre & Garton all eased to lower levels in the early part of this week. Among stocks with Egyptian interests, Sudan Plantations dropped 1s. 6d. on Tuesday after earlier but smaller losses. Later the general sagging tendency persisted with Egyptian interests predominantly weak.

The readiness of the Cape to take up any stock at reduced levels was generally sufficient to keep prices in the Kaffir market fairly steady, and despite the general marking down at the reopening, losses exceeding ½ were few. Among these, Rand Mines lost ½, while Central Mining declined ½, but there was some improvement on Tuesday. Among diamond shares, De Beers deferred and Consolidated Diamond Mines ordinary fell ½ and 6d. respectively on the passing of the interim dividends. Small scattered losses reflected the small volume of business in the tea market, while in the rubber market slight activity was insufficient to affect prices. Marking down and occasional selling depressed prices steadily in the oil market. Anglo-Iranian was particularly weak, losing ½ on Monday when Anglo-Egyptian fell ½, both issues having suffered earlier losses. The downward trend was widespread at the reopening, but later losses were confined to the leading issues, Burmah and Shell also suffering small but persistent losses. Later the Cape turned a seller of Kaffir and diamond shares, while the oil market saw further declines.

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
1942				
June 18.....	2,474½	2,775	79.8	133.9
" 19.....	2,538½	2,627	79.5	133.9
" 22.....	3,465½	2,674	78.9	133.6
" 23.....	2,722½	3,768	78.7	133.5
" 24.....	2,843½	2,358	78.2	133.4

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5). † New basis in S.E. List. ‡ Old basis.

New York

THE news from Libya, and a desire to restrict commitments pending the outcome of the Churchill-Roosevelt discussions, led to very quiet conditions on Wall Street at the end of last week. While selling was negligible, prices, in the absence of support,

WEEKLY AVERAGES

• 50 Common Stocks.
(a) Jan. 7. (b) Feb. 4. (c) June 17.

Official rate 29.79

**TERMS OF
SUBSCRIPTION
TO
THE ECONOMIST**

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

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PROVINCIAL BANK CLEARINGS (£ thousands)

	Week Ended	Aggregate from Jan. 1 to		
	June 21, 1941	June 20, 1942	June 21, 1941	June 20, 1942
Working days	6	6	145	144
Birmingham	2,265	2,313	54,306	62,239
Bradford	1,496	1,396	55,151	54,013
Bristol	2,032	2,941	47,913	59,628
Hull	601	663	15,539	19,470
Leeds	723	843	24,031	27,658
Leicester	783	733	20,721	21,279
Liverpool	5,031	3,920	129,846	115,667
Manchester	10,567	11,096	287,019	298,890
Newcastle	1,193	1,256	32,026	37,723
Nottingham	391	337	11,199	11,599
Sheffield	967	745	16,886	21,627
Southampton	74	100	2,430	2,981
12 Towns	26,123	26,343	696,867	732,774
Dublin*	5,711	5,868	143,736	162,162

* June 14, 1941, and June 13, 1942.

OVERSEAS BANK RETURNS

BANK OF CANADA Million Can. \$

	June 4, 1941	May 20, 1942	May 27, 1942	June 3, 1942
ASSETS				
Reserve: Gold	220.7	194.0	187.4	457.4
Other	497.8	652.6	651.6	776.8
LIABILITIES				
Note circulation	382.7	522.8	525.4	531.5
Deposits: Govt.	91.0	88.3	110.8	35.2
Chartered banks	235.7	209.3	186.4	194.8

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

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

	June 19, 1941	June 4, 1942	June 11, 1942	June 18, 1942
12 U.S.F.R. BANKS				
Gold certifs. on hand and due from Treasury	20,314	20,516	20,518	20,556
Total reserves	20,611	20,799	20,807	20,845
Total cash reserves	288	268	275	275
Total U.S. Govt. secs.	2,184	2,532	2,567	2,578
Total bills and sec.	2,195	2,549	2,584	2,594
Total resources	24,045	24,627	24,540	24,995
LIABILITIES				
F.R. notes in circ.	6,573	9,134	9,195	9,229
Excess int. bank res.	5,310	2,780	2,780	2,790
Mr. bank res. dep.	13,131	12,653	12,629	12,706
Govt. deposits	1,024	110	92	160
Total deposits	16,009	14,121	14,054	14,143
Total liabilities	24,045	24,627	24,540	24,995
Reserve ratio	91.3%	89.4%	89.5%	89.2%
BANKS AND TREASURY				
Monetary gold stock	22,612	22,715	22,717	22,729
Treasury & bank currency	3,142	3,306	3,310	3,311
LIABILITIES				
Money in circulation	9,433	12,141	12,176	12,208
Treasury cash and dep.	3,282	2,298	2,305	2,349

SWISS NATIONAL BANK Million Swiss Frs.

	May 31, 1940	May 15, 1942	May 23, 1942	May 30, 1942
ASSETS				
Gold	2168.3	3446.3	3441.9	3441.8
Foreign exchange	360.6	213.0	131.3	135.4
Discounts, etc.	174.3	19.5	19.3	19.9
Advances	143.8	66.3	66.3	66.3
LIABILITIES				
Notes in circulation	2245.6	2185.7	2187.6	2237.0
Other sight liabilities	565.1	256.5	253.8	250.3

AMERICAN WHOLESALE PRICES

	June 16, 1942	June 23, 1942
GRAINS (per bushel)		
Wheat, Chicago, July	120 1/2	118 1/2
Winnipeg, July	80 1/2	80 1/2
Maize, Chicago, July	80 1/2	80 1/2
Oats, Chicago, July	49 1/2	48 1/2
Rye, Chicago, July	65 1/2	65 1/2
Barley, Winnipeg, July	64 1/2	64 1/2
METALS (per lb.)		
Copper, Connecticut	12.00	12.00
Tin, N.Y., Straits, spot	52.00	52.00
Lead, N.Y., spot	6.50	6.50
Spelter, East St. Louis, spot	8.25	8.25
MISCELLANEOUS (per lb.)		
Cocoa, N.Y., Acacia, May	9 1/2	9 1/2
Coffee, N.Y., cash	13 1/2	13 1/2
Rio, No. 7	19.55	19.55
Cotton, N.Y., Am. mid., spot	18.02	18.34
Am. mid., July	14.00	15.00
Cotton Oil, N.Y., July	12.75	12.77
Latex, Chicago, July	117	117
Petroleum, Mid-cont. crude, per barrel	117	117
Rubber, N.Y., unkd. sheet spot	3.74	3.74
Sugar, N.Y., Cuban Cent. 96 deg. spot	3.74	3.74
Sugar, N.Y., 96 deg. No. 4, f.o.b. Cuba, Mar.	228.4	228.4
Moody's Index of staple commodities, Dec. 31, 1931-100	228.4	228.4

† Trading suspended.

† Normal.

BRITISH WHOLESALE PRICES

	June 16, 1942	June 23, 1942
CEREALS AND MEAT		
GRAIN, etc.		
Wheat	34.9	34.8
No. 1 N.M.T. 496 lb. f.o.b. St. J.	15.11	15.11
Eng. Gaz. av. per cwt. (e)	33.5	33.5
Flour per 280 lb.	55.11	50.1
Straights d/d London	14.10	14.11
Barley Eng. Gaz. av. per cwt. (e)	13.6	13.6
Oats (e)	13.6	13.6
Maize, La Plata, 480 lb., f.o.b.	13.6	13.6
MEAT—Beef, per 8 lb.	4.11	4.11
English long sides	6.5	6.5
Imported hinds	6.5	6.5
Mutton, per 8 lb.—English	4.7	4.7
Imported	4.7	4.7
Pork, English per 8 lb.	8.6	8.6
Imported	8.6	8.6
Bacon (per cwt.)—Wiltshire, cut side	126.0	126.0
HAMS (per cwt.)—Green	132.0	132.0
OTHER FOODS		
BUTTER (per cwt.)—All Grades	142.0	142.0
First hand	99.2	99.2
CHEESE (per cwt.)	99.2	99.2
Home Produced	99.2	99.2
Imported	99.2	99.2
EGGS (per cwt.)	45.0	45.0
Accra, g.f.	81.0	81.0
Grenada fine	81.0	81.0
COFFEE (per cwt.)	190.0	190.0
Santos, sup. c. & f.	200.0	200.0
Costa Rica, medium to good	40.0	40.0
EGGS (per 120)—English	15.0	15.0
LARD (per cwt.)—Imported	64.0	64.0
POTATOES (per cwt.)	7.3	7.3
English	7.9	7.9
SUGAR (per cwt.)	49.10	49.10
Centrifugal, 96, prpt. shipm.	21.7	21.7
c.f.f. U.K./Cont.	47.6	47.6
REFINED LONDON	50.10	50.10
Granulated, 2 cwt. bags	0.10	0.10
Granulated, 2 cwt. bags, domestic consumption	2.10	2.10
West India Crystallised	1.0	1.0
TOBACCO (per lb.)	3.0	3.0
Indian, stemmed and unstemmed	2.10	2.10
Rhodesian, stemmed and unstemmed	1.0	1.0
STAPLES		
COTTON (per lb.)	8.90	8.90
Raw, Mid-American	11.55	11.55
Gins. F.G.F.	18.74	18.74
Yarns, 36's Ring Beams	18.52	18.52
42's Cop. West	26.50	26.50
60's Twist (Egyptian)	35.0	35.0
Cloth, per 100 yards	47.4	47.4
31 lb. Printer, 64 x 64	35.0	35.0
36's & 42's	47.4	47.4
Cambric Shirting, 32 lb. in.	47.4	47.4
72 x 80, 24's & 24's	47.4	47.4

	June 16, 1942	June 23, 1942
TEXTILES continued		
COTTON—continued		
Cloth, Overall Cloth, 38 in.	51.8	51.8
52 x 50, 22's & 16's	74.1	74.1
Drill, 30 in., 80 x 46, 12's & 10's	4.11	4.11
FLAX (per ton)	10.2/6	10.2/6
Livonian ZK	10.2/6	10.2/6
Pernau HD	10.2/6	10.2/6
HEMP (per ton)—Manilla, spot	32.15/0	32.15/0
JUTE (per ton)—Dundee	32.15/0	32.15/0
Dates 2/3 c.f.f. Dundee	32.15/0	32.15/0
Common 8 lb. cops (per spindle)	0.6/2	0.6/2
10/40 Hessians, per yd.	0.5/10	0.5/10
8/40 Hessians, per yd.	0.5/10	0.5/10
10/40 Calcutta Hessians, Apr.	39.6	39.6
100 yds.	31.0	31.0
Wool (per lb.)	34.0	34.0
Lincoln wethers, washed	21.2	21.2
Selected blackfaced, greasy	16.5	16.5
Australian scd. fleece 70's	39.2	39.2
Cape scd. average snow white	24.2	24.2
N.Z. scd. 2nd pieces, 50-56's	45.4	45.4
64's warp	39.3	39.3
56's super carded	31.3	31.3
48's average carded	29.2	29.2
44's prepared	29.2	29.2
MINERALS		
COAL (per ton)	31.7	31.7
Welsh, best Admiralty	32.4	32.4
Durham, best gas, f.o.b. Tyne	27.10	27.10
IRON AND STEEL (per ton)	128.0	128.0
Pig, Cleveland No. 3, d.d.	312.6	312.6
Bars, Middlebrough	290.6	290.6
Steel, rails, heavy	29.9	29.9
Timber (home, f.c. 14 x 20)	29.9	29.9
NON-FERROUS METALS (per ton)	62.0/0	62.0/0
Copper (e)—Electrolytic	275.0/0	275.0/0
Tin—Standard cash	25.0/0	25.0/0
Lead (d)—Soft, foreign, cash	25.15/0	25.15/0
Spelter (d)—G.O.B., spot	110.0/0	110.0/0
Aluminium, ingots and bars	190.0/0	190.0/0
Nickel, home delivery	195.0/0	195.0/0
Antimony, English, 99%	120.0/0	120.0/0
Wollfrum, Empire	21.0/0	21.0/0
Platinum, refined	9.0/0	9.0/0
Quicksilver	48.0/0	48.0/0
GOLD (per fine ounce)	168.0	168.0
SILVER (per ounce)	1.11	1.11

	June 16, 1942	June 23, 1942
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area	49.6	49.6
in paper bags or jute sacks 20 to 25 (a)	49.6	49.6
6-ton loads and upwards per ton	49.6	49.6
CHENICALS		
Acid, Oxalic, net	60.0/0	60.0/0
Tartaric, English, less 5% lb.	10.2/6	10.2/6
Ammonia, Sulphate	10.2/6	10.2/6
Nitrate of Soda	10.2/6	10.2/6
Potash, Sulphate	10.2/6	10.2/6
Soda Bicarb.	8.7/6	8.7/6
Soda Crystals	8.7/6	8.7/6
COPRA (per ton)—S.D. Straits	10.2/6	10.2/6
c.f.f.	10.2/6	10.2/6
HIDES (per lb.)	0.71	0.71
Wet salted Australian, 40/50 lb.	0.71	0.71
Queensland	0.71	0.71
Cape, 1/2 lb. Ord.	0.71	0.71
Dry Cattle, 18/20 lb.	0.71	0.71
English & Welsh Market Hides	0.71	0.71
Best heavy ox and heifer	0.71	0.71
LEATHER (per lb.)	1.9	1.9
Sole Bends, 8/14 lb.	1.9	1.9
Shoulders	1.9	1.9
Insole Belies	1.9	1.9
Dressing Hides	1.9	1.9
PETROLEUM PRODUCTS (per gal.)	1.10	1.10
Motor Spirit, England & Wales	1.10	1.10
(b) Kerosene, Bursling Oil	1.10	1.10
Vaporising Oil	1.10	1.10
(b) Automotive gas oil, in bulk, ex road tank waggon	1.71	1.71
Fuel oil, in bulk, England and Wales	0.10	0.10
Furnace	0.11	0.11
Diethyls	29.6	29.6
ROBIN (per ton)—American	33.0	33.0
RUBBER (per lb.)	1.18	1.18
St. ribbed smoked sheet	200.0/0	200.0/0
SHELLS (per ton)—TN Orange	25.0/0	25.0/0
TALLOW (per ton)—London Town	25.0/0	25.0/0
VEGETABLE OILS (per ton net)	46.10/0	46.10/0
Linseed, raw	48.5/0	48.5/0
Rape, crude	31.2/8	31.2/8
Cottonseed, crude	28.2/8	28.2/8
Coconut, crude	20.15/0	20.15/0
Palm	11.15/0	11.15/0
Oil Cakes, Linseed, Indian, ex-mill	19.2/6	19.2/6
Oil Seeds, Linseed	19.2/6	19.2/6
La Plata (new)	19.2/6	19.2/6
Calcutta	19.2/6	19.2/6

a & b. Per ton net paper bags, jute sacks, charged 1s. 6d. credited 1s. 6d. on return. (b) Higher Pool prices in some zones. (c) Price is at buyer's premises including import duty and delivery charges. (d) Average for weeks ended June 6 and June 13. (e) Price at which Ministry of Supply supplies consumers delivered weight.

COMPANY RESULTS (June 10 to June 24, 1942)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Dis- tribution	Appropriation					Preceding Year			
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.	
Breweries, &c.														
Beck's & Sons	May 31	347,090	10,553	96,635	149,934	10,000	70,200	18	7,167	+ 9,288	309,109	95,648	18	
Coal, Iron and Steel														
British Iron and Steel Co.	Dec. 31	60,315	30,000	11,531	28,424	49,010	215,389	10	100,000	+ 11,531	100,588	81,192	5	
John (John) & Co.	Mar. 31	537,508	64,823	374,803	585,831	21,250	90,000	10	10,000	+ 10,404	592,264	426,899	124	
Wolverley Co.	Mar. 31	265,393	14,020	29,740	32,090	15,274	6	15,000	—	+ 2,848	276,401	115,082	10	
Wolverley Limited	Mar. 31	421,445	179,939	217,581	320,448	45,275	103,586	4	50,000	+ 534	96,886	32,812	5	
Wolverley Collieries	Mar. 31	220,409	143,262	236,524	84,375	50,000	—	50,000	—	+ 8,887	222,660	72,660	NH	
North British Locomotive	Dec. 31	18,495	—	Dr. 5,040	14,142	4,688	—	—	—	+ 9,728	41,061	20,528	5	
Wolverley Colliery Co.	Dec. 31	434,012	216,222	283,348	23,500	163,750	12	46,825	—	+ 7,853	453,343	219,359	12	
Wolverley and Hornsby	Mar. 31	61,577	15,000	46,577	111,535	34,622	4	—	+ 11,955	—	76,639	61,639	5	
Financial, Land, &c.														
Armstrong Whitworth Securities	Dec. 31	7,390	—	2,725	24,189	—	—	—	—	+ 2,725	6,171	1,937	NH	
British and Chinese Corporation	Dec. 31	20,308	10,006	Dr. 8,043	380	—	—	—	—	+ 8,043	18,356	Dr. 34,708	4	
Telegraph and Wireless (Holding)	Dec. 31	1,367,185	—	1,215,706	1,452,392	275,325	4	—	—	+ 18,219	1,366,979	1,207,950	NH	
City of London Real Property	April 12	196,222	—	17,338	263,408	37,438	—	—	—	+ 20,100	259,564	47,823	NH	
Central Land, Timber, &c.	Dec. 31	643,175	—	343,683	478,158	111,951	166,898	9	50,000	+ 14,834	613,177	497,339	9	
Hill (Phillip) Investment Trust	Mar. 31	211,774	—	100,323	170,983	31,250	53,125	10	—	+ 15,948	190,955	105,793	10	
Metropolitan Assoc., &c., Dwellings	Mar. 31	37,224	—	5,668	11,526	4,805	5	1,500	—	+ 637	40,774	6,709	5	
South-Eastern Gas Corporation	Mar. 31	263,670	—	187,412	258,491	87,755	101,148	4	—	+ 1,491	261,684	186,751	4	
Hotels, Restaurants, &c.														
Cott's Restaurant Limited	Dec. 31	29,485	—	Dr. 3,528	27,289	4,000	1,922	12-3	—	+ 9,450	12,849	2,277	NH	
Motor, Aviation, &c.														
Johnson Motors	Dec. 31	121,939	—	120,025	176,836	8,032	62,175	12	50,000	+ 182	124,798	121,498	5	
Johnson Motors	Mar. 31	77,586	20,000	55,351	74,645	45,000	15	10,000	—	+ 351	83,074	59,780	15	
Johnson Motors	July 31	621,131	—	338,072	658,519	100,401	236,533	32	(v)	+ 1,138	818,196	500,392	32	
Johnson Motors	July 31	198,377	69,520	67,855	222,949	57,769	7,128	10	—	+ 2,958	349,596	63,960	NH	
Johnson Motors	Dec. 31	72,819	11,735	10,286	27,048	3,750	3,250	8	—	+ 3,286	53,391	7,400	6	
Rubber														
Levitt Rubber (Ceylon)	Dec. 31	30,795	1,174	8,266	9,794	8,427	4	—	—	+ 161	25,804	8,297	4	
Levitt Rubber (Ceylon)	Dec. 31	21,141	388	11,746	14,966	12,000	6	—	—	+ 254	16,987	10,020	5	
Shipping														
Anchor Line Limited	Sept. 30	38,333	—	36,719	75,046	13,750	12,500	5	—	+ 10,469	96,799	58,862	NH	
Anchor Line Limited	Dec. 31	397,400	293,000	85,120	175,092	40,419	45,000	15	—	+ 299	504,963	109,053	20	
Anchor Line Limited	Dec. 31	102,306	40,000	61,148	190,996	39,375	15	—	—	+ 21,773	183,690	142,320	15	
Anchor Line Limited	Dec. 31	128,181	32,400	48,491	109,676	3,569	18,000	15	25,000	+ 1,922	118,424	51,630	15	
Shops and Stores														
Indiater (Alex) & Co.	Feb. 28	8,287	10,000	Dr. 3,050	11,444	1,246	554	8	—	+ 4,850	5,321	5,321	5	
Indiater (Alex) & Co.	Feb. 28	55,498	—	14,075	35,785	4,125	12,500	2	—	+ 2,550	49,026	15,905	2	
Tees														
Tea India and Ceylon	Dec. 31	9,228	1,236	2,020	2,758	2,011	4	—	—	+ 9	5,441	946	3	
Tea India and Ceylon	Dec. 31	40,464	—	17,471	22,395	6,000	7,500	6	3,000	+ 971	26,863	13,375	6	
Telegraphs and Telephones														
Anglo-Portuguese Telephone	Dec. 31	465,285	—	83,352	120,409	—	51,975	8	30,000	+ 1,377	418,450	76,376	8	
Anglo-Portuguese Telephone	Dec. 31	5,775,565	—	2,928,349	4,541,956	1,200,000	—	—	—	+ 17,249	4,671,227	2,375,771	4	
Anglo-Portuguese Telephone	Dec. 31	772,022	122,966	232,452	246,200	17,500	141,409	7	—	+ 75,643	663,737	168,484	7	
Textiles														
Textile (Sir Elkanah) & Sons	Mar. 28	13,377	—	10,253	34,102	7,812	6	—	—	+ 2,441	14,745	14,745	7	
Textile Association	Mar. 28	353,165	140,000	73,305	149,268	68,406	8,125	16	—	+ 4,899	338,408	Dr. 6,322	NH	
Textile (Thomas) & Sons	Mar. 28	37,592	4,300	16,014	33,381	2,750	8,125	16	—	+ 5,139	32,789	16,692	16	
Textile (Thomas) & Sons	Mar. 31	103,608	—	42,930	91,556	11,000	13,750	12	—	+ 17,280	106,179	40,499	12	
Textile (Thomas) & Sons	Mar. 31	252,944	30,000	117,785	148,933	102,000	15,000	25	—	+ 785	338,610	115,276	25	
Tramway and Omnibus														
Tramway and Omnibus	Mar. 31	950,193	200,000	139,150	208,127	13,000	120,000	10	—	+ 6,150	791,842	155,085	10	
Tramway and Omnibus	Mar. 31	729,242	104,247	88,778	101,182	75,000	10	—	—	+ 16,222	521,329	83,903	10	
Trusts														
Trust Investment	April 15	48,495	—	12,218	30,970	10,312	4	5,000	—	+ 3,094	48,031	15,085	4	
Trust Investment	April 30	21,935	—	4,220	12,173	3,000	1,500	5	—	+ 280	24,140	4,926	5	
Trust Investment	May 1	405,874	—	171,936	383,172	87,000	83,768	11	—	+ 1,168	405,365	188,112	12	
Trust Investment	Mar. 31	32,172	—	22,763	28,560	15,447	5,143	2	—	+ 2,163	37,162	26,953	3	
Trust Investment	April 30	56,238	—	43,053	75,341	30,000	12,000	3	900	+ 153	57,080	43,716	3	
Trust Investment	April 30	42,260	—	15,346	21,554	—	15,302	7	—	+ 44	42,742	18,235	7	
Other Companies														
Albion Box Co.	Mar. 31	53,032	—	17,214	34,696	3,750	12,500	25	—	+ 964	109,014	29,396	25	
Albion Box Co.	Mar. 31	43,262	10,000	24,645	54,053	13,125	13,125	12	—	+ 1,605	56,216	24,830	7	
Albion Box Co.	Dec. 31	45,670	—	20,166	46,053	8,750	12,000	10	10,000	+ 1,416	43,705	19,311	NH	
Albion Box Co.	Dec. 31	6,960	1,600	4,228	7,308	2,500	1,728	2	—	+ 8,006	8,006	2,632	10	
Albion Box Co.	Mar. 31	104,707	426	16,596	655,350	404,498	175,000	25	4,000	+ 4,150	78,974	11,464	24	
Albion Box Co.	Dec. 31	756,175	28,430	48,924	74,634	30,000	15	20,000	—	+ 1,076	149,512	49,400	15	
Albion Box Co.	Dec. 31	145,999	5,635	23,685	49,646	12,500	6,000	7 & 5	5,000	+ 185	37,373	24,682	7	
Albion Box Co.	April 18	35,058	—	31,402	52,110	12,500	12,630	5	—	+ 6,272	120,632	39,063	15	
Albion Box Co.	Dec. 31	122,585	—	270,398	353,502	3,720	183,306	15	75,000	+ 2,843	447,009	245,648	15	
Albion Box Co.	Dec. 31	43,071	673	28,498	89,692	26,250	14	—	—	+ 2,694	30,732	29,132	14	
Albion Box Co.	Mar. 31	30,097	—	110,384	52,800	21,300	10	—	—	+ 10,536	150,025	73,976	6	
Albion Box Co.	Mar. 31	141,181	—	43,551	82,827	11,715	12,000	6	—	+ 339	29,526	11,903	3	
Albion Box Co.	Mar. 31	60,281	—	14,339	16,646	13,125	24,672	15	2,000	+ 1,808	96,768	40,828	15	
Albion Box Co.	Dec. 31	34,815	—	40,989	69,793	5,501	15	6,000	—	+ 1,404	28,899	7,511	10	
Albion Box Co.	Mar. 31	94,243	21,036	10,027	78,631	27,500	45,000	6	—	+ 1,627	55,699	50,845	3	
Albion Box Co.	Mar. 31	28,869	1,487	33,029	222,260	3,712	23,822	25	—	+ 5,495	142,961	40,344	25	
Albion Box Co.	Mar. 31	166,114	—	10,001	44,033	2,250	5,000	10	—	+ 2,751	30,815	1,230	7	
Albion Box Co.	Dec. 31	30,326	—	27,476	38,014	3,218	15,000	15	9,066	+ 202	71,322	26,467	10	
Albion Box Co.	Mar. 29	69,058	—	32,315	44,992	21,875	17	10,600	—	+ 865	97,794	35,987	10	
Albion Box Co.	Mar. 31	31,392	10,474	31,392	36,680	17,057	25,000	20	15,000	+ 7,752	212,630	38,414	17	
Albion Box Co.	Dec. 31	247,856	—	58,752	97,825	11,000	25,000	7	—	+ 7,248	98,038	96,988	7	
Albion Box Co.	Mar. 31	89,603	—	88,563	191,535	30,000	51,305	7	—	+ 3,851	15,138	Dr. 2,668	NH	
Albion Box Co.	Mar. 31	12,916	—	Dr. 2,668	25,000	3,500	7	4,000	—	+ 220	62,311	7,275	7	
Albion Box Co.	Dec. 31	58,102	9,613	7,720	15,969	1,750	10,000	20	2,000	+ 191	44,027	14,000	20	
Albion Box Co.	Dec. 31	47,368	—	12,224	20,532	6,250	12	5,000	—	+ 974	35,322	8,472	12	
Albion Box Co.	Dec. 31	37,267	80,016	210,878	292,513	70,500	84,600	10	80,000	+ 5,778	606,229	174,765	7	
Albion Box Co.	Dec. 31	805,169	11,000	16,424	31,085	6,048	7	10,000	—	+ 376	260,298	7,420	NH	
Albion Box Co.	Dec. 31	263,177	3,200	425	9,767	2,143	7,500	142	—	+ 1,860	43,844	58,689	12	
Albion Box Co.	Dec. 31	22,076	—	11,878	20,836	7,500	15	20,000	—	+ 351	65,947	65,947	NH	
Albion Box Co.	Nov. 30	87,149	—	87,149	143,973	—	67,500	6	—	+ 938	22,801	18,701	6	
Albion Box Co.	April 30	36,226	—	9,520	49,246	10,458	6	150,000						



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THE ECONOMIST

Commercial History & Review of 1941

The Seventy-ninth of the Series which began in 1863

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United Kingdom

Industry and Trade

Up to the end of 1940 there was little control over industry, except indirectly, through the rationing of raw material supplies, the prohibition of the production of certain consumers' goods and the curtailment of others; moreover, there were no restrictions on the freedom of movement of labour. But the position had then been reached when direct Government intervention became an essential condition of a further and rapid expansion in the production of the goods of war.

On March 4th, Mr Oliver Lyttelton, then President of the Board of Trade, announced that the output of some of the factory trades supplying the civilian home market was to be concentrated into the smallest number of plants. The object of the concentration scheme was not to bring about any further contraction in output, but to release for war work additional manpower, factory space and machinery. Its scope was limited in that it was originally intended to be applied only to industries manufacturing certain consumers' goods with a combined labour force numbering about 1,000,000 insured persons aged 16 to 64 in July, 1939. Even within the industries covered, firms employing less than 20 persons were excluded from the scheme. Within its limited scope the process of concentration was substantially completed by the end of the year.

Apart from securing the concentration of the production of certain consumers' goods, the Government took control over the movement of industry. The Location of Industry (Restriction) Order, 1941, which came into force on July 25th, provides that no person may, without a licence issued by the Board of Trade, (a) "carry on at any factory or warehouse having an area of 3,000 or more feet super any trade or business not carried on there previously," or, (b), "carry on at other premises having an area of 3,000 or more feet super, whatever their previous use, a business of production or storage."

Moreover, in order to prevent the dislocation of essential

industries, the Government restricted the movement of labour by the application of the Essential Work Order.

The output of war equipment showed a substantial expansion; the absence of any major dislocations was due, in no small measure, to the reduction in shipping losses and the lull in air raids during the second half of the year.

But although 1941 was a year of solid progress, the process of mobilising industry for war is still incomplete.

Agriculture

The year opened with an unusually severe frost and spring came late; hill sheep suffered from a shortage of keep, both home-grown and purchased, and the lamb crop was correspondingly small. The summer drought led to a poor and late growth of root crops in the south and east, and the heavy rains in August, while they ensured a good flush of grass in the autumn, delayed the corn harvest until in some districts it coincided with potato lifting. All through the year the weather seemed to aggravate what was already the most pressing problem of the British farmer—the shortage of labour to handle the greatly increased acreage under crops in the time available. The further call-up of agricultural workers was postponed from the spring till the late autumn; there was a large increase in the number of tractors and other machines employed; greater use was made of the Women's Land Army and the casual labour provided by urban workers and schoolboys. But the shortage of labour remained as the factor limiting a further increase in the production of crops.

The fixing, in July, 1940, of a national minimum wage for agricultural workers at 48s. per week did not have the expected effect of stabilising wages; representatives of farm workers continued to press for a minimum of £3 per week, which, after having been approached by a number of county wages boards, was adopted by the Central Wages Board in December. The experience gained in the spring in the rationing of concentrated feeding-stuffs for farm animals led to considerable modifications in the scheme adopted for 1941-2; issues of concentrates to dairy cows

were linked to sales of milk and issues to other farm animals were confined mainly to specialist holdings. The decline in the number of pigs and poultry on commercial holdings is known to have continued, though the shortage of eggs gave an inducement to an expansion in the number of backyard poultry. Nor did these modifications altogether prevent a fall in milk yields during the year, which was only partially offset by an increase in the number of dairy cows. Coupled with the large and continuing increase in milk consumption, this led to a shortage of liquid milk during the winter and consumer rationing was introduced in November.

The Ministry of Food continued to buy at fixed prices most of the major farm products; in June the sale of eggs from flocks with more than 50 birds was restricted to agents of the Ministry, and a national marketing organisation was also set up to dispose of the 1941 crop of onions and carrots. The prices paid by the Ministry for its purchases were such that the majority of farmers undoubtedly improved their financial position during 1941, and this was especially so in areas where cereals, potatoes and beet are important; the index of crop prices compiled by the Ministry of Agriculture rose from 86 (1927-29 = 100) in 1938 to a provisional figure of 168 in December, 1941. On the other hand, low prices for store sheep continued, and only a few hill farmers benefited from the rising prices of dairy stock. The subsidy paid on hill ewes was raised from 2s. 6d. per ewe in 1940-41 to 7s. 6d. for 1941-42, as a means of repaying to hill farmers some of their increased outlay on wages. There was also an extension of Government grants for drainage, bracken cutting and the renovation of pastures.

Manpower Policy

THE year 1941 witnessed a gradually increasing demand on the nation's manpower, and in consequence gradually sterner measures of mobilisation. The year opened with the abandonment of appeals and exhortation, proceeded with the principle of direction, and closed with the adoption of conscription of women. In January, Mr Bevin announced that the Government was to comb out non-essential trades, compile an industrial register of available manpower and prohibit, under Essential Work Orders, employers in certain vital industries from dismissing their workers or workers from leaving their employment except with the permission of the Ministry of Labour. In the same month, compulsory fire-watching duties were imposed on male persons in certain areas and in certain premises; this form of compulsion was extended by the National Service (No. 1) Act of 1941, passed in April, which allowed men called up to be posted to civil defence. Also in January a Royal Proclamation rendered men aged 18-19 and 37-40 liable to register for military service; these were the last age groups covered by the National Service (Armed Forces) Act of 1939. Moreover, it was announced that men would no longer be reserved under the Schedule of Reserved Occupations unless they were actually engaged on work of greater national importance than service in the armed forces or industry.

It was not, however, until March that the implications of the new policy—with its sanction of compulsion in the background—were fully revealed. First of all, a scheme for the concentration of a large number of civilian industries was announced, which it was hoped would release 500,000 to 750,000 workers in the next six months. On March 17th a new Registration for Employment Order laid upon all citizens the obligation to register for work of national importance; by the end of the year men up to 46 years and women up to 31 had registered. Nevertheless, the procedure was at first far too slow. Up to the end of June some 1,233,000 women had registered, but only 196,000 had been interviewed by officials of the Ministry of Labour to find out whether they were available for transfer to war work; again, of these 196,000 only 25 per cent were found to be so available. The Ministry of Labour had placed too generous an interpretation on essential work. Moreover, the concentration of industry had only released some 149,000 workers directly, though many more had left the industries affected before concentration actually took place.

As the demands on manpower grew, however, the procedure was tightened up. In September the Ministry of Labour announced that there would be a more selective process of interviewing, though women covered by the Schedule of Reserved Occupations, in addition to those already in national or vital service or responsible for house-

holds, were still exempt. At the end of October it was announced that the Undertakings (Restriction on Engagement) Order was to be applied to all women aged 20-30, which meant that such women could only be employed, or obtain employment, through the employment exchanges; the Order came into effect in February, 1942.

All these measures for mobilising womanpower were taken under defence regulation 58A, made in May, 1940, which gave the Minister of Labour power to direct any citizen to perform any service which he thought that person capable of performing. The emphasis was thus on direction. The women were directed to war work, but it was held that there was no power to conscript women for the armed forces. Instead, women called up were told that if they did not join the armed forces they would be sent to work in a munition factory. In the meantime, however, the demands of the ATS were growing rapidly and were far outstripping the intake of volunteers or those to whom this indirect compulsion had been applied. In December, therefore, the National Service (No. 2) Act of 1941, in addition to placing a general obligation to serve on all citizens, made all single women liable to conscription—either for the forces, for civil defence or for certain munition work—and will first be applied to women aged 20-30. Married women and mothers are exempt from conscription, but can still be directed into war work under Regulation 58A unless their family responsibilities make it a genuine hardship. Other provisions of this Act raised the age-limit for conscripting men for the armed forces from 41 to 51 and enabled men to be compelled to do part-time military duties, that is, to join the Home Guard. Finally, the Schedule of Reserved Occupations was virtually abolished by the substitution of individual for block reservation.

Labour Conditions

THE main trends remained the same in 1941 as in 1940; they were speeded up. Unemployment, in effect, disappeared; below 200,000 in November and December, it represented less than a safe margin of workers changing jobs; and a large part of even the core of "unemployables" was absorbed. The picture is one of acute labour shortage.

	Registered Unemployed		Trade Disputes*	
	1940	1941	1940	1941
January	000's 1,819	000's 696	000's 108	24
February	1,804	581	168	23
March	1,121	458	185	187
April	973	411	82	74
May	881	369	91	89
June	787	302	14	25
July	827	279	15	44
August	799	270	52	98
September	830	216	87	72
October	838	199	48	37
November	791	188	50	
December	705			90
Average	963	350	78	

* Number of working days lost.

Other labour statistics give the same picture of a "seller's market" for labour. In spite of a Government White Paper in the summer, counselling restraint in wage claims, the index of wages continued its steady rise, though the attempt to stabilise the cost of living was largely successful. Earnings

	Wages (a)		Cost of Living (b)	
	1940	1941	1940	1941
January	1104	123	174	196
February	1111	125	177	197
March	1144	125	179	198
April	1151	126	180	200
May	1151	127	181	200
June	119	128	187	199
July	119	128	185	199
August	119	128	187	199
September	120	128	189	200
October	120	129	192	201
November	121	132	195	
December				199
Average	117	127	184	

(a) Index (1924=100) compiled by Prof. Bowley, eliminating seasonal fluctuation.
(b) Ministry of Labour Index for 1st of month (July 1, 1914=100).

rose by considerably more than wage rates. Hours lost by strikes and lock-outs were again astonishingly few, most of the disputes being small, local, short-lived and often unauthorised. Manpower was the scarcest sinew of war; and, in general, the demands of labour were generously met by employers who, under war conditions, have small incentive to count the cost.

The worst feature of labour conditions, not shown in statistics, is welfare arrangements to meet the influx and transfer of workers into war industries. The limits upon the workers' standard of living are physical rather than monetary; they are set by rationing and shortages, rather than by earnings, and by the presence or absence of decent arrangements for housing, travelling and works feeding.

Export Policy

IN 1940 exports were organised and pushed to provide currencies to pay for essential imports, at first indiscriminately to all countries (including, oddly, Empire countries) and then "selectivity" to earn dollars and "hard" currencies. In 1941 the whole status of exports was changed, and the export drive was disrupted and largely abandoned, wisely and necessarily, but to the discomfiture of export industries and exporters, who had made ready to push their wares abroad.

In the first quarter of the year the "selective" export programme ruled. Then, in March, the introduction of Lend-Lease removed its prime justification—it was no longer necessary to pay for United States supplies in cash. Dollars were still needed to pay for old orders and new contracts outside of Lend-Lease arrangements, and hard currencies were still needed to pay for essential supplies from Latin America. But, from being a major war industry, exports became of minor importance. In July, a White Paper recorded a British promise not to compete with American exporters in neutral markets in goods in short supply because of Lend-Lease; the corollary of this, that the United States and Britain should together finance essential imports from Latin America, though expected, has not been made public.

By the end of 1941, therefore, the status of exports had changed radically. Formerly, export industries had enjoyed a priority next to, or even equal to, munitions. Now, no

labour, materials or plant needed for direct war work should normally be available for the export industries, whose resources became free for war production. The test, rightly and properly in total war, was now physical and not financial. The only exceptions were the interim need, pending an international financial agreement, to pay for essential imports outside of Lend-Lease; and the lasting need to furnish British overseas countries and friendly nations with essential civilian supplies. By the end of the year a ban on the export of everything but these countries' bare necessities was widely asked for on sound grounds of war economy.

Commodity Prices

THE rate of increase in the wholesale prices of basic commodities slowed down considerably in 1941. *The Economist's* index of prices advanced by 7.5 per cent between December, 1940, and December, 1941, and the more comprehensive Board of Trade index rose by 4.9 per cent during this period. Between August, 1939, and December, 1941, the two indices recorded rises of 54 per cent and 59 per cent respectively.

The comparatively small price increase in the past year suggests that control has been fairly effective. Since the interplay of supply and demand had been replaced by the control of imports and production and by the method of allocation and rationing, a measure of price stability was to be expected. Such increases as have taken place can be ascribed largely to higher costs of production or imports. Changes in the prices of the commodities included in *The Economist* index, as well as details of the index, are shown on page 30.

So far as retail prices are concerned, the Ministry of Labour's index of the cost of living for January 1, 1942, was only 2 per cent higher than a year earlier. Between September 1, 1939, and January 1, 1942, the index registered an advance of 29 per cent.

During the past year the Ministry of Labour's index of clothing prices rose by 21 per cent; fuel and light were 3 per cent, and miscellaneous items 5 per cent dearer. The index of food prices was actually lower at the beginning of 1942 than a year earlier.

The stabilisation of the Ministry of Labour's index of the cost of living has involved an increase in the subsidies.

Finance and Investment

The Stock Exchanges

IF 1940, the first full year of the war, mainly reflected the course of external military and political events, the past year, 1941, portrayed the logical consequences of wartime financial methods on the stock markets. It is certain that considerable encouragement was derived from the relatively favourable

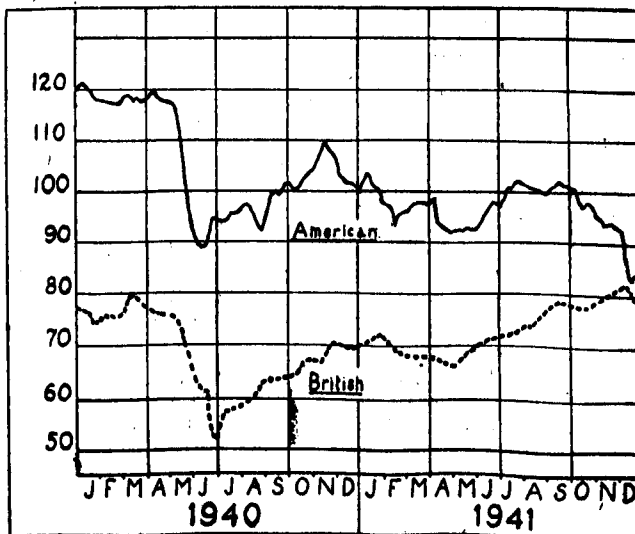
Security	Year 1941					
	Jan. 7	April 15	June 20	Aug. 14	Dec. 5	Dec. 31
2½% Consols	77½	77½	80½	81½	82½	82½
3½% War Loan	103½	104	104½	105½	104½	105
L.M.S. 4½ 1923 Pref.	38½	36½	40½	44½	52½	52
G.W.R. Ord. Stock	34	32	39½	37	43½	44½
Base, Ratcliff & Gretton	115½	106½	109½	122½	142½	142½
I.C.I.	30½	29½	31½	32½	33½	33½
Courtaulds	32½	29½	29½	31½	35½	33½
Vickers 10½	15½	15½	15½	16½	18½	16½
Rolls Royce	75½	73½	71½	80½	81½	90½
Cunard Ord.	2½	2½	3½	6½	15½	15½
Woolworth	53½	46½	48½	57½	62½	58½
Brit. American Tobacco	87½	85½	83½	87½	101½	86½
Dunlop Rubber Co.	32½	33½	33½	36½	39½	31½
Burmah Oil	53½	46½	49½	56½	67½	50½
Anglo-Iranian	37½	27½	28½	36½	49½	45½
"Shell" Transport	41½	40½	43½	49½	65½	51½
Sub Nigel	31½	29½	26½	26½	29½	20½
Mawchi Mines	45½	41½	43½	44½	45½	30½
Std. Suez Betong						

course of the war, in particular the ever-increasing difficulties of the German armies in Russia, with our consequent immunity from the constant threat of invasion and air-raids.

Apart from some short period influences, the trend of prices was determined by purely financial factors. To a rising national income and volume of saving were added the proceeds of periodic Treasury vestings. These operations, much criticised for their total disregard of redemption dates,

included American, Canadian, South African and Indian securities, as well as the repayment of the 5 per cent LCC loan 1940-60 in February. These influences were early felt in the gilt-edged market, and despite the competition of war weapons' weeks throughout the country, prices advanced steadily. Thus, in October, 3½ per cent War Loan touched 106½, the highest level since 1936. The success of the

BRITISH AND AMERICAN INDUSTRIAL SHARE PRICES DURING THE PAST TWO YEARS
British: *Financial News* Index of 30 Ordinary Shares (July 1, 1935=100)
American: *Standard Statistics* Index of 50 Common Stocks (1926=100)



Treasury tap issues of the 2½ per cent National War Bonds fully reflected the rise in the Funds. Although by waiting seven weeks between the closing of the tap on the 1946-48 issue and the new loan in early October the top of the market was mixed, it was possible to extend the redemption date to 1949-51 and still obtain a favourable market.

By early summer, however, the steadily declining yield on gilt-edged stocks compelled the investor to turn his attention to equities. Although the severity of EPT continued to form the theme of innumerable chairmen's speeches, it was felt that its worst effects had been seen, and those shares with favourable standards and good post-war prospects soon advanced. Thus, according to the *Actuaries Investment Index*, the yield margin between Old Consols and industrial shares at the close of 1940 was 3.21, at the end of April it was unchanged, but by the end of September it had narrowed to 2.23. Over the same period, turnover, which during the Balkan campaign had fallen to barely 1,500 bargains daily, showed marked improvement, and throughout August to mid-October the number of bargains daily exceeded 3,000.

The year, however, ended on a more sombre note. Prices, which despite the increasing tension had been well maintained, reacted sharply on the actual outbreak of hostilities in the Far East. But as long as the underlying confidence in ultimate victory exists, financial and technical, rather than military, considerations will determine the trend of prices.

New Capital Issues

BRITISH Government issues in 1941 reached a new record for recent years at a level of £1,497.5 millions against £1,070.8 millions. The increase of £426.7 millions is, however, considerably less than the previous year's increase of £1,034.0 millions. The following table indicates the trend of

Calendar Years	British				Empire	Foreign	Total Issue	Index 1928=100
	Government	Home Corporations*	Others	Total Home				
1928	83.9	14.9	164.8	263.6	63.2	42.3	369.1	100
1933	150.8	24.5	34.9	210.2	29.2	5.4	244.8	66
1934	44.1	36.1	57.5	137.7	29.9	1.5	169.1	46
1935	88.0	51.1	81.6	220.7	15.2	0.2	236.1	64
1936	60.2	79.5	90.6	230.3	24.7	9.7	254.7	69
1937	95.8	43.7	84.7	224.2	21.1	6.3	251.6	68
1938	75.9	24.9	52.2	153.0	24.3	2.8	180.1	49
1939	36.8	12.1	26.7	75.6	15.8	0.5	91.9	25
1940	1,070.8	Nil	1.4	1,072.2	0.2	Nil	1,072.4	293
1941	1,497.5	Nil	0.4	1,497.9	2.9	Nil	1,500.8	406

* Including County and Public Board Loans.

borrowing in the London market, excluding issues by Permission to Deal, over the past eight years and provides a comparison with 1928, the base year for purposes of the index, which now stands at 406. The second table analyses borrowing inclusive of issues by permission to deal and shows a rise in the amount raised last year from £1,088.7

TOTAL BORROWING, INCLUDING STOCK EXCHANGE "Permission to Deal" (Million £)

Calendar Years	British				Empire	Foreign	Total Issue
	Government	Home Corporations*	Others	Total Home			
1938	75.9	27.7	110.1	213.7	53.7	5.7	273.1
1939	36.8	12.1	66.2	115.1	25.5	2.2	142.8
1940	1,070.8	Nil	16.6	1,087.4	1.3	Nil	1,088.7
1941	1,497.5	Nil	8.0	1,505.5	4.2	0.1	1,509.8

* Including County and Public Board Loans.

millions to £1,509.8 millions. The total of extra-governmental borrowing, calculated on the wider basis, declined from £17.9 millions to £12.3 millions. Industrial borrowing at home was more than halved at £8.0 millions against £16.6 millions, but there was a moderate rise in Empire borrowing from £1.3 millions to £4.2 millions. Issues by home corpora-

tions were nil, while foreign issues totalled only £0.1 million. The third table analyses conversions over the past six years. There was no Government conversion in 1941, compared with the issue of £352.8 millions of 2 per cent Conversion in the previous year. Extra-governmental conversions, however, totalled £54.4 millions against nil. The foregoing tables suggest that the tendencies in the new capital market, which have been evident since the outbreak of war, of increased Government borrowing and virtual exclusion of industrial issues, were continued last year.

CONVERSION ISSUES (Million £)

	1936	1937	1938	1939	1940	1941
British Govt.	37.2	Nil	Nil	Nil	352.8	Nil
Other	109.7	58.5	23.6	26.0	Nil	54.4
Total	146.9	58.5	23.6	26.0	352.8	54.4

Exclusion of the unofficial borrower was more complete, and a high proportion of the non-governmental issues were, in fact, made by public utility companies. The rise in the total of Government borrowing was, however, less substantial than might have been expected in view of the vast increase in supply expenditure last year. The entire total was, of course, raised by reliance on issues through the tap. It is more than probable that the increased tempo of the war will demand an acceleration in Government borrowing in 1942.

Industrial Profits

Last year was a period of further mobilisation of industrial resources, and it might have been expected that this would be reflected in industrial profits. The gross figure, however, shows a rise of only just over 3.3 per cent to rather under £391½ millions for the 2,041 concerns which reported during the calendar year. The modest character of the rise is due to the effects of EPT at 100 per cent and the curtailment of non-essential production. Meanwhile, the net profit after debenture interest dropped from £198.6 millions to £175.6 millions, a fall of some 11.5 per cent. The movement of earnings over the past decade is shown in the first table below:—

Calendar Years	No. of Companies	Net Profits*		"Chain" Index 1928=100
		Current Year's Reports	Same Companies, Preceding Year	
1931	2,009	£ 180.1	£ 206.6	77.1
1932	1,998	143.3	175.0	83.4
1933	1,945	141.4	140.8	83.9
1934	1,975	168.8	144.8	85.7
1935	2,116	203.2	175.3	86.5
1936	2,186	239.1	212.2	113.8
1937	2,279	281.4	240.3	130.7
1938	2,349	302.7	284.4	139.8
1939	2,342	267.5	291.4	108.6
1940	2,260	208.1	215.3	94.3
1941	2,041	175.6	198.6	

* After Debenture Interest. * 1940 and 1941 figures are not strictly comparable with previous years.

QUARTERLY CHANGES IN PROFITS* 1931-41

Calendar Years	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	No. of Cos.	Profits Change on Prev. Year	No. of Cos.	Profits Change on Prev. Year	No. of Cos.	Profits Change on Prev. Year	No. of Cos.	Profits Change on Prev. Year
1931	596	10.6	619	19.4	320	35.5	474	53.9
1932	548	14.3	675	21.8	303	28.6	472	2.9
1933	562	8.9	612	3.3	307	5.5	464	30.3
1934	547	5.3	642	18.2	318	27.7	468	32.9
1935	592	14.6	694	17.8	345	12.2	485	16.9
1936	569	13.3	739	10.6	382	14.3	496	20.2
1937	628	11.9	765	19.9	337	19.2	549	4.4
1938	646	10.5	805	12.9	374	1.4	564	7.1
1939	656	9.0	793	8.2	345	7.9	548	3.7
1940	552	4.1	722	5.0	428	16.8	558	7.5
1941	439	9.0	497	12.5	498	17.5	607	

* After Debenture Interest. * 1940 and 1941 figures are not strictly comparable with previous years.

Unlike 1940, every quarter of 1941 contributed its quota to the decline in net profits, but the fall was heaviest in the third and lightest in the fourth quarter. The quarterly fluctuation appears, however, to owe more to the seasonal character of certain industries, which influences the date

DIVISION OF PROFITS (FOURTH QUARTER COMPANIES)

Reports Issued during Fourth Quarter	Proportion of Profits (after Deb. Interest)			Rate of Payment on each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or Carried Forward	Debenture	Preference	Earned for Ordinary	Paid on Ordinary
1931	43.1	76.9	Dr. 20.0	5.18	3.8	2.9	3.9
1932	32.4	75.4	Dr. 7.8	5.16	3.6	4.4	4.9
1933	23.4	64.3	12.3	5.04	3.2	6.2	5.2
1934	19.6	59.9	20.5	4.95	3.7	9.9	6.8
1935	19.0	55.2	25.8	4.84	4.5	11.6	7.9
1936	17.5	53.5	29.0	4.75	4.9	14.2	9.2
1937	15.7	51.6	32.7	4.59	5.4	18.7	10.6
1938	13.9	48.8	37.3	4.47	5.0	14.9	8.2
1939	16.0	46.1	37.9	4.47	4.8	12.1	9.8
1940	23.6	61.4	15.0	4.80	5.8	10.9	8.4
1941*	29.5	54.1	16.4	4.60	6.4		

* 1940 and 1941 figures are not strictly comparable with previous years.

at which they report, than to any change in general experience of industry as a whole.

With a fall in net profit, there is inevitably a rise in the proportion going to preference capital, and the following table for fourth quarter companies shows a considerable fall in the proportion received by ordinary shares. For fourth quarter concerns the fall in equity earnings continued, while the decline in payments broken last year was resumed.

The Money Market

JUDGED by the changes of interest rates which it witnessed, 1941 must rank as the least eventful year in the history of the London money market. During the year the open market discount rate remained fixed at 1½ per cent, and the short term money rate at 1 per cent. Yet, within this appearance of monotonous stability, it may truly be said that momentous changes have taken place in the functioning of the money market and in the machinery of credit control. The most important of these arose from the growth in Treasury deposit receipts, which, from the point of view both of the authorities and of the banks, have come to overshadow Treasury bills as a liquid asset and as a factor in the credit position. It should be noted that over the year the clearing banks' bill holding fell from £264,856,000 to the clearing banks' bill holding fell from £264,856,000 to almost uninterruptedly from £313,500,000 to £758,000,000. To complete the picture it should be pointed out that there was a fall of short loans by the clearing banks from £158,504,000 at the end of 1940 to £141,316,000 at the end of 1941. In other words, the dominant element in the banks'

AVERAGE MONEY RATES

Year	Bank Rate	Market Rate 3 Months' Bills	London Deposit Rate Banks	Short Loans
1929	5 10 0	5 5 4	3 10 0	4 12 3
1937	2 0 0	0 11 6½	0 10 0	0 15 1½
1938	2 0 0	0 12 7	0 10 0	0 15 7
1939	2 5 3	1 4 5½	0 13 7½	1 2 2
1940	2 0 0	1 0 10	0 10 0	1 2 3
1941	2 0 0	1 0 10	0 10 0	1 2 6

structure of liquid assets had by the end of the year come to be represented by a type of security created through direct contact between the banks and the Treasury and divorced entirely from the open money market.

The issue of Treasury bills increased from £2,151,000,000 to £2,547,000,000 during 1941, and towards the end of the year the outstanding amount of bills issued through the weekly tender was running £130,000,000 higher than at the end of 1940. But it is evident from the published figures of bank and discount company balance-sheets that an increasing proportion of Treasury bills—of tender as well as tap bills—has been making its way into non-market quarters. Public departments and overseas central banks and issuing

authorities have between them absorbed much more than last year's expansion of £396,000,000 in Treasury bills. In July, 1941, it became known that Treasury bills were being issued through the tap to Empire central banks. Long before that, the competition of these institutions at the weekly tenders for Treasury bills had become so keen as to keep the discount market on exceptionally short rations. It was to meet this situation that the weekly offerings of Treasury bills were increased from £65,000,000 to £75,000,000 during the year. Apart from these changes, made for the convenience of the discount market, all other fluctuations in the issue of Treasury bills disappeared. Their issue had become almost static, and it was the Treasury deposit which became the truly elastic element in the floating debt—and therefore in the liquidity structure of the banks.

The extent to which the banks have allowed their money, market assets to run down has increased the dependence of the discount market on the official buyer. The market has not had to borrow or discount at the Bank of England at the customary official rates for such assistance. But the market has repeatedly gone to the special buyer of bills when pressed for money and has almost invariably found him ready to buy selected and usually short maturities at the banks' buying rate of 1 per cent. The modern equivalent of being "in the Bank" involves, therefore, no penalties. The increasing resort to such open market operations taken in conjunction with the increasing direct contact between the banks and the central bank through Treasury deposit receipts has undoubtedly increased the artificiality of the discount market as such, and the market has increasingly turned its attention to dealing in and running Government bonds of short to medium currency. Owing to this long-standing change in the nature of the discount market's operations, the trend towards concentration among its member firms has made further progress during the year.

Foreign Exchanges

By January, 1941, the structure of foreign exchange control had crystallised. The registered account machinery, operated with the United States and Switzerland, remained undisturbed during the year with a middle rate of \$4.03 and of 17.35 Swiss francs to the £. Special accounts had by the end of 1940 covered the whole network of neutrals with whom Great Britain was transacting trade, with the exception of Russia, China, Japan and a number of Central American countries. After Germany's invasion of Russia, that country was brought within the fold of the trade and payments agreements. The financial agreement signed in July, 1941, provided for the financing of the whole of Soviet-sterling area trade through a centralised clearing account to be kept at the Bank of England in the name of the State Bank of the USSR. China was brought within the sphere of special account countries later in the year, and with Japan's entry into the war a quotation for the Chinese national dollar replaced the Shanghai dollar. The yen ceased to be quoted after the application of economic sanctions to Japan in July.

The agreements which led to the opening of Central American accounts with 12 Central American republics introduced a principle of some importance in the machinery of sterling exchange control. Until then the control, *vis-à-vis* non-sterling countries, had in general been operated on a strictly bilateral basis. The registered or special accounts through which the payments in question were being financed were made available only for mutual transactions between the sterling area and the country concerned. This tended to force the trade in question within the rigid limits of bilateral equilibrium. In the case of the 12 Central American countries, the trade and financial unit to which the scheme of payments was made to operate was extended to embrace all of them. Thus, it was possible to compensate payments, surpluses and deficits of the sterling area within this larger number of countries to the undoubted advantage of all parties concerned. The whole of the world with which Great Britain trades is now encompassed within the network of all parties concerned.

The main feature of the foreign exchange position is the extent to which trade is divorcing itself from the machinery of foreign exchange settlement. With the passage of the Lend-Lease Act, the arrangements whereby Canada is supplying munitions, materials and foodstuffs free of any charge to the British Government and the extension of the Lend-Lease principle to both British and American deliveries to China, the proportion of international transit of goods which now has a foreign exchange counterpart must be exceptionally small.

Overseas Countries

United States

THE outstanding feature of 1941 was the rise in production. The manufacture of durable goods rose from an average of 138 in 1940 to a figure estimated at 212 in November and probably higher by the end of the year. The production of non-durable goods was, on an average, 113 in 1940 and 142 in November, 1941. The rise in mineral production was less pronounced—from 117 in 1940 to 129 in November, 1941. The increase in output was accompanied by an increase in the index of factory employment from 107.5 in 1940 to 132.7 in October, 1941, and by an increase in the average working week from about 38 for 1940 to 41 in August, 1941.

Prices.—Prices rose throughout the year. The Bureau of Labour Statistics index of wholesale prices was 79 on an average in 1940, and 94 at the end of November. Much of this rise was attributable to farm products, which rose from 71 at the beginning of the year to 91 in November. Primary commodities rose higher—the BLS basic index rising from 119 at the beginning of the year to 157 in early December. The rise in the cost of living index was smaller—from 100 in 1940 to 108 in September.

Industry and Trade.—Building was extremely active throughout the year. From the average of 81 in 1940, the index of construction rose to 159 in September. The great (and more sustained) rise was in non-residential building; by early summer, residential building seemed to have reached a peak, perhaps owing to the pressure of priorities. Retail trade was high through the year; but the buying boom seemed to have culminated in the summer and was followed by a distinct setback in the autumn. With factory payrolls up from 105 in 1940 to 163 in September, and with agricultural income up by about one-third, the purchasing power of consumers was at a high level at the end of the year, although the rise in prices was reducing the capacity of certain groups.

While several price ceilings were introduced early in the year, and the number increased steadily thereafter, the principal "control" measure was an increasingly elaborate system of priorities, designed to allocate supply and so reduce the influence of demand upon price. As stocks seem to have been large, the supply to civil consumers without priority remained generally adequate, and no rationing of civil consumption was imposed up to the end of November.

Foreign Trade.—The amount of foreign trade in 1941 changed, compared with 1940, less than its character. For the first eight months exports at \$2,900 millions were only \$200 millions higher; but imports at \$2,150 millions were \$400 millions higher. Exports had come to be predominantly exports to the British Empire. Net gold imports, which had amounted to \$4,700 millions in 1940, dropped sharply after the Lend-Lease Act; they amounted to about \$800 millions in the first nine months, three-quarters of this coming in the first four months.

Finance.—The interest-bearing public debt increased from \$44,500 millions at the end of 1940 to nearly \$51,000 millions at the end of September and to approximately \$54,000 millions by the year-end. Up to the end of September, over half of the public offerings were of the "non-marketable" types—i.e., Savings and Defence Bonds and Tax Notes. After September, there were two public offerings of the marketable type, carrying a rate of 2½ per cent for long-term and 2 per cent for medium-term.

Banking.—No primary credit expansion—i.e., of the Federal Reserve Banks—occurred during 1941. The reduction of gold imports combined with an extremely heavy demand for currency reduced member bank cash by about \$800 millions during the year, while the increase in reserve requirements in November further reduced excess reserves, which, however, remained at nearly \$4,000 millions in early December. Commercial bank credit, however, expanded greatly, total loans and investments of the Reporting Member Banks rising from about \$25,500 millions at the beginning of the year to about \$29,700 millions in early December. Total deposits rose only half as much. The increase in member bank assets was almost evenly divided between commercial loans and investment in Government securities. During the year, the Reserve authorities introduced two control measures—one general (the increase in reserve requirements mentioned above) and the other selective—a limitation of instalment credit.

Canada

THE stage of full production was reached in many sectors of the Canadian economy during 1941, as the Dominion achieved a position as one of the main arsenals of democracy. Repercussions of the expansion in war production upon prices and distribution became more marked. Increasing shortages were a feature of the year, leading to greater and more direct controls than Canadians have hitherto experienced. The output of consumers' goods began to be shut down in the interests of war production. Priority methods were extended into many lines of business.

With war expenditures past the \$3,000,000,000 mark, vastly increased purchasing power began to spur prices upwards. The Government set itself to maintain the price level by establishing a general ceiling, without relaxing its efforts to divert purchasing power into war channels, away from the field of non-essentials.

The approach to conditions of all-out activity has not been uniform. The Canadian Bank of Commerce index of industrial activity, at the end of the year, showed the proportionate rate by measuring the percentage of current capacity utilised:—

Capacity diminished.—		Dec. 1941	Dec. 1941
Food, drink and tobacco	80	Non-ferrous metal products	149
Clothing (textiles, shoes)	108	Non-metallic minerals	106
Pulp and paper	101	Chemicals	114
Wood products	95	Miscellaneous	115
Automotive trades	147	Composite index	115
Iron and steel trades	149		

Foreign Trade.—Remarkable increases were recorded in external trade, both in exports and imports. Exports of Canadian products, exclusive of gold, reached \$1,621,003,000, compared with \$1,178,954,000 in 1940. Imports for eleven months ended November were \$1,322,905,951, compared with \$979,648,243 in the same period of the previous year. Great Britain and the United States continued to absorb the bulk of Canadian exports, but a notable growth occurred in exports to Egypt, to India and to the British West Indies. The increases were accounted for mainly by military supplies. Export increases were most marked in wood products, agricultural products, non-ferrous metals and animal products. But the greatest gain was in iron and steel exports, particularly motor transport.

A Canadian trade mission toured South America late in the year, bringing back most-favoured-nation agreements with Argentina, Brazil and Chile; a provisional agreement with Ecuador to remove its 50 per cent surtax as far as Canada was concerned; and understandings with Peru and Uruguay.

Agriculture.—Principal field crops in Canada in 1941 had an estimated value of \$649.1 millions. Wheat production fell from their high 1940 figure of 550 million bushels to 302 million bushels. This amount is less than domestic and probable export requirements before the new crop is harvested, so that the carry-over of wheat may be reduced by 100 million bushels from the figure of 480 million bushels at July 31st last. Total farm income in Canada in 1941 was in the neighbourhood of \$900,000,000, about \$66,000,000 below the 1940 level.

Banking and Finance.—Bank deposits of all kinds increased from \$3,100 millions to \$3,535 millions at the end of the second year of war. Current loans to the public, which amounted to \$826 millions at the outbreak of war, increased to \$1,153 millions in the same period, an increase of \$327 millions. Chartered bank investments in Federal, provincial and municipal Government securities reached \$1,539,498,000 in 1941. Cash and immediately available assets represented 19.5 per cent of the bank's total liabilities, compared with 22 per cent at outbreak of war.

Prices.—The Dominion Bureau of Statistics index of 567 commodity wholesale price series (1926 = 100) showed an increase of 11.4 per cent during 1941. The index declined fractionally in December, the first month in which the price ceiling policy was in effect. The cost-of-living index (1935-9 = 100) stood at 115.8 as the year closed. The wartime increase has been 14.9 per cent.

Seasonally adjusted indices of employment (1926 = 100) for all industries rose to 157.8 at the beginning of November, compared with 129.6 at the same date in 1940.

Australia

Industry.—Important progress was made during 1941 in the production of all kinds of instruments of war. Australian factories are now producing, among other weapons, large numbers of Bren guns, as well as tanks and various kinds of aircraft, including Beaufort bombers, Tiger Moths and Wirraways. Australian shipyards are engaged in the production of merchant ships up to 9,000 tons. At the same time, many non-essential industries—for instance, clothing and furniture manufacture—were also busy, partly in order to replace goods formerly imported from abroad. The number of persons employed in factories increased from 629,000 in December, 1940, to 692,000 in September, 1941. In this period, the index, for mining activities (other than goldmining) rose from 900 to 948 (1928-29 = 1000).

Labour.—The unemployed percentage of the total number of workers fell, according to trade union statistics, from 6.2 per cent in the last quarter of 1940 to 3.2 per cent in the third quarter of 1941. It was then particularly low in the following trades: engineering, etc., 1.7 per cent; wood, furniture, etc., 1.8 per cent; clothing, etc., 1.4 per cent; books, printing, etc., 1.0 per cent. It was still comparatively high in the building industry (5.1 per cent) and in the mining and quarrying industries (7.3 per cent). The number of retail shop workers was on the increase and reached in September a figure almost one-third above that of July, 1933. The average number of working hours per week was only 43.91 in the first six months of the year, compared with 44.04 in the last quarter of 1940. A number of trade disputes occurred early in the year, but these faded away with the growing tension.

The greatly increased national income resulted in increased spending on non-essential goods and various forms of amusements. The value of retail sales in Sydney in the quarter ended August, 1941, was 20.8 per cent above the corresponding period of 1940, though retail prices increased only by about 4 per cent during this period. No rationing, except for petrol and paper, has been introduced, though the latest import restrictions concerning 844 items (issued in December, 1941) have been introduced partly with a view to restricting civil consumption.

Finances.—According to the budget introduced in October by the new Labour Government, the Commonwealth's total expenditure will rise from £A255.4 millions in 1940-41 to £A325 millions in 1941-42; of this £A162.5 millions are to be spent on Australian home forces and £A59 millions on Australian forces overseas. The ordinary revenue is to be increased from £A150.5 millions to £A185.6 millions, while £A137.1 millions (against £A62.1 millions last year) are to be raised from internal loans.

Agriculture.—The 1941-42 wool clip is estimated at roughly 3.5 million bales, which is about the same amount as last year's. The grain prospects vary considerably between the various States.

Transport.—The active business conditions are reflected in the railway statistics. Australian railways reached a new peak in all their main activities during the period from July, 1940, to June, 1941. The respective figures, with those for 1939-40 in parentheses, are:—Freight carried per day, 14,556,000 net ton miles (13,524,000); number of passenger journeys per day, 1,127,000 (1,029,000); net revenue per month, £A943,000 (£A817,000).

New Zealand

Foreign Trade.—Up to the end of September, the latest period for which figures are available, New Zealand's overseas trade was well maintained. Export values for dairy produce, meat and miscellaneous items were all higher than in 1940, but those for wool were slightly lower.

Trade figures for recent years are as follows:—

Years ended	OVERSEAS TRADE £ millions.			
	In New Zealand Currency		In Sterling	
	Exports	Imports	Exports	Imports
1929	56.2	48.1	56.2	48.1
1932	36.6	24.4	33.4	22.2
1939	57.7	53.9	46.2	43.2
1940	68.0	47.6	54.4	38.1
1941	68.6	46.3	54.9	37.1

Owing to debt repayment and war expenses overseas, most of the active trade balance of £NZ22.24 millions was re-

quired for invisible items, and the exchange funds held by all the banks increased during the year by only £NZ3.5 millions to £NZ25.68 millions. Wholesale prices rose by 10 per cent during the year, but export prices, retail prices and wage rates showed very moderate increases.

Under war conditions, the greater proportion of the total trade has been with Britain and the Empire. Exports have been concentrated mainly on goods covered by the war agreement with Britain, and imports are confined chiefly to the more essential commodities. Under petrol restriction and import control, imports of motor vehicles have almost disappeared and imports of goods that can be produced in New Zealand and of materials for public works have been greatly reduced.

Banking and Finance.—Total bank returns have changed little during the year, apart from seasonal variations and a shift from Government advances at the Reserve Bank to Government securities held by the trading banks.

COMBINED BANK RETURNS

End of	Note Circulation	Deposits, Government and others				Net Exchange Funds Abroad
		Government	Advances, Government	Securities, Other	Other	
1935	6.5	70.6	6.9	47.9	40.0	
1939	13.4	69.4	35.1	54.0	8.6	
1940	15.9	84.3	47.6	47.0	22.2	
1941	17.7	85.8	47.0	48.6	25.7	

The note issue has continued to increase and there is some evidence that notes are being hoarded. The liquidity of the Reserve Bank's assets increased with the fall in Government advances, while that of the trading banks decreased with a decline in their deposits at the Reserve Bank and an increase in their holdings of Government securities.

State receipts and expenditure are now spread over many different accounts. For 1940-41, total receipts for the consolidated fund, the social security fund, the war expenses account and the public works accounts totalled £NZ98.4 millions and expenditure £NZ96.4 millions, but the receipts included £NZ26 millions of loan money. For 1941-42 a heavy increase in war expenses is budgeted for and a smaller increase in expenditure from the social security fund. Total expenditure is expected to reach £NZ138.7 millions, including £NZ69.7 millions for war and £NZ20.6 millions for public works. Taxation is expected to yield £NZ63.7 millions, other revenue £NZ13.3 millions, and loans £NZ56.9 millions.

South Africa

Finance.—South Africa's expenditure on the war is now getting on for forty times the pre-war peacetime expenditure on defence. The first estimate of war expenditure for the year ended March 31, 1941, was £14 millions; in August, 1940, the estimate was raised to £46 millions, but the final figure was £60 millions. In 1941-42, the estimate is £72 millions, and £80 millions has been budgeted for in 1942-43. In the current year, war expenditure has been met by revenue and borrowing in equal proportions, but total revenue, which, of course, has to cover non-war expenditure as well, has risen to about £79½ millions.

Trade.—In spite of this rise in revenue, it is probable that taxation is not heavy enough to offset the big rise in the Government's war expenditure, and there is a real danger of inflation in the present state of the Union's economy. By value, it is true, imports were well maintained in 1941, at £100 millions, against £96 millions in 1940. Although the United States has now become the chief source of supply and sent £38 millions of goods, shipments from the United Kingdom were well maintained, amounting to £30 millions, against £35 millions. But the price index of imports has risen to 1,810 (January, 1914=1,000), compared with an average of 1,488 in 1940 and 1,226 in 1939, so that the volume of imports is declining. Exports, excluding gold and wool, rose by £3 millions to £31 millions last year; but the sales of wool under the agreement with the United Kingdom Government, estimated at about £10 millions, and the sales of gold to the Bank of England, which may be put at £119 millions (the value of the output last year was £120 millions and £1 million was added to the Reserve Bank's holdings) left South Africa with a favourable trade balance of about £60 millions.

Banking.—Some £30 millions of this trade balance was utilised in the vesting of four South African sterling loans, (3 per cent stocks of the Cape of Good Hope and Natal, the 4 per cent Union stock, 1943-63, and the 5 per cent Union stock, 1945-75). In preparation for the vesting the Reserve Bank's holdings of British Government Treasury bills rose to nearly £22 millions in November, then fell away again to less than half a million at the end of the year. Illustration of the country's economic activity is provided by the note circulation of the Reserve Bank, which rose from about £21 millions in January, 1940, to £30 millions at the end of the year, and in the deposits of the commercial banks in the Union, which amounted to £136 millions on June 30th last year, compared with £125 millions on March 31st and £111 millions on June 30, 1940.

Agriculture.—There was a severe drought in 1941 which adversely affected agriculture in general, but particularly the dairy industry. There was a big drop in butter production, and in October the Dairy Industry Control Board, as a temporary measure, rationed the distribution of butter to 75 per cent of its normal sales. The drought also caused a heavy demand on feeding stuffs, and there was consequently an unusually big domestic demand for maize. The 1940-41 maize crop is estimated at 24,324,000 bags of 200 lb., against 20,700,000 bags in 1939-40. The wool clip in the year ended June 30, 1941, is estimated at 241,370,000 lb. and the current clip at 250,450,000 lb. Owing to the shipping difficulties, probably only about half of the Union's exportable surplus of citrus fruit was exported last year. The deciduous fruit crop, owing to its perishable nature, has lost its overseas market since the beginning of the war. For both industries, there are control boards which buy the fruit from the growers and pool the income received from sales. A great deal has been done to find a domestic outlet for the crops, and there has been a big increase in jam-making and in canning.

Industry.—There are many other industries which, owing to the war, have been either started or expanded in the Union. Not only is this true of the secondary industries, which aim at replacing many things previously imported from abroad, but there is also a big increase in direct war production. The general index of employment, including employment in mines and transport, but excluding alluvial diamond diggings, was 1,903 in October (July, 1925 1,000), compared with 1,802 in January and an average of 1,780 in 1940.

Eire

As a result of the compulsory tillage order and the guaranteed price of wheat the area under crops increased by over 100,000 acres. Yields did not rise in proportion and part of the produce was withheld by farmers from the market. Consequently, a serious shortage of flour and bread became apparent towards the end of the year. The livestock industry was seriously dislocated by foot and mouth disease, but the plague died out in the autumn and cattle exports were resumed on a very large scale. Industrial unemployment did not increase to the extent that was expected. Imports of many raw materials were fairly well maintained, and the situation was relieved by recruiting for the defence services and by emigration. Owing to difficulties in importing coal, transport was seriously impeded and railway services were drastically reduced. For domestic purposes the place of coal was largely taken by turf. Many other imports, in particular tea, tobacco and petrol, were reduced to small proportions, with the result that the balance of payments became very favourable and the sterling holdings of the banks increased. The monetary circulation and the volume of bank deposits increased, but advances and profits declined. During the first nine months of the financial year 1941-2, revenue amounted to £23,424,230, compared with £22,717,827 in the previous year, and expenditure amounted to £28,492,665, compared with £26,319,284. A loan of £7,000,000 at 3½ per cent was successfully floated, the whole issue being taken up by the public.

India

On the whole, the year 1941 was quite favourable, if the aftermath of Japan's plunging the Pacific into conflict is not taken into account. Industrial production during the year reacted to the stimulus of wartime demands, and the efforts of the Eastern Group Supply Council had a stabilising influence. The difficulties of shipping freight and increasing import controls encouraged domestic production on a scale

never previously attempted. The trend of industrial profits during 1941 was consequently more satisfactory than during the previous year. Several industries, particularly jute, cotton, steel, paper, chemicals, glass and engineering industries were working to capacity.

Currency.—The effects of currency developments last year may be felt to an increasing extent in the immediate future. There was a prodigious expansion in the total note circulation, which amounted to Rs. 353 crores, in the third week of January, 1942, compared with Rs. 182 crores in the pre-war year 1938-39 and Rs. 242 crores on March 31, 1941. This is partly the consequence of the steady increase in the sterling balances, transferred from the banking to the issue department of the Reserve Bank of India, amounting for the first nine months of the current financial year to Rs. 135½ crores. At the rate at which the redemption of the sterling debt of India is proceeding it will not be long before she ceases to be a debtor country.

Prices.—The wholesale prices of all commodities have recorded a pronounced increase since July, which was especially noticeable in regard to food articles (other than cereals, pulses and sugar) and cotton manufactures. The sudden rise in the prices of these articles produced serious unrest in certain districts in December. The technique of price control is yet far from efficient, and needs to be perfected at an early stage to relieve the distress of a large agricultural population.

Banking.—The banking situation proved satisfactory, though the invasion of Malaya led to some withdrawals from the smaller banks having business in that colony. The problem of idle money, shown by the increase of Rs. 95 crores in the deposits of the scheduled banks, is becoming increasingly important, as it may go into cold storage unless new channels of investment are opened up. Some part of it is indeed the result of the debt legislation in the agricultural provinces, which has had the effect of diverting funds from land.

Transport.—The gross traffic receipts have broken all past records, and the net revenue for the current year may well amount to Rs. 24 crores, more than twice the budgeted figure. The railways, the principal means of transport under the present situation, are faced with the problem of carrying an abnormal volume of traffic, and last year complaints were loud, both at Bombay and Calcutta, about the wagon shortage with reference to coal supplies to undertakings engaged in essential war work. The diversion of 200 locomotives and 10,000 wagons and other vehicles to meet military requirements to the Middle East and elsewhere has caused a shortage of stock. Motive power equipment is likely to create further difficulties, as locomotives whose life has expired cannot under present circumstances be easily replaced. The attempted construction of locomotives at the Ajmer shops of the B.B. and C.I. Railway cannot within a measurable distance of time meet anything but a fraction of the present demand. The Government must now be appreciating the wisdom of the recommendations of the Mount (Pacific Locomotive Enquiry) and the Manufacture of Locomotives Committees to start the manufacture of broad gauge locomotives more than two years ago. The transfer of freight from coastal shipping to the railways, increasing goods traffic produced by the rising tempo of war industries, military movements, and the very large increase in civilian traffic probably exceed the peak load capacity of the Indian railways, and the public are being requested to travel less. With drastic petrol rationing, the road offers a poor alternative.

USSR

In general terms, the economic plan for 1941, that is, the fourth year of the Third Five-Year plan, aimed at increasing particularly the output of iron and steel, non-ferrous metals, coal and oil. Heavy engineering, especially the manufacture of machine tools, was to be advanced to maximum output. At the same time, the decentralisation of industries was attempted by reorganising the country into nine regions, with a view to making each region as far as possible self-sufficient. The centralisation of the armament industries, on the other hand, was tightened. At the beginning of the year, determined attempts were made to improve the quality of manufactures, to increase the efficiency of workers, and to reduce absenteeism. The construction of new factories in the Urals and the Asiatic parts of the Soviet Union was accelerated. The extraordinary programme of training annually a reserve

of skilled labour amounting to 800,000 was well under way. The total number of workers was to be increased from 30.4 millions to 31.6 millions. The agricultural plan demanded the extension of the cereal crops by 8 per cent.

The general outline of the 1941 plan shows that the near-war economy of the Soviet Union was preparing for full mobilisation. The problems of transition to war economy after Germany's surprise attack on June 22, 1941, were, as in other countries, the rationing of civilian consumption, the reduction of civilian production, the supply and allocation of raw materials and manpower. Important changes were, however, not necessary, since consecutive Five-Year Plans had used these methods in varying degrees. The main problem was the evacuation of factories and workers in accordance with the withdrawal of the armies. At the height of the German advance at the beginning of December, the main industrial district of the Don Basin and the Moscow region were not only threatened, but partly occupied. The manufacturing industries of the Leningrad district were cut off from their supply bases. More than one-third of the entire industry of the country was lost. During June, July and early August, the armies withdrew from areas predominantly agricultural. Some of the harvest may have been saved, but a considerable part was destroyed under the scorched-earth policy. In August, the large-scale evacuation of factories, i.e., machinery as well as workers, began on a large scale, and was continued during September to November. It is suggested that from the two industrial centres, Kiev and Kharkov, roughly 830,000, or even one million persons, out of a total of 1.7 million inhabitants were evacuated, comprising mainly industrial workers and their families, who travelled east in the trains which carried machinery and plant equipment to new sites in the Urals and the Kusnets Basin.

The loss of the agricultural territories in the western provinces made the extension of cultivation in the Volga region and in Asiatic Russia necessary. As in industry, the Five Year Plans aimed at expanding and improving agriculture in the eastern regions of the Soviet Union. The 1940 cereal crops in these regions exceeded the 1913 crops by 88 per cent. Reports suggest that the greater part of the agricultural machinery used in occupied countries was successfully evacuated.

Transport.—The 1941 plan aimed not only at increasing the rail and river communications, but also at ending the unnecessary transport of coal, oil, steel, etc., from one centre of production to another. According to the plan, railway transport was to be increased by 4 per cent. A considerable part of the railways was lost in the occupied territories, and the exceptional demand on the railways for the transport of troops, population and factories was met mainly by a quicker turn round. The railway personnel worked longer hours under military control. In contrast, river transport, which carried only 8 per cent of the total freight in 1940, was to be increased by 28 per cent. It may be assumed that a considerable part of the freight was diverted from railways to inland waterways.

Finance.—Total revenue and expenditure were as follows:—

(In million roubles)		
	Revenue	Expenditure
1939	156,014	153,299
1940	178,080	173,259
1941 (estimate)	216,840	215,373

State loans, which are included in the total revenue, increased to 11,397 million roubles in 1940, and were planned to yield 13,200 million roubles in 1941. Preliminary reports suggest that state loans were at least trebled during the year. The most interesting point is, however, the steep rise in defence expenditure from 40,885 million roubles in 1939 to 56,102 million roubles in 1940, and 70,865 million roubles in 1941. Defence expenditure would thus have reached in 1941 32.4 per cent of total expenditure, even if there had been no war. More than two-thirds of the total revenue was derived from the turnover tax. In 1941, state loans provided 6.2 per cent of the estimated total revenue. Towards the end of the year a war tax was imposed on all able-bodied persons over the age of eighteen not serving in the fighting forces.

Switzerland

Trade and Industry.—Industry as a whole fared well and profits showed a rising tendency. Stock Exchange quotations of industrial shares, after a slight fall in 1940, advanced strongly and gained on an average over 20 per cent on the year. Some industries worked on contracts for Germany and Italy. In most cases this work, for which the Axis supplied the raw materials, covered civilian products. The quantitative turnover of the wholesale and retail trade showed a decline, but the money value improved further. Wholesale prices by the end of 1941 were 85 per cent over the level of August, 1939. Costs of living simultaneously advanced by about 40 per cent. The railway traffic established a new record, a direct result of the huge transit trade and the transfer of much road traffic to the railways owing to petrol shortage. Despite a disappointing crop the value of agricultural products sold by farmers advanced from 1,508,400,000 fr. in 1940 to 1,678,200,000 fr. in 1941, the rise being largely due to increased sales of grown products, although the value of total sales of animal products and animals remained more than twice as high as that of grown products. The tourist and hotel trade was one of the few to suffer from an acute crisis.

Foreign Trade.—The value of imports advanced from 1,853,600,000 fr. in 1940 to 2,024,300,000 fr. in 1941. Despite the advance of 9.2 per cent in import values, the imported quantity fell by 21.7 per cent on the year. The decline covered largely raw materials. Other imports remained largely unchanged. The value of exports advanced from 1,315,700,000 fr. in 1940 to 1,459,400,000 fr. in 1941, without showing much change in the quantity involved. Foreign

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS).

OVER 500 BRANCHES IN
THE UNION OF SOUTH AFRICA
SOUTH WEST AFRICA . PORTUGUESE EAST AFRICA
MAURITIUS . NORTHERN & SOUTHERN RHODESIA . NYASALAND
TANGANYIKA . KENYA . UGANDA . ABYSSINIA . ERITREA
SUDAN . EGYPT . PALESTINE . CYPRUS . MALTA . GIBRALTAR
BRITISH WEST AFRICA . BRITISH GUIANA
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BARCLAYS BANK (CANADA) - - - Montreal and Toronto

trade returns according to countries are no longer available, but it is probable that the share of the European mainland increased further. In July, the trade agreement with Germany was renewed, the new agreement covering the period to the end of 1942. Germany agreed to supply certain quantities of iron, steel, coal and promised assistance in oil supplies. Switzerland promised in return supplies of cattle, dairy produce and fruit.

Finance and Currency.—The favourable position of the Federal Railway (normally one of the weak spots in Swiss finance) and the easy conditions on the capital market, which enabled the Federal Government to place two loans totalling 830,000,000 fr., solved the country's financial difficulties despite the high budget deficit. The position of the Swiss National Bank remained very strong. The note circulation, after an advance of 223,600,000 fr. in 1940, advanced by another 63,300,000 fr. to 2,336,700,000 fr. in 1941. The banks' holdings of foreign exchange declined during the year from 999,300,000 to 679,000,000 fr., a result of dollar liquidations, but the gold stock rose by no less than 706,000,000 fr. to 2,878,500,000 fr.

Portugal

THE year 1941 closes for Portugal much more satisfactorily than seemed possible twelve months ago.

Prices.—The fixing of maximum prices for sundry standard foodstuffs, the limitation of exports, and the threat of rationing, have kept profiteering in check; nevertheless, the index has risen. Taking 100 as the monthly average of July, 1938, to July, 1939, increases in the Lisbon area have been as follows:—

	October, 1940	October, 1941
Foodstuffs	116.0	128.7
Light and heat	112.4	114.1
Total	115.4	126.2

A composite index number for colonial produce compiled for the same period rose from 2,424 in October, 1940, to 2,741 for October, 1941.

Banking.—Figures for September 30, 1941, compared with 1939, are given below:—

	(In contos. 1 conto = £10)		Total All Banks	
	Bank of Portugal		Sept. 30, 1939	Sept. 30, 1941
Cash	932,858	1,320,425	1,106,652	1,595,828
Deposits with other banks	...	...	876,422	2,729,978
Bill portfolio	427,001	330,723	1,765,472	1,736,782
Sundry advances	900	20,141	2,670,155	3,238,413
Deposits	895,448	2,444,981	4,749,179	8,555,720
Time deposits	...	...	983,580	1,049,028

Trade.—The following figures show imports and exports in January-August in the last four years:—

	Imports		Exports	
	Tons	Value in Contos	Tons	Value in Contos
Jan.-Aug., 1938 ..	2,396,255	2,305,872	1,540,460	1,145,594
" 1939 ..	2,291,873	2,066,650	1,468,502	1,339,182
" 1940 ..	1,841,635	2,523,538	1,139,228	1,612,643
" 1941 ..	1,016,258	1,558,556	529,952	1,536,388

Sweden

HEAVY Swedish armament expenditure helps to keep home production active. Sweden is now making up for years of disarmament with a five-year defence programme. The current Budget provides 2 milliard crowns (£117,647,000) for military purposes, which is nearly two-thirds of the total Budget. In addition, the Government has issued two defence loans—one for 40 years, and the other for five years.

Foreign Trade.—Exports last year were £89,000,000, which was slightly more than in 1940, but 30 per cent below the pre-war level. Imports were £98,000,000, which was 16 per cent less than in 1940 and about 20 per cent less than the pre-war level. The fall in volume was still larger, as the prices of imported goods are 150 per cent higher than before the war, and those of exports 40 per cent higher.

Industry.—Now that Germany has the French mines at its disposal, it is less dependent on Swedish iron ore, save for high-class steel. Exports of iron ore have therefore declined. Swedish iron and steel production has also declined, owing to lack of coal, as Sweden has to import all its coal requirements—at present from Germany.

The lack of coal has led to increased production of charcoal, particularly as difficulties arose over the clearing agreement with Germany. Charcoal is also needed for producer gas, which has entirely replaced petrol as motor fuel, since Sweden is completely cut off from petrol imports. Charcoaling provides welcome employment for the forest districts, now that Sweden is cut off from overseas markets for wood and pulp. Since the occupation of Norway, the production index of the timber industry has fallen from 117 to 50. The pulp factories are at present almost entirely producing fodder cellulose on state contracts—besides other by-products, needed as substitutes for things which cannot be imported. Chemical wood products are used for soap-making.

Agriculture.—The cellulose fodder is distributed to farmers through the state-controlled co-operative system; state control over Swedish agriculture has increased during the war. Sweden is in normal years self-sufficient in most food products, but the harvest has been bad for the past two years—only half of the pre-war average. The situation was saved by the huge stocks of grain which the state had put by. State subsidies to the farmers have increased and consumers have had to cut down their food consumption by about 10 per cent. About 70 per cent. of all food is rationed; the high Swedish standard of living is no more.

Self-Sufficiency.—The Government is trying to make the country still more independent of outside supplies. While producer gas is used for motor transport, electric power is increasingly used to replace coal in railway transport. Existing power stations supply 1,440,000 kilowatts and a Government two-year plan provides for building more power stations, supplying an additional 360,000 kilowatts and 2,100,000,000 kilowatt hours. There is also much activity to develop the cultivation of oil and textile plants.

Egypt

WHEN the year 1941 opened, the Italians were in retreat on all Middle East fronts, and sentiment had already recovered from the shocks of the previous summer. A sharp, though short-lived, reaction followed the German intervention in Libya and the Balkans, but a recovery set in with Russia's entry into the war.

Cotton.—The second Anglo-Egyptian cotton agreement resulted in the joint purchase of the entire crop of 8,065,000 kantars (linters included) by the British and Egyptian Governments at last year's price of 15½ tallaris for fgt Giza 7 and 14½ fgt for Uppers, plus an additional 2 tallaris per kantar to be paid by the Egyptian Government alone on the whole production. The acreage was subsequently curtailed to 25 per cent of Egypt's cultivated area. Other strong steps were taken to stimulate wheat production, which had shrunk below the country's needs and caused a strong rise in prices. The rice crop was a large one, but was sold at higher prices.

Industry and Trade.—Industry was active and not greatly hampered in the way of fuel and raw material, but the almost insuperable difficulty of obtaining new machinery on a large scale prevented any important additions to plant.

With the extension of hostilities, foreign trade was gradually restricted to a small number of countries, a growing percentage of the total being with the United States. Late in the year quotas were introduced for most imports.

Finance.—The note circulation increased from £E38,696,000 in October, 1940, to £E50,154,000 in October, 1941, and after April the cost of living index surged upwards (157 in January, 189 in September). The increased agitation for a readjustment in wages and salaries received some satisfaction. Rationing is still confined to petrol.

Argentina

Finance.—An estimated Budget deficit of 258 million pesos for 1941 compares with a deficit of 170,100,000 pesos for 1940. Customs revenue and port dues are 51 million pesos less than for 1940, and a tax reform Bill, calculated to reduce the current year's deficit by 80 million pesos, did not become law. Congress failed to ratify two trade loans from the United States totalling US\$110 millions, but the reported object of an Argentine military mission's visit to Washington in December was the negotiation of a Lend-Lease contract for US\$70 millions. This follows the passage of armaments Bills involving 1,450 million pesos. An internal loan of 250 million pesos in 2½ per cent Treasury Bonds was over-subscribed, and the conversion of all 5 per cent and 4½ per cent tax-free National Bonds,

totalling some 4,300 million pesos, to 4 per cent tax-bearing issues was successfully effected in November. The Treasury, which owes the central bank 767,500,000 pesos in respect of crop purchases, will itself finance purchases in 1942, presumably by further recourse to internal loans.

Grain Prices.—Basic prices (per 100 kilos) of 6.75 pesos for wheat, 9.25 pesos for linseed, and 6.25 pesos for maize have been in force throughout the year. Market prices of wheat and linseed have not deviated appreciably from basic prices, although linseed quotations have lately shown an upward trend owing to increased American demand. Maize has been unquoted since December, 1940. The 1940-41 crops yielded 7,380,000 tons of wheat, 1,460,000 tons of linseed and 10,238,000 tons of maize. By the end of the year, estimated exportable surpluses were 2,200,000 tons of wheat, 715,000 tons of linseed and 8,100,000 tons of maize. First estimates of wheat and linseed production were 6,000,000 and 1,700,000 tons respectively.

Foreign Trade.—By the middle of the year a decline in essential imports led to the abolition of exchange restrictions in respect of them. Imports last year were 1,276,399,000 pesos, and exports 1,463,479,000 pesos, leaving an export surplus of 187 million pesos. While imports from Europe and the Americas have declined during the latter period, exports to American countries, particularly the United States (with which a trade treaty has been signed), have notably increased. The following percentages show the proportions of Argentina's trade with Europe and the Americas respectively:—

	Imports		Exports	
	Europe	Americas	Europe	Americas
per cent	per cent	per cent	per cent	per cent
Jan.-Oct., 1940 ...	38.1	52.4	68.1	28.0
" 1941 ...	23.7	63.4	41.1	51.5

Chief sources of supply in the first ten months of 1941 were the United States with 28.4 per cent of the total (against 30.4 per cent in the same period of 1940) and the United Kingdom with 18.3 per cent (against 20.2 per cent). The United States has replaced the United Kingdom as Argentina's principal customer with 35.6 per cent of her total exports (against 15.1 per cent in the same period of 1940), and the United Kingdom follows with 32.3 per cent (against 38.5 per cent).

Brazil

BRAZIL's Budget for 1940 shows a prospective deficit of 638,000 contos (1 conto = approximately £12 10s.), revenue being estimated at 4,388,000 contos and expenditure at 5,026,000 contos, compared with 4,124,000 contos and 4,881,000 contos respectively in 1941, and 4,036,000 contos and 4,629,000 contos respectively in 1940. Foreign trade figures for the first ten months of 1941 show a rise in both the volume and value of exports, while imports were lower in volume and slightly higher in value. Exports were 2,955,000 tons valued at £67,016,000 (sterling), against 2,629,000 tons valued at £49,841,000 in the first ten months of 1940; and imports were 3,274,000 tons (£53,845,000), against 3,650,000 tons (£53,590,000). The foreign loan service has been maintained under the reduced percentage agreement, and in addition approximately £8,250,000 has been remitted abroad covering the earnings of foreign companies established in Brazil.

New industries that have started operations or are under construction include a joint American-Brazilian steel mill, a Government aeroplane motor factory, a plate-glass factory and an aluminium plant. Gold mining has continued on about the same level as the past two years, and all gold has been taken over by the Banco do Brasil. Mineral exports in the first six months of last year included 323,000 tons of manganese to the United States and 12,000 tons to Japan, and 176,000 tons of iron-ore to Great Britain, 137,000 tons to the United States and 68,000 tons to Canada.

Chile

BECAUSE of the United States' desire to buy Chile's output of copper and other strategic metals, as well as nitrate, export trade is improving. Latest figures, covering the first nine months of 1941, give exports at 569,014,300 pesos (of 6d. gold) against imports at 362,416,200 pesos, so that the active trade balance was 206,598,100 pesos, although this balance is not truly effective as the whole of the proceeds of copper and nitrate exports, which are included in the trade returns at their full value, do not become available to pay for imports. Nevertheless, the exchange position is

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Capital	£1,060,000
Reserve Fund	850,000
Current and Deposit Accounts	52,592,238
Cash in Hand and at Bank of England	6,546,791
Bills Discounted	1,165,355
Treasury Deposit Receipts	9,500,000
Money at Call and Short Notice	4,866,200
Investments	19,451,774
Advances, etc.	10,071,722
Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	2,160,396

31st December, 1941.

67, LOMBARD STREET, E.C.3

Directors:—

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Colonel E. GORE BROWNE, D.S.O., O.B.E., T.D., A.D.C. (Deputy Chairman)
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more normal, with the selling rate for imports steady at around 101.35 pesos per £ sterling under the Payments Agreement with Britain. Chile is now eager to take any imported goods which supplying countries are able to send. Exports of nitrate during the year ended June 30, 1941, were much lower than in the previous season, but there has since been a recovery owing to purchases by the United States and Egypt. The resumption of nitrate shipments to the important Egyptian market, made possible by the re-opening of the Red Sea route, has done much towards easing the sterling exchange position in Chile.

Manufacturing industries are thriving except where they are dependent upon imported raw materials. There is, however, increasing preoccupation with the growth of national expenditure and the appearance of inflationary tendencies. The deficit in the National Accounts in 1941 was about 130 million pesos, compared with some 120 million pesos in 1940, while the estimated deficit in the 1942 Budget is 189 million pesos. A Bill has consequently been passed which increases income tax and imposes higher duties on luxuries. Also, a National Defence Bill has been passed providing for borrowing up to 4,000 million pesos.

The total amount of the foreign debt on December 31, 1941, was as follows: £27,761,171; US\$167,095,500; and Swiss francs 108,680,500. These figures compare with £27,762,471; US\$170,208,500; and Swiss francs 108,728,000 at the corresponding date of 1940. Interest on the external debt was paid at the rate of 1.558 per cent of nominal capital. The Chilean Amortisation Bank has just made an offer to pay \$15.58, or its equivalent in sterling or Swiss francs, for each bond outstanding by way of withdrawal from the market. This payment was due to be made on February 1, 1942.

German Europe

THE war against Yugoslavia, Greece and the Soviet Union has added new territories to German Europe, but the protracted war against the Soviet Union prevented Germany from reconstructing the Continent according to the principles of the New Economic Order. Instead, Germany was forced to find in "industrial collaboration" compensation for the wastage of men and material in Soviet Russia. Agriculture and industry in Slovakia, Hungary and Roumania suffered from military mobilisation. Yugoslavia was split up into Croatia, Serbia, and Montenegro. Economic activity in Poland was hampered by using the territory as supply base for the campaigns in Russia, and the occupied Russian territories were not only devastated, but remained fighting zones.

Agriculture.—German reports suggest that the Continental acreage under cereals increased in 1941, but the total harvest exceeded only slightly the poor results of 1940. The livestock industries in western European countries, as well as in Germany, experienced serious shortages of feeding stuffs. Reductions in the livestock population were particularly marked in Denmark, Holland and France. Production in Germany, however, remained on a high level. Apart from an undisclosed number of prisoners of war employed in Germany's agriculture, the number of foreign agricultural workers in Germany exceeded one million. The supply of fertilisers, tractors and agricultural machinery diminished.

Industrial Collaboration.—Direct economic expansion by acquiring foreign industries almost came to a standstill during the second half of the year. Industrial collaboration, however, was extended and intensified, particularly with France, Belgium and Holland. Foreign manufacturing industries are mainly working on sub-contracts for German concerns. At the same time, German concerns collaborate with foreign concerns in the construction of substitute industries, such as artificial textile fibres, plastics, light metals, artificial rubber, and synthetic petrol. Sub-contracts in the French manufacturing industry reached the value of some Rm. 1,500 millions. Towards the end of the year supply difficulties in coal and raw materials were reported from occupied and dependent countries. Surplus manpower, especially skilled labour, had disappeared, partly by increased production and partly by emigration to Germany.

German Finance.—The profit and dividend stop, a war surcharge on the corporation tax, increased excise on tobacco and alcohol, the system of iron savings for wage-earners and employers, and the registration of shares marked the general policy of mopping up excess purchasing power. At the end of the year fixed prices for armaments replaced the cost-plus profit system. The tremendous increase in war expenditure was met by progressively rising borrowing, and by a considerably greater yield of revenue.

REICH DEBT (Rm. milliards)

	August 31, 1939	December 31, 1940	October 31, 1941
Long-term debt	25.01	42.99	59.59
Short-term	12.32	36.50	59.58
Total debt	37.33	79.49	119.17

The official estimate of total debts relating to December 31, 1941, amounted to Rm. 128,500 millions. Total debt thus increased during the year by 61.7 per cent. Small savings deposits increased during the same time from Rm. 26,000 millions to Rm. 36,000 millions. Official sources estimate the gross national increase in 1941 at from Rm. 110,000 millions to Rm. 115,000 millions, against Rm. 100 millions in 1940 and Rm. 95,000 millions in 1939. As a result of the continued cheap money policy, the interest rate on long-term borrowing by the state was reduced to 3½ per cent.

Total revenue was as follows, in million Reichsmark:

1939/40	23,600	*1941/42 (Apr. to Mar.)	32,000
1940/41	27,200	1941 (Apr. to Dec.)	23,900

* Estimate.

Including the war contribution of the communes, tributes and costs of occupation, total revenue is estimated to yield for the financial year Rm. 45,000 millions. Total expenditure covered by revenue and borrowing will thus exceed Rm. 90,000 millions.

Banknotes in circulation rose from Rm. 14,033 millions at the end of 1940 to Rm. 19,325 millions on December 31, 1941. The rise, amounting to Rm. 5,312 millions or 38.9 per cent., compares with an increase of Rm. 2,234 millions in 1940. The official price index (1913 = 100), on the other hand, remained almost unchanged, the advance over the year being only from 110.9 to 112.4.

German Industry.—Compared with 1940, when Germany's industrial capacity was still expanding, the year 1941 demanded the utmost effort to maintain war production. In the spring of 1941, a moderate programme of industrial concentration was carried out favouring the most efficient factories. Women workers, particularly domestic servants, were recruited in greater numbers. At the same time, more foreign workers were imported. Yet the continued heavy fighting against the Soviet Union demanded for the first time the full mobilisation of men for the Wehrmacht. After some hesitation, the original programme of full industrial concentration, which had been abandoned after the conquest of Poland, and seemed unnecessary because of industrial collaboration, was carried out towards the end of the year. At the same time civilian production was cut down to a minimum. The policy of combing-out unessential industries for workers was repeated, and the general rationalisation of all war industries was ordered. The labour reserves still available in Germany were, however, not sufficient for replacing the men who were called up. A new recruiting drive for foreign workers began. According to official figures, the number of foreign civilian workers increased from 1.4 millions at the end of 1940 to 2.1 millions at the end of September, 1941. In addition, there were at least 1.5 million prisoners of war employed. Yet at the end of 1941 the total number of workers, including foreign civilian workers and prisoners of war, was below the 24.5 millions employed in August, 1939.

France

Industry.—A shortage of raw materials, fuel and lubricants, as well as growing transport difficulties, caused an acute production crisis, especially towards the end of the year. The monthly coal output was estimated as 3,400,000 tons (pre-war monthly consumption was 6 million tons). Out of this not more than 25 per cent was allotted to civilian industries and private consumption. Lack of coal and coke severely affected the iron and steel industry. The monthly iron allocation for civilian industries was reduced from 230 thousand tons (in the spring) to 100 thousand tons in December, 1941. The production and consumption of electricity was sharply restricted and rationed. The output of textile industries of the most important centres declined to 15 per cent of normal; towards the end of the year there were periodical production stops ordered by Vichy, and the wholesale closing down of cotton mills and textile factories in 1942 was announced. The paper allocation amounted to 4 per cent of pre-war consumption. Even industries working for Germany were impeded by

the shortage of fuel and lubricants. Unemployment decreased—according to official figures—from 700,000 to 200,000, which is explained by the absorption of labour in agriculture and by widespread part-time employment.

Agriculture and Food.—A considerable recovery in French agriculture is illustrated by the following comparative table of harvests (official Vichy and German figures):—

	Pre-war Average	1940	1941
Wheat	8.5	5	6.5-7
Other grains	7	5	6
Potatoes	15	8	12-14
Sugar (1938)	872	470	695
Beet (1939)	8.5	2.5	7

The livestock position, however, showed a further grave deterioration; lack of fodder caused a decrease in stocks of all kinds; the loss of pigs is estimated at 3-4 millions.

In spite of the improvement in agriculture, food rations were being cut to starvation levels during the year. There were the following reductions between January, 1941, and January, 1942: coffee from 250 grammes to 150 (monthly), bread from 300 grammes to 275 (daily), meat from 360 grammes to 125-250 (weekly). The wine ration was 1½-2 litres weekly; milk, ½ of a litre per four days; potatoes, 2-4 kilos monthly; cheese and fat rations remained unchanged (50 and 100 grammes). The drastic cuts in rations, coinciding with the increase in agricultural output, prove that the French are being starved in order that the Germans may be fed.

Wages and Prices.—Official Vichy statistics give the following increase in prices (1929=100): flour, 135; meat, 130-160; milk, 160; butter, 255; eggs, 260; cement, 141; iron ore and magnesium, 140; copper and lead, 150; rubber, 500; textile (raw materials), 320; paper, 700. A general increase in wages was announced towards the end of the year; officially, the wage and price stop is still in force.

Foreign Trade.—According to German sources, imports in 1941 amounted to 24 milliard francs, against 46 milliards in 1938, and exports were 14 milliards, against 31 milliards. The adverse balance was mainly due to the surplus of imports from North Africa over exports there. The share of raw materials in France's imports fell from the normal 43 per cent to 26 per cent in 1941. The proportion of "vital industrial materials" (i.e., of war materials) in exports is stated to have risen from 15 per cent to 25 per cent and food from 5 to about 8 per cent. Trade with neutrals dwindled down to insignificant figures; for instance, French exports to Switzerland dropped by 70-75 per cent of normal.

Finance.—Expenditure in the ordinary budget was estimated at 100 milliard francs, of which 26.5 milliard francs was military expenditure, and in the extraordinary Budget 25 milliards; occupation indemnity was 130 milliards, and total expenditure 275 milliard francs. Revenue

was 75 milliards and advances by the Bank of France 70 milliards; the rest of the deficit was covered by borrowing.

Credit and Currency.—Deposits and current accounts with the *Crédit Lyonnais*, *Société Générale* and *Comptoir d'Escompte* rose from 58 milliards at the end of 1940 to 69 milliards on October 31, 1941. Easy supplies of credit led to an all-round reduction of interest rates: Treasury bills from 2 to 1½ per cent; the discount rate of the Bank of France from 2 to 1½ per cent; two-year bonds from 3½ per cent to 2½ per cent; and the rate on long-term credit to 4 per cent. Loans to the amount of 50 milliard francs were converted to lower rates. The currency in circulation expanded from 218 milliards (in December, 1940) to 263 milliards (in December, 1941).

Italy

THE most important feature of Italy's economic development in 1941 was her increasing dependence upon German collaboration. Planning is now in full swing, not only on German lines, but as a "joint" action under Berlin lead. An example is the mobilisation of manpower. There is no general shortage of labour, and the employment of women in industry is not very widespread so far. But nearly 300,000 Italians are working in Germany, about 60,000 of them farm labourers and 45,000 metal workers.

Foreign Trade.—Most important, however, is the collaboration in foreign trade. It has even been agreed that no supplies of any goods needed for the mutual war effort (in both directions) should be stopped merely because the lack of assets in the clearing balance would not justify the expectation of early payment. German-Italian trade amounted to Rm. 650 millions in 1939; Dr. Funk stated recently that this turnover has since been trebled so that the exchange of goods between the Axis partners should be about Rm. 2,000 millions by now. No trade figures are published, but it has been announced that in the second half-year of 1940 47 per cent of total imports came from Germany, and 43 per cent of exports went there; this percentage is said to have risen in the meantime. The effects of the blockade have become more apparent, as 50 per cent of pre-war imports were brought on sea routes now closed to Italy's merchant ships. There is certainly some compensation in supplies from south-eastern countries which are now cut off from the Allied markets.

Industry.—According to American sources, the production of aluminium, zinc, lead, mercury, silk, certain artificial textile fibres, fruits and vegetables exceeds normal home requirements. That does not mean that home consumption is satisfied. Supplies for civil needs are more and more curtailed. Extensive control of consumption has been gradually introduced, with clothing cards, standardisation of various manufactured goods, etc. Even goods in sufficient supply are severely restricted so that they may be used as a means of payment for imports. Coal supply

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Banking.—The most interesting event in banking is the increase in the bill holding of the nine leading banks of the country by 3,882 million crowns to 5,329 million crowns, and the enormous increase in the debt of the Reichsbank towards the National Bank of the Protectorate included under the heading of "other assets." They reached 12,957 million crowns on December 31, 1941, compared with 7,816 million crowns in December, 1940, and 3,791 million crowns in December, 1939. In Slovakia, German plunder is evident from the Slovakian clearing balance with Germany, which amounts to about 1,500 million crowns and represents mostly the wages of Slovak workers in Germany which they are obliged to pay to their relatives. Notes in circulation at the National Bank of the Protectorate reached 9,397 million crowns in December, 1941, compared with 6,345 million crowns in 1939.

Linseed has come almost solely from India. Ground nuts, because of their high oil-content, have been given preference over cottonseed and soya beans of low oil-content. The main business of the mills has been the production of edible vegetable oils, which, with whale oil, are the principal constituents of margarine. As most of the material has been submitted to the extraction or solvent process, the result has been a diminution of the proportion of straight-run oilcakes for cattle feed. An 8 oz. fats ration per head per week involves an annual output of approximately half a million tons of margarine and cooking compounds.

Dairy Produce.—The Lend-Lease Act greatly facilitated the supply to the United Kingdom of dairy produce, imports of which had been affected by the extension of the war to Northern Europe in the spring of 1940. Exports of eggs from Canada were expected to reach some 1,580,000 long hundreds in 1941, compared with 1,050,000 long hundreds in 1940 and a mere 150,000 long hundreds in 1939. Large contracts were also made with Australia, New Zealand and Canada for increased supplies of condensed milks and cheese.

Meat and Bacon.—Demand has necessarily been concentrated on North America, to the detriment of exports from the southern hemisphere. The internal consumption of bacon and pork in Canada was restricted, and the export of live pigs and pork prohibited, in order to increase the volume of shipments to this country. Production was encouraged by an increase in prices paid for livestock products, and it is hoped that exports of bacon may amount to some 5½ million cwt. in 1941-42, compared with about 4 million cwt. in 1940-41. The enforced reduction in British meat imports led to the accumulation of surplus lamb and mutton in Australia and New Zealand; and agreement was reached between the three Governments that the United Kingdom would continue to buy the normal quantities of foods from these Dominions and would pay half the costs of storing the unshipped surplus. There was a similar surplus of beef in Argentina, which was only partly offset by increased shipments of canned meats, supplies of which were also sent to Britain from the United States under the Lend-Lease Act.

Sugar.—On the international market, the marked increase during the year in the demand from American refiners, in anticipation of a rise in domestic consumption, caused a rapid shrinkage in the stocks of Cuban sugar and a sharp rise in prices on the American market; by the end of the year prices were double their level of twelve months earlier. Shipping difficulties were the major factor for Javan producers, and somewhat larger exports to Britain barely counterbalanced the loss of exports to Europe.

Tea, Coffee, Cocoa.—Britain's tea requirements were met by bulk buying agreements for 505,000,000 lb. Similar contracts for 1942, comprising 501,000,000 lb., were placed by the Ministry of Food in December last. The weekly ration remained unchanged in 1941, but it is possible that the loss of supplying areas may cause a reduction later. The West African cocoa scheme, by which the British Government buys the entire crops of British, French and Belgian Africa, was continued for the season beginning October 1, 1941. The scheme has resulted in a substantial financial surplus so far, which will eventually be made available to native planters. America's entry into the war and the shortage of shipping, however, may cause a loss during the current season. The British coffee market was well supplied in 1941. The Ministry of Food prepared the resumption of imports from certain areas, and announced the import of 9,000 tons of East African and Indian coffee in partial execution of its buying programme. On December 12th the Ministry announced a scheme to facilitate distribution and price control. The world coffee crop in 1941-42 suffered from damage, and reached only 23,000,000 bags, against 30,850,000 bags a year before.

Home Production

Statistics of output have not been published, except in isolated cases. The main developments during the year have been summarised on page 3; details for individual commodities are given below:

Wheat.—A fixed price of 14s. 6d. per cwt. ex farm was paid for millable wheat of the 1940 crop; this was changed to a stepped price rising from 14s. 6d. per cwt. in August-November to 15s. 9d. in February-March for wheat of the 1941 crop. A price of 16s. per cwt. has been announced for the next harvest.

Barley.—The price of malting barley was uncontrolled, and owing to the stoppage of imports and the shortage of animal feeding-stuffs there was a very large rise during the autumn of 1941. The index of barley prices compiled by the Ministry of Agriculture stood at 297 (1927-29 = 100) in December, 1941, compared with 84 for 1938. The price of malting barley is to be controlled in 1942-43, and the maximum price for feeding barley will be raised from 13s. 6d. per cwt. to 14s. 6d.

Oats.—A stepped price similar to that for wheat was in force for milling oats of the 1941 crop, with a starting point of 13s. 9d. per cwt., but in the case of oats this was a maximum and not a fixed price. A price of 14s. 9d. per cwt. will be paid for next year's crop; feeding oats will be controlled at 14s. 6d. per cwt.

Potatoes.—The complicated price schedules, with differential prices for the varying types and localities of growth, were designed to give growers of the 1940 crop an increase of approximately 20 per cent in their gross returns per acre, compared with the prices obtained in 1938-39. In order to offset the effect on the retail price of the normal seasonal rise in growers' prices, a subsidy was paid in the spring months of 1941. The price schedule for the 1941 crop (which substituted a fixed price for the previous range of maximum and minimum growers' prices, while leaving the retail price as a maximum only) was designed to prevent the increase in growers' prices from raising retail prices. A subsidy of £10 per acre was paid to all registered growers, and this amount, together with the price received per ton, was designed to increase the gross returns per acre by some 40 per cent over those obtained in 1938-39. A further increase of 5s. per ton has been promised for the 1942 crop. There was in 1941 a very large increase in the area under potatoes, and a further increase was planned for 1942.

Sugar Beet.—It was announced that about 350,000 acres of beet were grown in Great Britain in 1941, an area equal to the average of the immediate pre-war seasons, but that an increase had been planned for 1942. The price offered for the 1941 crop was fixed at 66s. 2d. to 68s. 2d. per ton of beet of 16.9 per cent sugar, but this price is subject to later modification, if costs are shown to have risen substantially. A price of 85s. 8d. to 87s. 8d. per ton has been announced for the 1942 season.

Milk.—The reduction in the supply of imported concentrates and the greater reliance on home-grown and more bulky feeds led to a general fall in milk yields, which was naturally more noticeable in the winter; production in England and Wales during 1941 was expected to equal 1,053 million gallons, compared with 1,076 million gallons in 1938. Further, there was a large increase in the consumption of liquid milk from 754 million gallons in 1938 to 945 million gallons in 1941; by the end of the year more than three million mothers and children were taking milk under the National Milk Scheme, and great efforts had been made to expand the milk-in-schools scheme as well. Consequently, milk rationing was put into force in November, 1941, and it was announced that it will be maintained during the next summer in order to conserve supplies for condensing. It was announced early in 1941 that the producer prices for the six summer months would be raised by 4½d. per gallon over those paid in the corresponding months of 1939, and prices for the six months of the winter 1941-42 would be raised by 10d. per gallon in October and March, 1s. in November and February, and 1s. 1d. in December and January over those received in the winter of 1938-39. Farmers were also promised that these prices would be subject to retrospective adjustment if they could prove that the rise had not covered their increased cost. Under this guarantee an additional ½d. per gallon was granted on milk delivered in the summer months; on account of the rise in wage rates in December, 1941, the prices for January-March, 1942, were also raised by a further 1½d. per gallon. Very strong pressure was also brought to bear to abolish the differential pool prices, so that all milk of standard quality would receive the same price throughout England and Wales.

Livestock.—The shortage of feeding-stuffs over the winter of 1940-41 induced an official campaign to cull from the beef and dairy herds the poor quality animals, which give little return, either in meat or milk, for the food they consume. Prices paid by the Ministry for animals of low killing-out percentages were consequently raised temporarily in the spring. During the whole of 1941 there was a strong demand for pedigree animals and for good quality dairy stock, while the suspension of the imports of store animals

from Eire between January and November (owing to foot-and-mouth disease) was a further factor in pushing up livestock prices. The prices of store sheep remained low, mainly because the conversion of pasture into arable land diminished the demand for the product of the hill sheep farms; there was, on the other hand, a strong demand for ewes of the heavy arable breeds suitable for folding on thin soils newly brought under the plough. Prices for the bacon weight pigs were raised from 20s. per score to 23s. per score in September, 1941, since it was then agreed that the reduction in numbers had gone far enough.

Poultry.—During the early part of the year packing stations authorised by the Ministry of Food were allowed to offer to farmers a price for their eggs higher than that obtained from other buyers. At the end of June the sale of eggs from flocks containing more than 50 birds was entirely restricted to the Ministry's agents; there was both a reduction in the retail price and a rise in producer prices. The index of farm egg prices compiled by the Ministry of Agriculture (1927-29 = 100) stood at 145 in December, 1941. Feeding-stuffs were issued only for specialist flocks on a restricted basis, for pedigree flocks and for backyard poultry fed partly on household scraps and town waste. The use of wheat for feeding farm animals (other than tail corn) was prohibited early in 1941.

The price indices calculated by the Ministry of Agriculture for farm products are given below:—

INDICES OF AGRICULTURAL PRICES (1927-29 = 100)

	1938		1941			
	Average	March	June	Sept.	Dec. (a)	
Wheat	95	141	143	139	141	
Barley	84	183	225	223	297	
Oats	79	163	154	159	162	
Fat Cattle	95	129	132	127	124	
Fat Cows	77	110	111	109	107	
Fat Sheep	69	103	111	114	115	
Fat Ewes	70	121	130	124	124	
Bacon Pigs	84	124	134	133	146	
Eggs	85	190	173	166	145	
Milk	100	161	149	149	186	
Cereals and Crops	86	149	164	160	168	
Livestock and products	88	143	139	137	148	
General Index	90	144	143	140	151	

(a) Provisional.

Rationing

The next table summarises the changes in the domestic allowances of rationed foods:—

CHANGES IN WEEKLY QUANTITIES OF RATIONED FOODS IN 1941

In force	Sugar	Bacon	Butter or Margarine	Margarine or Cooking Fats	Meat†	Tea	Cheese
1941 Jan. 1	8 oz.	4 oz.	6 oz. (not more than 2 butter)	2 oz.	1/10 (exc. offals and pork)	2 oz.	...
" 6	"	"	"	"	1/6 (incl. offals and pork)	"	"
" 13	"	"	"	"	1/2 (inc. offals and pork)	"	"
Mar. 10	"	"	6 oz. (not more than 4 butter)	"	"	"	"
" 31	"	"	"	"	1/- (inc. offals and pork)	"	"
May 5	"	"	"	"	"	"	1 oz.‡
June 9	"	"	"	"	1/- (exc. offals)	"	2 oz.‡
" 30	"	"	6 oz. (not more than 2 butter)	"	"	"	"
July 7	"	"	"	"	1/2 (exc. offals)	"	3 oz.‡
Aug. 25	"	"	"	"	"	"	"
Nov. 11	12 oz.	"	7 oz. (not more than 2 butter)	3 oz.‡	"	"	"
1942 Jan. 12	8 oz.	"	6 oz. (not more than 2 butter)	2 oz.	"	"	"

† Half rations for children under 6. ‡ Cooking fats only.
§ 8 oz. for agricultural and certain other workers; raised to 12 oz. from Dec. 15.
• During July an extra half-pound weekly was issued for jam-making.

Preserves and syrup were rationed from March 17th to one pound per month as a minimum: this was reduced to half a pound on May 1st, and became a fixed ration of one pound per four weeks from July 28th. Registration was also introduced for eggs, milk and onions. The allocation of eggs was approximately one a week in July and August,

three in September and two in October, November, December and January; children under six obtained four eggs per allocation period. A daily minimum of liquid milk was guaranteed to certain priority classes of consumers—one pint per day to expectant mothers and children under six and half a pint (in addition to the milk provided in schools) for children from six to seventeen years old. For ordinary consumers, it was hoped to supply about two pints of milk or milk equivalent (condensed or dried) per week during the winter months, but the difficulties of transporting small quantities of liquid milk made it impossible to secure an even geographical distribution of the limited supplies that remained when the claims of the priority consumers had been met. It was hoped to supply a minimum of two pounds of onions per registered customer during the winter of 1941-42 from the commercially grown crop. In addition to these commodity rations, a scheme of points rationing was introduced on November 17th for *canned meat and fish*, each consumer being allowed 16 points per four weeks.

Dried fruits, most types of pulse and rice, sago and tapioca were included from January 26, 1942, and the number of points was raised to 20 from the beginning of the rationing period on February 9th. Priority was given to children under six in the distribution of oranges; as imports of these were small and irregular, supplies were concentrated in turn in different localities. The Ministry of Food also provided for the free distribution of black currant juice to children under two, in order to ensure them an adequate supply of vitamin C which was formerly derived from imported fruit. The provision of works canteens, particularly at pit heads and in firms in the heavy industries, was pressed forward, as a means of giving supplementary rations to those engaged in heavy manual labour. Thus, during the year, there was both an extension of rationing for the ordinary consumer, in order to secure greater equality in distribution, and greater differentiation in rations, in order to improve the nutrition of certain classes of consumers.

Price Control

As measured by the Ministry of Labour's index of retail food prices (given below), food prices tended to fall throughout 1941:—

MINISTRY OF LABOUR'S INDEX OF RETAIL FOOD PRICES

	Sept., 1939	Dec., 1939	Mar., 1940	June, 1940	Sept., 1940	Dec., 1940	Jan., 1941
July, 1914 = 100	138	173	169	171	166	165	163
Sept., 1939 = 100	100	125	122	123	120	120	118

This fall was brought about by the Ministry of Food in order to implement the guarantee given by the Chancellor

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of the Exchequer in his Budget speech that the cost of living index would not be allowed to rise appreciably above the current level. As the clothing component of the cost of living index tended to rise during the year, a counterbalancing fall in the index of retail food prices was necessary to ensure stability in the complete index. Fish prices, which had more than doubled since the war, were brought under control in June and substantial reductions achieved. Stricter control over the distribution of eggs was coupled with a reduction in retail prices. The retail price of sugar sold for domestic use was reduced by 1d. per lb. in December, 1940, and again in December, 1941. The geographical variation in bread prices was reduced by Order to a uniform price of 3d. per quarter; in certain remote areas and sparsely populated districts a higher price was permitted under licence. Bakers obtained an increase in the subsidy paid on flour used in bread-making. During the spring months a subsidy was paid to allow the normal increase in potato prices to growers without a corresponding increase in retail prices, and the price arrangements for the 1941 main crop,

which include an acreage subsidy to growers, should ensure a lower average level of retail prices in 1941-42 than in the previous season. As a result of these measures, the total subsidies provided by the Ministry of Food to keep stable the general level of food prices were stated to have risen from about £80 millions in 1940-41 to £109 millions in 1941-42, plus £20 millions on the sea transport of food; of these £109 millions, the Government's milk policy was expected to absorb £18½ millions. In addition to the foods included in the cost of living index, other prices were controlled by specific Orders, most of which contained provisions regulating the maximum margins permitted to wholesalers, manufacturers and retailers. By the end of the year almost the only foods whose prices were uncontrolled were fresh vegetables (other than potatoes, carrots, onions and tomatoes), the more expensive varieties of fish and game, and certain manufactured foods, such as cakes and biscuits. The prices of chocolate and sugar confectionery were controlled in January, 1942, by means of a complicated system of classification worked out by the trade.

Raw Materials

ANGLO-AMERICAN demand for a large number of raw materials showed an appreciable expansion in 1941; in addition to the increase in consumption, large reserves were accumulated, especially by the Government of the United States. The problem of surplus capacity, created by the suspension of shipments to the Continent of Europe, gave way to one of scarcity; and, in the second half of the year, the production of many materials, especially minerals, reached new records. The need for expanding production was intensified by the loss of some of the Allied sources of supply. In the spring, they lost lead, copper, chrome and antimony in the Balkans; in the summer, they lost coal, iron ore, manganese and other supplies in Russia; at the turn of the year, they lost tin, rubber, tungsten, oil, oilseeds and other important materials in the Far East. The need for economy led to closer Government control in Great Britain and the United States and to the curtailment of civilian consumption.

In the United Kingdom, the Ministry of Supply continued to control all industrial raw materials except vegetable oils, which are controlled by the Ministry of Food, and light metals, including light metal alloys, which are under the administration of the Ministry of Aircraft Production. When the year opened the markets in three important raw materials—cotton, rubber and tin—still enjoyed a substantial degree of freedom. Control over cotton was tightened at the end of March; rubber was brought under control on April 27th, the date of the appointment of a Rubber Controller; and the market in tin was closed on December 8th after the Japanese attack on Pearl Harbour. The imports, exports, internal sales and purchases, stocks and prices of virtually all raw materials are strictly controlled. In many cases the Government handles imports and internal sales, employing private firms only as agents; in all others licensing by the Controls of the individual materials ensures control over their utilisation. The greater part of British raw material supplies from overseas is still covered by the bulk-purchase agreements concluded by the Government with the large Empire and Allied producers earlier in the war, although the passing of the Lend-Lease Act resulted in certain changes. Towards the end of the year the Prime Minister and the Minister of Supply led important negotiations in Washington, which included, *inter alia*, the pooling of all Allied raw material resources. These negotiations were successfully completed early in 1942. Thanks largely to the reduction in shipping losses during the second half of the year, the supply of imported raw materials in 1941 was adequate for vital needs, including the reduced requirements for vital civilian requirements. Prices at the end of 1941 were only slightly higher than a year earlier. At home, the output of coal is reported to have been slightly smaller than in 1940, but the production of iron ore showed a further expansion.

In the United States the production of raw materials reached high levels last year; only the cotton crop was comparatively small. During the year a number of expansion schemes for aluminium, magnesium and synthetic rubber were initiated, which will have far-reaching effects on Allied supplies. In addition to its domestic supply, the country absorbed the whole surplus stocks, and almost the whole of the current production of Latin-American raw materials, with metals ranking first. Despite their enormous supplies, the American Government introduced

numerous raw material conservation and priority orders, and in the case of rubber even ordered a general restriction of consumption from the middle of 1941. The outbreak of war in the Pacific resulted in a tightening of Government control, and there is a tendency towards complete Government regulation, although the system employed differs slightly from that adopted by the British Government. Raw material prices showed a rising tendency in the United States, but "ceilings" introduced by the Price Administrator kept the increases within comparatively narrow limits. In the case of crops, especially cotton, the advance was stronger than in minerals, a direct consequence of the country's farm policy.

Coal

It is estimated that the output of coal last year was about 8 per cent less than in 1940 and about 11 per cent below that of 1939. For this decrease the chief reason was the heavy decline in the number of persons employed. By the spring of last year over 120,000 miners had joined the Forces or migrated to other employments or Defence services. A large proportion of this number was replaced by unemployed miners and other entrants, but a big gap remained unfilled, and in June last there were employed only 690,000 as against 765,000 in August, 1939. Meanwhile, the weekly rate of output had dropped from nearly five million tons in May, 1940, to only just over four million tons in March, 1941, and, alarmed by the rapid depletion of stocks and the anticipated increased fuel requirements of essential industries, the Government in that month appealed to owners and workmen to raise production to a minimum average weekly rate of 4½ million tons. This quantity was needed to meet current needs and raise stocks from the then low level of 15 million tons to 39 million tons, including an increase in the stocks at Government dumps from one million to five million tons. Inland transport facilities had recovered from the dislocation caused by the 1941 winter snowstorms and frosts and were favourable to the execution of the Government programme, but the handicap of a severe labour scarcity was accentuated by increased absenteeism, greater fatigue through co-operation in Civil Defence services, a persistent though diminishing drift of skilled men from the pits to the Forces, and widespread discontent among the miners at the disparity between their earnings and those of munition workers. On May 15th the Essential Work Order, with its guaranteed week and its ban on migration to other employments, was applied to the industry, and from June 1st the workmen were given a bonus of 1s. per shift as an incentive to more intensive individual effort. These measures, however, had little immediate effect, and a compulsory registration on July 17th-18th of all workmen between 20 and 60 years of age who had been employed in coal mining for six months or more since the beginning of 1935 only increased underground personnel by 17,000 after allowing for the natural wastage and loss of labour from other causes. In these conditions there were weeks when current production was barely equal to current consumption, and the best weekly output during the year fell short by about 5 per cent of the 4½ million ton target figure.



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Of the year's reduced output the home market absorbed about 95 per cent compared with 77 per cent in 1938. Towards the end of the year exports were sanctioned only in very exceptional circumstances, and of the year's actual overseas shipments, bunkers accounted for 55 per cent and cargoes for 45 per cent. In the inland trade—where, incidentally, commercial disposals were about 1½ per cent less than in 1940—distribution was subject to the priority system and the Government stocking policy. By agreement between the Mines Department and the merchants, but at the cost of some inconvenience and expense to consumers, grades of domestic coals were reduced to four and of other fuels to three, and the public was asked to be satisfied with what coal it could get instead of its customary qualities; but neither essential industries nor public utilities went short for any length of time, and it is estimated that in December stocks exceeded 30 million tons.

In the regulation of prices the Mines Department authorised pithead increases only in cases of proved need, and anomalies in delivered prices, due to differences in transport costs of railborne and seaborne coal, were removed by methods of subvention. During the year wages were raised under the cost of living sliding scale by 6d. per shift on January 1st and by 4d. on July 1st, while on June 1st both the 1s. per shift attendance bonus and the guaranteed wage (for which the Government authorised a levy up to 6d. per ton) became operative, but the only flat rate price advances sanctioned by the Mines Department to meet these charges as well as other increased costs were 8d. per ton on January 1st and 10d. per ton on June 1st. Differential price increases were also granted to individual districts, and over the year local increases in proceeds ranged from 2s. 9d. to 4s. 2d. per ton, against which there were increases in wage costs ranging from 1s. 8½d. to 2s. 5½d. and in other costs from 10d. to 1s. 6½d. per ton. Profits improved substantially in Northumberland, Durham and South Wales, although averaging less than 1s. per ton, but in other areas they closely approximated those of 1940. The Coal Mines (War Levy) Scheme was amended so as to limit the compensation payable in the case of undertakings showing credit balances, and in June the levy was reduced to 2d. per ton, but the Central Council was given statutory power to grant additional financial assistance to collieries whose coals were necessary in the national interest. The guaranteed wage levy was raised from 1½d. to 5d. per ton.

Industrial relations were on the whole friendly, and the number of days lost through disputes was only 334,000, as against 505,000 in 1940. Co-operation was active on the joint District and Pit Production Committees as well as on the Coal Production Council. An application by the workmen for the establishment of a National Board was rejected by the owners on the ground that it violated the national settlement of March 20, 1940, providing for the continuance of district wage agreements for the period of the war, and by the Government on the ground that the "subject of rates of wages was a matter for negotiation under the existing machinery."

Oil

In the United Kingdom the year was marked by a tightening up of petrol rationing in Great Britain. The basic ration for public service vehicles was abolished in September, all issues thereafter being subject to the discretion of the Regional Transport Commissioners. For goods vehicles the basic ration was cut by one-sixth in May and by one-fifth in October (making a total reduction of one-third) and abolished altogether on March 7, 1942. For the first time since the beginning of the war, the private motorist's basic allocation was reduced by one-sixth for the quarter ended October and again by a similar amount in February-April, 1942. In addition, the grant of supplementary allowances for all classes of consumer was tightened up. Little headway was, however, made in the use of producer-gas vehicles, but in November the Henley Committee was asked to consider the availability of fuels for such vehicles.

Wholesale prices were advanced in July (this being the only change of the year) as follows: Kerosene by ½d. a gallon; gas oil by ½d. and diesel and fuel oil by 1d. Motor fuel was not affected, but was included in the list of price increases made in February, 1942. These were as follows: Petrol and kerosene (except burning oil), 1d. a gallon; diesel oil for road vehicles, 1½d.; gas oil, diesel oil and fuel oil, 1½d. a gallon. Prices for lubricants were advanced a week earlier. The retail price of petrol over most of the country is 2s. 1½d. a gallon and the wholesale price 1s. 10d.

As before, Britain's only oil problem was that of transport. Heavy tanker losses in the spring and early summer made it necessary to appeal to the United States for assist-

ance, and a considerable number of American tankers (estimated at about eighty) was transferred to British service. Since these vessels had to be taken mainly from the American coastal trade, a tight supply position inevitably developed on the Atlantic seaboard, which is normally supplied almost entirely by sea from the Gulf of Mexico. Appeals to American motorists to save fuel and the 7 p.m. to 7 a.m. closure of filling stations proving ineffectual, Mr Ickes (who had at the end of May been appointed Petroleum Co-ordinator for Defence) was forced in August to order a 10 per cent cut in supplies to filling stations in the eastern states. These restrictions were lifted in October, a sharp reduction in tanker losses having made possible the return by the British authorities of most of the borrowed vessels. The improvement was short-lived, for the entry of America and Japan into the war was followed by a serious increase in the rate of tanker losses. However, an enormous tanker building programme is under way in the United States, and the chairman of the Maritime Commission stated in January, 1942, that 208 tankers, with a gross tonnage of 2,196,000, would be constructed by the end of 1943. The United States is also assisting the Allied cause by arranging to step up its 100-octane aviation gasoline capacity to around 150,000 barrels a day (say, 6,000,000 tons a year) by the beginning of 1943 and to turn out some 400,000 tons of synthetic rubber annually, mainly from petroleum products.

Though German oil requirements on the eastern front cannot be accurately computed—estimates for consumption at the height of the campaign range from 300,000 to 2,000,000 tons a month—the invasion of Russia undoubtedly made serious inroads into Nazi stocks; but there is no conclusive evidence of a shortage of oil for military purposes. During most of 1941 the Germans had complete control of the Roumanian oil industry, which probably produced about 5,500,000 tons, and were certainly continuously extending their own coal-oil industry—to a present capacity of perhaps 5,000,000 tons a year. Besides these supplies, the output of petroleum and of substitute motor fuel in German-Europe was of the order of 2,000,000 tons in 1941. Drastic restrictions on civilian consumption were enforced, and considerable progress was made with producer-gas vehicles, of which there are now about 150,000 in German-Europe, besides more than 70,000 in Sweden and small numbers elsewhere.

The disasters which befell the United Nations in the Far East after December 7th made it necessary for them successively to destroy the oil wells and refineries of British and Dutch Borneo, Tarakan, Sumatra and Java, thus forfeiting an annual production of over 8,000,000 tons. In addition, by early March the Burmese fields had been rendered practically useless owing to the Japanese threat to Rangoon, where the refineries are situated.

Oil production in the United States rose by 4 per cent to some 200 million tons in 1941. Russian output is thought to have been somewhat larger than in 1940 at about 34 million tons, while Venezuelan production rose by over 20 per cent to 32 millions. Loss of markets was the cause of lower production in Iran, Iraq and the Netherlands Indies; but the Empire producers of Trinidad, Canada, India and Burma—as well as Egypt—recorded a modest advance. Apart from Venezuela, production in Latin America showed little change.

Non-Ferrous Metals

In the United Kingdom the organisation of the copper, lead and zinc control remained unchanged, and prices were maintained at the levels fixed in December, 1939. The bulk supply agreements concluded between the Ministry of Supply and the chief Empire producers in October, 1939, which were supplemented by a copper supply agreement for 116,000 tons with the Belgian Congo early last year, continued to provide the chief basis of supplies. On the whole, supplies of copper, lead and zinc were adequate to meet vital needs. In the case of lead, supplies were even excessive, due partly to the much reduced civilian consumption and the recovery of large quantities of scrap lead from bombed buildings.

Tin.—The market in the United Kingdom in tin remained free until December 9th, when, as a result of the outbreak of the war in the Pacific, a new Order bringing all stages of tin trading, including consumption and stocks, under Government control, was issued. The tin market of the London Metal Exchange, the last surviving British metal market, was closed on December 8th. Prices of tin in this country were depressed during the greater part of the year. The highest price of the year was reached on Feb-

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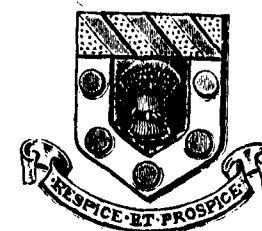
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ruary 21st—£282 10s. per ton—and the lowest price—£255—was quoted on October 30th. Domestic supplies of tin were excessive in the second half of the year, a direct result of the interruption of exports since April. As a result, visible stocks of tin in official warehouses in this country advanced from 2,145 tons at the beginning of May to 6,517 tons on December 5th, the last date for which figures were published. In the same period, however, the Ministry of Supply acquired quantities of tin directly from smelters and on the open market to prevent a major reaction in prices. Following the closing of the London market, the Ministry of Supply supplied consumers at £275 per ton delivered buyers' premises, a price which was confirmed as the official price early in 1942.

In the United States, consumption was high, probably exceeding 90,000 tons, against 74,050 tons in 1940. Deliveries however, reached almost 150,000 tons, against 115,497 tons in 1940, a reflection of the accumulation of stocks. Total stocks of tin at the end of the year, including 24,000 tons of tin in concentrates accumulated at Texas City, are believed to have reached 158,000 tons. The Texas City smelter approached completion at the end of the year and is expected to come into production in April, 1942. Owing to the Government's desire to accumulate a large strategic reserve, the export quota under the international regulation scheme has been kept at 130 per cent of the basic quota since the middle of 1940. The international tin agreement terminated at the end of 1941, but in November a decision was reached to extend it on a revised basis for a period of five years. But the Far Eastern sources of supply have now been lost to Japan. The latest world production figure published by the Tin Research Institute covers the first ten months of 1941, when 209,500 long tons were produced, against 187,600 tons in the corresponding period of 1940. World consumption in 1941 has been estimated at about 160,000 tons.

Aluminium.—This metal was controlled by the Ministry of Aircraft Production throughout 1941. However, the Aluminium Control was enlarged into a Light Metal Control, covering, besides aluminium, magnesium and all light alloys. British production of aluminium and magnesium are believed to have increased, but the bulk of British requirements had to be imported from North America, where the output of the United States exceeded 300,000 metric tons, against 187,100 tons in 1940, and that of Canada is believed to have reached 150,000 tons, against 110,000 tons. Aluminium prices remained unchanged in this country, but in the United States they were reduced to 15 cents per lb. on October 1st, against 17 cents at the end of last year.

Textile Raw Materials

Cotton.—Government control over raw cotton was tightened in 1941. The Liverpool cotton market was closed on March 31st, and official maximum prices were fixed on the basis of the Liverpool closing quotations on that date. Simultaneously, stocks (except consumers' holdings) and all new imports from April 1st were requisitioned by the Government. Imports and distribution were placed into the hands of Cotton Importers and Distributors, Ltd., which acted as agents for the Cotton Controller. Early in January, 1942, it was decided to discontinue the contract with this company on March 31st, when the Controller will take sole charge of imports and distribution. The consumption of cotton continued to decline. The New York Cotton Exchange Service has estimated British consumption during the season ended July 31, 1941, at 799,000 bales of American cotton (against 1,428,000 bales in 1939-40) and at 1,311,000 bales of other growths (against 1,565,000 bales in the previous season).

The world cotton crop for 1941-42 has been estimated at 26,710,000 bales, against 28,683,000 bales in 1940-41. The fall is due chiefly to the lower American crop, which in the last official estimate was reported at 10,976,000 bales, against

12,686,000 bales a year earlier. World consumption totalled 26,542,000 bales in 1940-41, against 28,486,000 bales in the preceding season.

Wool.—Growing shipping difficulties caused the Government to curtail raw wool allocations, but the selection of supplies for civilian needs was greater than in the preceding year, and included more crossbred wool. The combined wool clips of Australia, New Zealand and South Africa in 1940-41 at about 1,680,000,000 lb., showed an increase of 10,000,000 lb. on the year, although Australia's clip registered a fall. Following their setback in the first war season, exports from Argentina and Uruguay reached record rates in 1940-41. The great bulk of the Plate supplies was taken by the United States, which also received larger shipments from Australasia and South Africa. The British wool reserve in the United States (about 250,000,000 lb. Australasian wool) was handed over to the American Government as an emergency stock, but the British Government has built up a new reserve of Cape wool. The outbreak of war in the Pacific curtailed Australasian shipments in the last month, but stocks in Great Britain are believed to be substantial.

Other Materials.—Amongst other textile raw materials, supplies of flax were increased as a result of the Empire production drive, but military needs prevented allocations for civilian purposes. Silk remained very short. Control of jute was tightened, and on October 6th the Jute Controller of the Ministry of Supply took over all imports at a fixed price. The Indian crop for 1941-42 was estimated at 5,422,500 bales, against 12,562,452 bales a year before. Despite the sharp decline, the crop was larger than expected. The Government continued its bulk buying of East African sisal. Production in East Africa, which was reduced from 130,000 tons to 100,000 tons in the first two years of war, will probably be stepped up again owing to the loss of supplies of hard hemp fibres in the Dutch East Indies and the Philippines.

Rubber

THE British market in rubber remained free in the early months of the year, but subsequently it was brought under complete Government control. On April 27th, Sir Walrood Sinclair was appointed Rubber Controller. His first move was to introduce a Government rubber import monopoly early in May. Prices remained free until October 9th, when a maximum of 13.75d. per lb. was fixed for standard ribbed smoked sheet. This rate was fixed until March 31, 1942. Before the fixing of a maximum price the average monthly London price had fluctuated between 1s. 0½d. in January and 1s. 2½d. in April. It subsequently declined slightly, and the September average equalled the official maximum, fixed in October. Following the outbreak of war in the Pacific, all stages of rubber dealings were brought under a licensing system. On December 22nd control was vested in a Rubber Control Board under the chairmanship of Sir George Beharrel, which prepared certain economy measures including the prohibition of rubber consumption for certain purposes and the introduction of a licensing system for others. On January 9, 1942, control was retransferred to a Controller, Mr F. D. Ascoli, and the Control Board was continued as an advisory body.

In the United States, an import monopoly was introduced in June, followed by a systematic restriction of consumption from July 1st. The American buying programme was extended by the conclusion on March 7th of a new agreement for 100,000 tons, raising it to 430,000 tons. Early in the year the Government made some allocations for the construction of four small synthetic rubber works, a scheme which was expanded enormously following the outbreak of war in the Pacific. Present plans, announced in January 1942, provide for the installation of capacity with an annual production of 400,000 tons of synthetic rubber, but there are some unconfirmed reports that facilities are thus to be increased to yield 600,000 tons per annum.

Manufacturers

THE process of changing-over from the manufacture of civilian goods to the production of war equipment continued during the past year. By the end of the year the proportion of manufacturing resources devoted to the production of civilian and export goods had been substantially reduced, and the output of goods essential to the war had been appreciably increased. Many civilian industries, such as the manufacture of motor vehicles and wireless sets, have been completely, and other industries largely, converted to war production. The building industry has been occupied

in constructing the many new war factories that had been planned, and the peak of the construction programme has now been passed. A detailed record of the experience of the major industries cannot be given at this stage; neither the requisite statistics nor space are available. The iron and steel, shipping and shipbuilding, and the principal textile industries have been selected for brief reference. An account of the building and civil engineering industries, which was included in last year's *Co. & Commercial History*, was given in *The Economist* of February 22nd.

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Iron and Steel

THE principal task of the iron and steel industry last year was to overcome the difficulties in maintaining a flow of production adequate for the fulfilment of the Government's construction and munitions programmes. One set of difficulties arose from the loss of many of the customary sources of iron ore supplies and another from the reduction in scrap deliveries from the United States. In addition, the iron and steel industry had to adapt its output to the changing needs of war. The industry's experience has been described as follows in the *Iron and Coal Trades Review* of January 9, 1942:—

The impact of war has inevitably led to disturbance of the traffic in imported ores. Access to many of the more important sources of supply has been completely severed. The other sources of foreign ore which we have been able to tap are by no means so conveniently situated as those normally used, and longer sea routes increase the burden on the mercantile marine at a period of extreme pressure. In these circumstances there have been substantial changes in furnace burdens, and the experience which has been gained may be of lasting benefit. At all events, it has been found possible to make much more extensive use of home ores and the output of these has been substantially increased.

In regard to scrap supplies a somewhat similar story can be told. Our dependence upon imported material has been progressively reduced by a round-up of scrap from home sources.

The manufacture and disposal of steel products have come under no less careful scrutiny. A number of plants whose products were not requisite for the production of the war have been closed down.

Distribution is controlled by an elaborate licensing system, which enables the authorities to direct the flow of material to destinations where it is most needed, and to keep a complete check on the uses to which the steel output is applied.

Increased use of domestic scrap and ore and the control of the distribution of steel: these were the chief measures applied to overcome the difficulties of steel supplies. On the whole, the output of crude steel, though somewhat below the industry's capacity, has been fairly well maintained; moreover, domestic production has been supplemented by heavy imports from the United States.

While iron and steel prices were raised several times in 1940, there has been no general increase in 1941.

Shipping and Shipbuilding

DURING the first six months of the year merchant shipping losses through enemy action were heavy; they totalled some 2,600,000 gross tons of British, neutral and Allied vessels. The rate of loss showed a sharp reduction in the second half of the year, when, according to the annual report of the Chamber of Shipping, they averaged some 180,000 per month, a total of about 1,100,000 gross tons for the period. It therefore appears that for the year as a whole the tonnage lost, at 3,700,000 gross, was almost as high as in 1940, when it totalled 3,800,000 gross tons of British, neutral and Allied shipping. Towards the end of the year, when Japan entered the war, the rate of loss again showed a serious increase.

Strenuous efforts were made by British shipyards to make good as large a proportion of the losses as possible. But owing to the urgent need for new naval vessels and the large volume of repair work, the output of merchant ships in the United Kingdom remained substantially below the rate of loss. During the first two years of war output is believed to have totalled about 1,500,000 gross tons, but the rate of production is understood to have increased in the second half of last year. The expansion programme in the United States was still in its initial stages last year, when the gross tonnage launched was well below the 1,000,000 mark; but for the current year an output of about 5,000,000 gross tons is envisaged.

The cost of running ships continued to rise in 1941, but, according to the annual report of the Chamber of Shipping, the rates of hire paid by the Government on the whole represent a fair bargain "within the narrow limits laid down." But it is again pointed out that "they make no provision for reserves to meet the high cost of replacement, nor do they contain any margin for contingencies." Shipbuilding costs have risen substantially, and are now some 60 to 80 per cent above the pre-war level.

Cotton Textiles

ON February 7, 1941, it became generally known that Sir Percy Ashley, the Controller, had said that production must be drastically cut. On March 1st came the first substantial

cut in raw cotton supplies to spinners, and from that date the concentration machine gradually squeezed the industry into the narrow proportions of its wartime rôle.

Because of the drastic reduction of supplies to spinners, the yarn section seemed at that time to be the most appropriate section for concentration. Spinning output was reduced to between 50 and 60 per cent of capacity by keeping some mills, which were named nucleus, open, and closing the remainder. Had this plan worked smoothly, the industry might not have suffered from the shortage of yarns it has experienced ever since. The operatives refused, however, to await the official axe, and, since all were threatened, thousands anticipated it by finding alternative employment in munitions. Thus the intention to transfer operatives from closed to nucleus mills to bring up staffing to full requirements went awry. The industry's leaders have spent much time ever since trying to get operatives back into the trade. Probably because of this experience, the authorities dealt more gently with the weaving branch and aimed at creating a surplus of machinery which could be brought into operation when the yarn position improved. The Essential Work Order was applied to both branches as a preliminary move to the decision, which it became evident towards the end of the year must be made, of listing cotton as a vital war industry. It was impossible to avoid the reflection that the final production position reached, after one of the worst upheavals in the industry's history, was a spread-over system which had been recommended in the first place by the trade's leaders, but rejected by the Government, which asked it voluntarily to bow its neck to the axe or have it forced on the block.

Hopes of compensation for being closed down were moderated by the Treasury to "care and maintenance" payments provided by funds to which all nucleus concerns contributed. From these, closed spinning mills drew at the rate of £7,000 a year for 100,000 spindles—terms which made them increasingly restless, as they did not provide for depreciation or payments to shareholders—and weaving sheds drew a maximum of £6 a loom of 40-inch reed space a year.

As a consequence of growing labour shortages in all production branches, operatives were able to make progress in wage claims apart from the agreement to tie wages to the official cost-of-living index by which they had risen 32½ per cent above pre-war rates by the end of the year. For the first time in the industry's history, weavers were guaranteed a minimum wage, and concessions were also granted in the spinning section, though the scarcity of labour suggested that these were preliminaries to more substantial claims to offset some of the peace-time misery which under-employment had caused in Lancashire.

The constriction of cloth merchandising marched alongside concentration. Total exports of yarn in 1941 were 28,800,000 lb. as compared with 66,700,000 lb. in 1940 and 113,900,000 lb. in 1939. Piece-goods shipments were 783,600,000 square yards as compared with 978,379,000 square yards in 1940 and 1,393,800,000 square yards in 1939. Towards the end of December the Cotton Board stated that new buying and market allocations for the first three months of 1942 would be 50 per cent of allocations for the four months ending December 31, 1941, and that the remaining 50 per cent would be held up pending Government consideration and whether changes were desirable following Japan's entry into the war.

This announcement, together with the fact that even a 20 per cent home trade quota had been extremely difficult to fill, foreshadowed the final phase of still less ordinary to commercial trade and the industry's capacity reduced to British and Allied war needs. Special attempts were made to meet the urgent needs of Russia and Australia, and it became clear that these war calls would be the chief concern of the exporting community. By the close of the year, practically the only active civilian markets were South Africa, Canada and South America.

Wool Textiles

THE wool textile industry underwent many changes during the year; the production of uniforms set a record for wool consumption. A system of priorities, giving first place to Government requirements, second place to exports, and what remained for home civilian trade, was established. There was no difficulty in supplying Government requirements for uniforms, and large stocks were accumulated.

While exports of wool yarn and tops continued to shrink during the year, shipments of tissues were bigger in volume than in 1940 and not far below the pre-war level. The course

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of exports of yarn, tops and tissues since 1938 is shown below:—

	Yarn (‘000 lb.)	Tops (‘000 lb.)	Tissues (‘000 sq. yds.)
1938	35,000	32,454	90,554
1939	31,000	33,848	93,480
1940	15,000	28,470	83,045
1941	11,762	16,169	86,339

The divergent trend of exports of yarn and tops and of tissues is ascribed partly to the fact that while shipments of the first two were restricted by the operation of a licensing system, those of the last were virtually unrestricted. Since returns concerning the destination of exports of tissues are not available, it is difficult to ascertain how far the recovery in shipments of tissues during the second half of the year was due to the supplies sent to Russia. It is unlikely, however, that the improvement will continue, for the need to economise wool and labour has made necessary the extension of the licensing system to woven wool goods and blankets.

In addition to quotas fixed by the Limitation of Supplies Orders, the solution of the problem of civilian supplies was promised through the utility clothing scheme. Types of fabric were specified under the Limitation of Supplies (Cloth and Apparel) Order, and margins and prices fixed. A larger quota was allowed for the manufacture of utility cloth than for the ordinary trade.

Less raw wool was imported than had previously been possible, and this fact may have led to the extension of control to fibres which previously were free. Like the cotton trade, the wool textile industry was affected by the call for manpower, though it did not suffer to anything like the same extent. Production was concentrated into fewer mills after protracted negotiations, and had the effect of releasing workers, factory space and of saving coal. The extension of the war created new demands for woollens and blankets, which were sent to Russia, and the Polish Army in Russia was equipped with British uniforms.

Wool, tops and noils recorded no price changes during the year, and there were only slight changes in yarn quotations. The only changes were in 1/16s lustrés (40/44s), which rose from 3s. 5d. per lb. to 3s. 6d. on June 30th, and 2/48s (64s average), which rose from 5s. 7½d. per lb. to 5s. 9d. on June 30th and to 5s. 11d. on December 23rd. The concessions which had been allowed on the usual rates for export orders tended to disappear when utility cloths were introduced.

Retail Trade

THE chief influences in retail trade were the reduction in new supplies of goods covered by the Limitation of Supplies (Miscellaneous) Order and the introduction, on June 1st, of the clothes rationing scheme which is described below. Their effect was to reduce still further the volume of non-food sales, though the full impact of the reduction was cushioned by the existence of stocks which are now dwindling rapidly. Turnover in food, on the other hand, appears to have been fairly well maintained.

PERCENTAGE CHANGE IN VALUE OF RETAIL SALES FROM CORRESPONDING MONTH A YEAR AGO

	Food and Perishables	Other Merchandise
1941 February	+ 3.5	+ 1.8
March	- 2.1	- 2.1
April	+ 0.9	+ 2.9
May	- 4.3	- 2.4
June	- 3.1	+ 6.8
July	- 6.7	- 15.9
August	- 1.9	- 10.8
September	- 0.8	- 8.2
October	+ 0.2	- 23.5
November	- 0.4	- 2.3
December	- 1.9	- 7.4
1942 January	- 1.1	+ 12.0

Changes in the value, as distinct from the volume, of sales are shown by the accompanying tables. The first shows, for each month of the retail year 1941-42, the percentage change in food and non-food sales from the corresponding month of the preceding year. The value of food sales has shown comparatively little variation, but that of non-food sales showed a sharp reduction after June.

In the second table the value of turnover in 1941-42 by commodities and districts is compared with sales in 1940-41.

Rayon

DURING the early part of 1941 the rayon industry was actively engaged on developing export markets. Stocks of rayon goods on home account were very large, and there appeared to be little urgent necessity to increase them. In the spring, the process of "concentration" of the rayon yarn producing industry was carried out, and two or more units were closed down, the remaining production being concentrated in or near the Lancashire area, where consumption is greatest. By this means valuable labour and space was freed in the munition areas without impairing the efficiency of the industry. A factory built on the latest labour-saving lines was brought into fuller use and did much to offset the inevitable rise in overhead costs. Prices of rayon were increased, but the advance since 1939 was less than that in other textiles. With the industry on a much reduced output schedule, it became evident that if the export trade were to be continued at the same level, a very serious shortage would occur on the home market in the spring of 1942. It was therefore found necessary to reduce the export trade and to concentrate, in the case of the weaving-end, nearly three-quarters of the total output mainly on the production of the new type of "utility" goods. No details are available, but it is certain that in the hosiery trade an even larger proportion of the production was directed to the home trade. In hosiery rather more than in weaving, lack of silk supplies had laid an additional burden on rayon. The advantages in shipping space and foreign exchange of producing rayon rather than other textiles caused diversions from both cotton and wool, as well as silk.

During the whole of the year the official Rayon Control remained in abeyance and the industry managed its own affairs. The rayon producers set up a Rayon Allocation Office, and it was not until after the end of the year, when conditions of supply became very difficult, that the Ministry of Supply arranged for the approval of orders to be carried out by the Cotton Control. Under this arrangement, after the orders are approved, yarn supplies are still allocated by the industry through the Rayon Allocation Office, except in the case of staple fibre yarns, which are allocated by the Cotton Control. Export allocations which are not restricted officially to particular markets are issued by the Cotton Board. These arrangements refer only to the weaving of rayon cloth, and others will be announced for hosiery and ribbons. Meanwhile, the rayon industry has set up a Rayon Council, which includes all sections of producers and users.

Stocks

The total value of sales last year was only 3.2 per cent smaller than in 1940; food sales fell by 1.5 per cent and non-food sales by 5.4 per cent. But in view of the marked

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

	(a) By Commodities	Stocks (at Cost) End of January, 1941
Non-food merchandise:—		
Piece goods	+ 4.5	+ 15.4
Women's wear	- 10.2	+ 15.6
Men's and boys' wear	- 13.5	+ 15.9
Footwear	- 0.8	+ 15.7
Furnishing departments	- 0.5	- 7.7
Hardware	- 5.6	+ 0.3
Fancy departments	+ 3.5	+ 0.9
Sports and travel requisites ..	- 11.1	- 14.5
Miscellaneous	+ 1.8	+ 8.0
Total	- 5.4	+ 9.1
Food and perishables	- 1.5	+ 0.4
All departments	- 3.2	+ 7.9

	(b) By Districts	Stocks (at Cost) End of January, 1941
Scotland	- 0.3	+ 6.5
North-east	- 1.3	+ 6.3
North-west	- 1.6	+ 9.5
Midlands and South Wales	- 2.4	- 5.6
South of England	- 2.6	+ 4.5
Central and West-end London ..	+ 2.1	+ 16.0
Suburban London	- 4.5	- 3.4

rise in the prices of many non-food items, the decline in the volume of sales must have been substantial.

Except in the piece-goods section and in the fancy departments, the value of non-food sales showed a reduction from 1940-41. The experience of the various districts shows little variation; apart from the 2.1 per cent increase in the total value of sales in London, all other districts recorded declines ranging from 0.3 per cent in Scotland to 4.5 per cent in suburban London.

The value of stocks (at cost) at the end of January was 4 per cent higher than a year earlier in the case of food-stuffs and 9.1 per cent higher in the case of other merchandise. But as the prices of the latter have risen by considerably more than 9.1 per cent, the volume of stocks must be appreciably smaller than a year ago.

Clothes Rationing

THE rationing of clothes to consumers was introduced by the Board of Trade on June 1st, 1941. Each individual was allowed a total of 66 coupons for the rationing year, June, 1941-May, 1942, and garments were rated according to the amount of material contained in them. The accompanying table gives some examples. There were certain exceptions to the scheme: protective clothing, hats, clothes for children under four years of age, second-hand clothes, household linens, furnishing fabrics and blackout material. The effect of the scheme as far as the retailer was concerned was that replacements depended on his turnover; they could be made only against coupons surrendered to the manufacturers. A short period was allowed in which coupons could be accumulated without coupons. Modifications in the coupon rating were soon introduced, differentiating between garments made of wool and other textiles, and coupons were required to be surrendered for second-hand garments above certain prices. Lower coupon ratings were allowed between July 6th and August 16th to enable retailers to clear stocks of certain summer garments which had sold slowly owing to the unseasonable weather before rationing was begun. It became necessary to ration babies' clothing, since the materials from which they were made were required coupons. From August 12th expectant mothers were able to obtain 50 coupons, and babies were allowed a proportion of the year's coupons at birth. The principle that rationing, to be successful, must be accompanied by price control was recognised. The fact that the ration would allow only for about half the pre-war purchases of clothing to be made meant that steps must be taken to ensure that a sufficient supply of cheap clothing should be available. To this end, the utility clothing scheme was planned, by which specifications for materials were laid down, for manufacture outside the usual quotas, and profit margins and maximum prices fixed, both for the cloth and for the garments.

Ration cards were available only to civilians, but members of the armed forces were permitted to purchase certain

garments not issued to them, on production of a certificate signed by their commanding officer. Officers were permitted to buy clothing for their own personal needs, on

CLOTHING COUPON RATINGS

Type of Garment	Man	Woman	Child
Overcoat, fully-lined and woollen, leather or fur	Coupons 18	Coupons 18	Coupons 11
Jacket, coat, blazer:—			
(a) Lined, and woollen, leather or fur	13	12	8
(b) Unlined, not woollen	6	6	4
Sweater, jersey, jumper, pullover, etc.:—			
(a) 10 oz. or over in weight (7 oz. for children)	8	8	5
(b) Under 10 oz.	5	5	3
Trousers, slacks, etc.:—			
(a) Lined and woollen	11	...	8
(b) Unlined and not woollen	5	5	4
Skirt, divided skirt:—			
(a) Woollen	...	6	4
(b) Not woollen	...	4	3
Kilt	16	14	8
Dress, gown, frock:—			
(a) Woollen	...	11	8
(b) Not woollen	...	7	5
Shirt:—			
(a) Unlined and not woollen	5	5	4
(b) Lined and/or woollen	7	7	6
Blouse, shirt-blouse, shawl, plaid:—			
(a) Woollen	...	6	4
(b) Not woollen	...	4	3
Overall or apron:—			
(a) Not over 3 sq. ft. in area	1	1	1
(b) Over 3 sq. ft. in area	3	3	3
(c) Not woollen, with sleeves	7	7	5
Dressing-gown, housecoat:—			
(a) Woollen	6	8	7
(b) Not woollen	7	7	6
Pyjama suit, nightshirt	8	8	6
Nightdress	...	6	5
Petticoat, slip, etc.:—			
(a) Woollen	7	6	4
(b) Not woollen	5	4	3
Brassiere, bust bodice, etc.	...	1	1
Vest, pants, etc.	4	3	2
Non-woollen half-hose or women's ankle-socks	1	1	1
Socks, stockings	3	2	1
Collar, tie	1	1	1
Handkerchiefs:—			
(a) Small, less than 1 sq. ft. in area	1	1	1
(b) Large, not more than 2 ft. in length and breadth	1	1	1
Boots, shoes, overshoes, etc.	7	5	2
Scarf:—			
(a) Over 5½ sq. ft.	2	2	2
(b) Over 5½ sq. ft.	1	1	1
Gloves:—			
(a) Containing leather or fur	2	2	2
(b) Not	1	1	1
Fur cape, bolero, jacket, etc.	...	6	...
Cloth	Woollen Coupons	Other Coupons	
Width: 27-33 inches	2½	1½	
40-45 "	3½	2½	
60-63 "	5	3½	
And for every 6 inches or part thereof in excess of 63 inches	1	1	

signing the retailers' bill, which then became a coupon equivalent document.

Towards the end of the year the Board of Trade made a survey of the way in which consumers expended their coupons. The survey showed that spending was wise and evenly distributed over the period covered.

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THE ECONOMIST INDEX NUMBER OF WHOLESALE PRICES

Commodity	Unit of Measurement	Average						1941 (End of Month)											
		1929	1932	1938	1939	1940	1941	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Cereals and Meat	1913=100	135.6	95.4	111.7	103.1	129.6	138.8	137.1	135.0	134.5	136.1	137.2	134.5	140.4	138.7	140.5	142.4	143.9	146.1
Other Food	"	136.8	99.6	113.5	104.5	130.4	151.6	139.9	145.6	147.7	148.6	148.8	154.0	155.7	156.5	156.8	157.0	157.0	157.0
Textiles	"	141.9	75.7	83.2	90.5	131.4	142.3	136.0	136.7	137.7	139.4	141.1	144.5	145.1	146.5	147.1	144.8	144.7	144.8
Minerals	"	116.2	88.6	113.2	116.3	145.3	157.8	157.2	158.2	158.1	157.9	157.7	157.3	157.9	157.1	157.1	157.8	157.9	158.1
Miscellaneous	"	112.7	77.1	94.4	99.8	130.7	140.9	137.7	138.2	139.4	142.2	140.7	141.0	140.9	140.5	140.6	140.7	141.8	142.1
Complete Index	"	127.2	86.1	98.9	102.1	132.6	145.4	141.0	142.1	143.5	144.2	144.3	144.2	147.0	146.7	147.4	147.6	148.2	149.1
Cereals and Meat	1927=100	96.9	68.2	79.8	73.8	92.6	99.2	98.0	96.5	96.1	97.3	98.1	96.1	100.3	99.1	100.5	101.8	102.8	104.5
Other Food	"	85.8	62.5	58.7	65.6	81.8	95.2	87.8	91.4	92.7	93.3	93.4	96.6	97.8	98.2	98.4	98.6	98.6	98.1
Textiles	"	92.2	49.2	54.0	58.8	85.7	92.8	88.7	89.1	89.8	90.9	92.0	94.2	94.6	95.5	95.9	94.4	94.4	94.4
Minerals	"	95.6	72.9	93.1	95.6	119.5	129.8	129.3	130.1	130.0	129.8	129.6	129.4	129.8	129.2	129.2	129.8	129.8	130.1
Miscellaneous	"	90.5	61.9	75.9	80.8	104.9	113.1	110.6	111.0	111.9	114.2	113.0	113.2	112.9	113.0	113.0	113.9	114.8	114.8
Complete Index	"	92.4	62.6	71.9	74.2	96.4	108.7	102.5	103.3	104.3	104.8	104.9	104.8	106.8	106.6	107.1	107.3	107.7	108.1

BRITISH WHOLESALE PRICES

Commodity	Unit of Measurement and Price	End of Year				1941 (End of Month)											
		1929	1938	1939	1940	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Cereals and Meat																	
Wheat, No. 1 Northern Manitoba*	s. d. per qr.	55 6	27 6	30 7½	26 9	27 0	27 3	32 0	32 1½	32 6	32 4½	31 1½	31 1½	31 4½	30 10½	32 10½	33 10½
" English Gazette Average...	" per cwt.	9 6	4 4	7 1	14 7	14 7	14 7	14 7	14 7	14 7	14 7	14 7	14 7	14 7	14 7	14 7	14 7
Flour, London Standard, ex-mill...	" per 280 lb.	40 0	22 6	22 0	25 6	25 6	25 6	25 6	25 6	25 6	25 6	25 6	25 6	25 6	25 6	25 6	25 6
Barley, English Gazette Average...	" per cwt.	8 11	7 8	16 4	21 6	21 6	20 8	18 10	18 1	20 10	21 9	23 2	23 7	28 11	13 11	13 11	13 10
Oats	" per qr.	7 3	6 1	13 4	14 6	15 0	15 3	15 4	15 7	14 10	15 1	15 3	13 10	13 10	13 10	13 9	13 10
Maize, La Plata, landed	" per qr.	31 3	29 3	23 7½	12 1½	12 0	11 0	10 9	10 6	10 6	10 6	13 7	13 7½	13 10	13 10	7 00	8 00
Rice, No. 2 Burma	" per cwt.	12 6	7 0	15 0	12 3	8 00	8 00	8 00	8 50	8 50	7 00	7 75	7 00	8 00	7 00	7 75	8 00
Potatoes, Good English	£ per ton	4 50	5 25	6 37	8 25	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33
Beef, English Sides	s. per 8 lb.	5 75	4 50	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33
" Imported Chilled Hind-Quar.	"	5 09	4 42	5 00	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33	5 33
Mutton, English	"	7 00	5 17	6 33	6 16	6 16	6 16	6 16	6 16	6 16	6 16	6 16	6 16	6 16	6 16	6 16	6 16
" Imported	"	4 93	3 17	3 13	4 33	4 33	4 33	4 33	4 33	4 33	4 33	4 33	4 33	4 33	4 33	4 33	4 33
Bacon, Wiltshire Cut Sides	s. per cwt.	103 5	97 0	115 0	113 5	113 5	113 5	125 5	125 5	125 5	125 5	125 5	125 5	125 5	126 0	126 0	126 0
Other Food Products																	
Tea, Indian Auction Average	d. per lb.	13 12	13 72	13 46													
Coffee, Costa Rica, Good to Fine...	s. d. per cwt.	165 0	67 6	101 0	100 0	100 0	120 0	135 0	157 6	160 0	172 6	180 0	187 6	192 6	195 0	195 0	197 6
Cocoa, Grenada	"	51 0	27 0	65 3	58 6	69 9	87 6	92 6	Nom.	Nom.	Nom.	81 0	81 0	81 0	81 0	81 0	81 0
Sugar, B.W.I. Crystallised	"	22 0	18 10½	37 3	39 9	39 9	39 9	39 9	39 9	49 1	49 1	49 1	49 1	49 1	49 1	49 1	49 1
" Refined Granulated, London	"	22 8½	20 6½	36 10	40 6	40 6	40 6	40 6	40 6	49 10	49 10	49 10	49 10	49 10	49 10	49 10	49 10
Cheese, Imported	"	98 0	72 0	78 0	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2
Butter, All Grades	"	181 0	144 6	145 0	143 0	143 0	143 0	143 0	143 0	143 0	143 0	143 0	143 0	142 0	142 0	142 0	142 0
Coconut Oil, Crude	£ per ton	34 00	15 75	22 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13
Textiles																	
Cotton, American Middling	d. per lb.	9 50	5 22	8 78	8 58	8 58	8 54	8 99	9 24	9 24	9 24	9 24	9 24	9 24	9 24	9 25	9 25
" Egyptian f.g.f., Giza	"	14 15	7 49	10 37	12 19	12 08	12 09	12 08	12 05	12 05	12 05	12 05	12 05	12 05	12 05	12 05	12 05
" Yarn—32's Twist	"	13 87	9 00	10 25	15 74	15 84	16 10	16 52	16 81	16 81	16 81	16 81	16 81	16 81	16 81	16 81	16 81
Wool, 39-inch Shirtings	s. d. per piece	13 0	8 7	12 8	12 0	12 2	12 9	13 1	13 1	13 4	13 7	13 7	13 7	13 7	13 7	13 7	13 7
Wool, English, Lincoln, Washed	d. per lb.	16 00	11 50	15 00	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75
" Australian, Scoured Fleece, 70's (a)	"	33 00	22 50	26 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00
" Tops, 64's	"	32 00	25 00	31 75	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00
Flax, Livonian Z.K.	£ per ton	58 00	74 50	147 50	Nom.	Nom.	Nom.	Nom.	Nom.	Nom.	Nom.	Nom.	Nom.	Nom.	Nom.	Nom.	Nom.
Hemp, Manila	"	35 50	20 00	29 00	26 00	26 00	26 00	26 00	26 00	30 00	30 00	30 00	30 00	30 00	30 00	30 00	30 00
Jute, Dacca 2/3 cut Dundee (b)	"	28 00	18 88	49 50	27 00	27 50	27 50	29 00	29 50	33 50	36 50	38 50	42 50	44 00	47 00	47 00	47 00
Minerals																	
Pig Iron, Cleveland, G.M.B. No. 3	s. per ton	72 6	109 0	108 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0
Steel Rails, Middlesbrough	£ per ton	8 50	10 12	10 15	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53
Iron Bars	"	10 75	13 25	12 75	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63
Tin Plates, I.C., S. Wales	s. d. per box	18 10½	21 6	21 6	29 9	29 9	29 9	29 9	29 9	29 9	29 9	29 9	29 9	29 9	29 9	29 9	29 9
Coal, Welsh, Best Ad'ty.	s. d. per ton	20 1½	21 0	27 6	31 3½	31 11½	31 11½	31 11½	31 11½	31 11½	31 11½	31 11½	31 11½	31 11½	31 11½	31 11½	31 11½
" Durham, Best Gas	"	17 1½	18 10½	22 1½	26 4½	27 0½	27 0½	27 0½	27 0½	27 0½	27 0½	27 0½	27 0½	27 0½	27 0½	27 0½	27 0½
" Sheffield, Best House	"	21 3	23 0	26 0	31 9	32 4	32 4	32 4	32 4	32 4	32 4	32 4	32 4	32 4	32 4	32 4	32 4
Lead, Soft Foreign (c)	£ per ton	23 25	17 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00
Tin, Standard	"	178 18	215 4	247 9	258 0	257 0	276 25	273 38	269 38	264 50	260 38	256 38	256 25	256 13	256 88	256 63	256 63
Copper, Electrolytic	"	83 00	50 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00
Spelter, G.O.B.	"	20 25	13 96	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75
Miscellaneous																	
Timber, English Oak Planks	s. per c. ft.	7 0	6 0	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5
" Swed. U/S 24 x 7	£ per st.	19 00	20 25	25 13	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25
Cement, Best Portland	s. per ton	47 0	42 0	45 0	44 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5
Hides, Market, Best Ox	d. per lb.	6 63	4 75	7 69	4 75	5 06	5 06	5 06	5 06	5 06	5 06	5 06	5 06	5 06	5 06	5 06	5 06
Leather, Sole Bends 8/14 lb.	"	21 18½	18 18	27 31	34 36	34 36	34 36	34 36	34 36	34 36	34 36	34 36	34 36	34 36	34 36	34 36	34 36
Petrol, No. 1 Spirit (d)	d. per gal.	17 1	18 18	21 21	21 21	21 21	21 21	21 21	21 21	21 21	21 21	21 21	21 21	21 21	21 21	21 21	21 21
Kerosene, burning oil	"	12 10	10 9 25	11 11	11 11	11 11	11 11	11 11	11 11	11 11	11 11	11 11	11 11	11 11	11 11	11 11	11 11
Furnace Oil	"	4 6	4 6	6 7½	7 7½	7 7½	7 7½	7 7½	7 7½	7 7½	7 7½	7 7½	7 7½	7 7½	7 7½	7 7½	7 7½
Linseed Oil, Nacked	£ per ton	45 00	22 25	36 50	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5
Rubber, Plantation	£ per ton	8 00	8 18	11 63	12 19	12 19	13 13	14 50	14 50	14 50	14 50	14 50	14 50	14 50	14 50	14 50	14 50
Soda, Crystallised	"	5 12	5 35	5 37	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13
Cresote, London	£ per gal.	4 25	4 37	5 63	5 37	5 37	5 37	5 63	5 63	5 63	5 63	5 63	5 63	5 63	5 63	5 63	5 63

NATIONAL BANK OF INDIA, LIMITED

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

Established in Calcutta 29th September, 1863

Bankers to the Government in KENYA (B. E. Africa) and UGANDA

Subscribed Capital	-	-	-	£4,000,000
Paid-up Capital	-	-	-	£2,000,000
Reserve Fund	-	-	-	£2,200,000

Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES				
CALCUTTA	CAWNPORE	MANDALAY	STEAMER POINT,	ENTEBBE
BOMBAY	DELHI	COLOMBO	ADEN	KAMPALA
MADRAS	LAHORE	KANDY	MOMBASA	JINJA
KARACHI	TUTICORIN	NUWARA ELIYA	NAIROBI	TANGA
CHITTAGONG	COCHIN	ADEN	NAKURU	DAR-ES-SALAAM
AMRITSAR	RANGOON	ZANZIBAR	KISUMU	MWANZA
			Kenya	Uganda
				Tanganyika Territory

The Bank grants Drafts and Telegraphic Transfers on all places where it is represented; negotiates and collects Bills of Exchange; collects Pay, Pensions, and generally transacts every description of Eastern Banking business. Current Accounts opened and Deposits received for fixed periods, not exceeding one year; rates available on application. Circular Letters of Credit available throughout the World issued to Constituents at Head Office and Branches. Trusteeships and Executorships undertaken. Income Tax Returns prepared and Claims submitted.

THE Commercial Banking Company of Sydney, LIMITED

(with which is amalgamated the BANK OF VICTORIA LTD.)

ESTABLISHED 1834

INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY

Authorised Capital	£12,000,000	0	0
Capital Paid up	£4,739,012	10	0
Reserve Fund	£4,300,000	0	0
Reserve Capital	£4,739,012	10	0
	£13,778,025	0	0

Total Assets
30th June, 1941 ... £67,913,974 7 3

Head Office: Sydney—343 George Street
General Manager: C. Darvall

427 Offices and Branches in New South Wales, Queensland, Victoria, South Australia and Australian Capital Territory. Agencies throughout Australia and New Zealand, and all other parts of the world.

Drafts payable on demand and Letters of Credit are issued by the London Office on the Head Office, Branches and Agencies of the Bank. Bills on Australasia negotiated and collected. Remittances cabled and mailed.

LONDON OFFICE:

18 BIRCHIN LANE, LOMBARD ST., E.C.3
G. M. AINSWORTH, Manager; E. A. BARRETT, Accountant.

ALEXANDERS DISCOUNT CO. LIMITED

24 Lombard Street, E.C.3

Capital Authorised	-	-	£1,800,000
Subscribed	-	-	1,800,000
Paid-up Preference Shares	-	-	200,000
Paid-up Ordinary Shares	-	-	800,000
Reserve Fund	-	-	1,000,000

DIRECTORS

COLIN FREDERICK CAMPBELL, *Chairman*
GEORGE CLEVERLY ALEXANDER
SIR AUSTIN EDWARD HARRIS, K.B.E.
ERIC GORE BROWNE, D.S.O., O.B.E., A.D.C.
FRANK NEWCOMB
ROBERT ALEXANDER
MARK DINELEY

Joint-Managers { EDWARD JOHN BOWIE
ANTONY MACNAGHTEN
Secretary—P. C. TONG

Approved Mercantile Bills discounted. Loans granted on negotiable securities. Money received on deposit at call and short notice at current market rates, as advertised from time to time in the daily papers. For longer periods on specially agreed terms.

The Company deals in British Treasury Bills of any maturity

IONIAN BANK, LIMITED

ESTABLISHED 1839.

Incorporated by British Royal Charter in 1842 and Registered under the Companies Acts in 1883.

CAPITAL: AUTHORISED £1,000,000, PAID-UP £600,000.

OVER 100 YEARS' BANKING SERVICE IN AND BETWEEN GREAT BRITAIN AND THE NEAR EAST.

Transacts every description of banking business in and with Egypt—Principal office, Alexandria; and Cyprus—Principal office, Nicosia. (Its numerous Branches in Greece are at present in enemy occupation.)

HEAD OFFICE: 25/31, MOORGATE, LONDON, E.C.2.